



It is not easy to be the People's hero...

The Halkbanker heroes standing behind the People and the business of their clients, as the solution partner of the People sharing their destiny...

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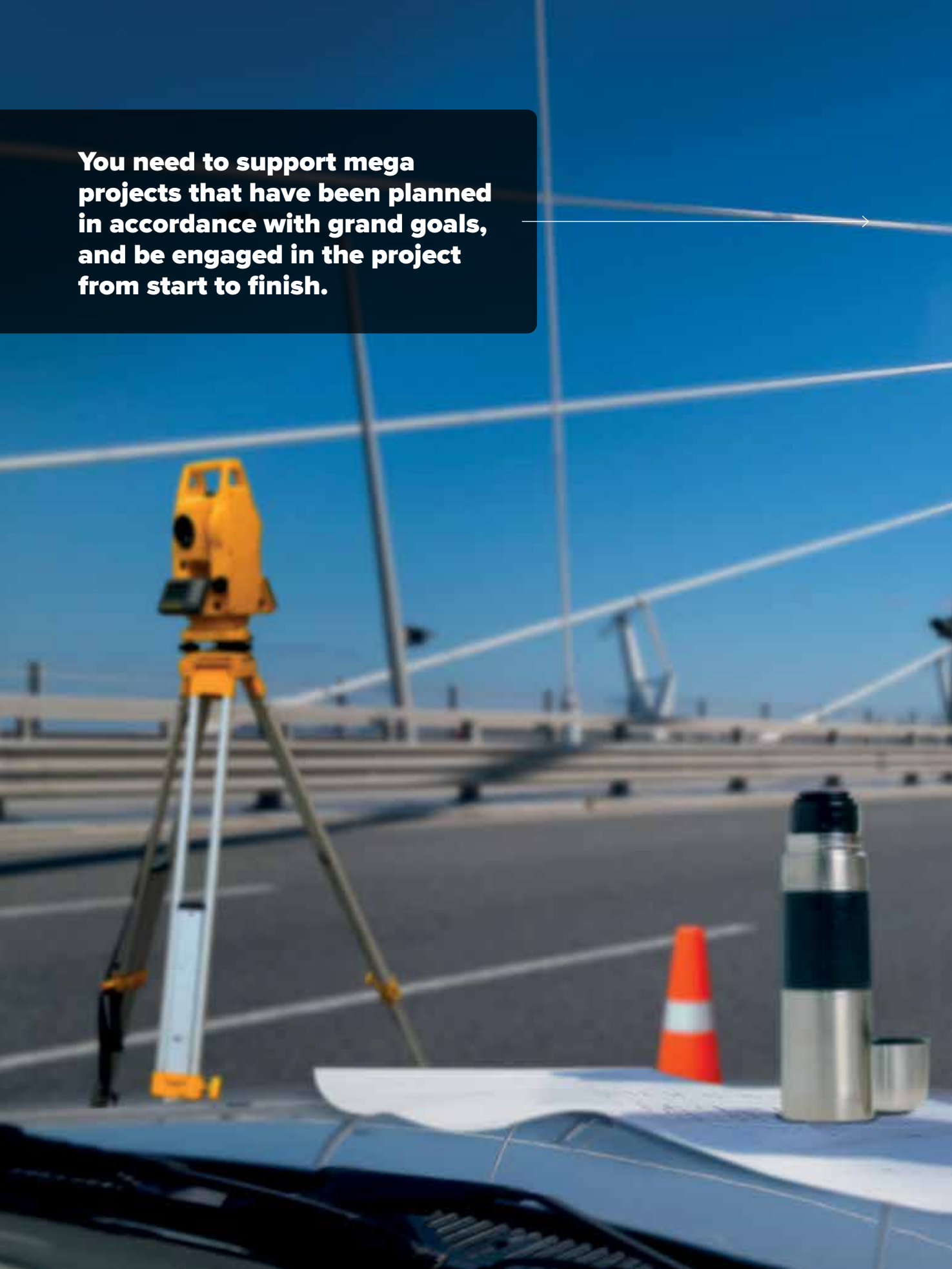
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We have spent every single day of our 81-year history supporting craftsmen, artisans, entrepreneurs and all other producers.

Everybody has a hard job, as there is no easy job. However, the hardest job is to support everybody; to understand them and their businesses and problems; and to develop custom banking solutions for them... Moreover, at times we have done this heroically during most eventful and challenging periods.

To this end, we proclaim that it is not easy to be the “People’s Hero.” First, you need to put yourself in her shoes, and get to know her.

You need to support mega projects that have been planned in accordance with grand goals, and be engaged in the project from start to finish.





HALKBANK IN FIGURES

457.0

(TRY BILLION)
TOTAL ASSETS

309.2

(TRY BILLION)
CASH LOANS

297.7

(TRY BILLION)
TOTAL DEPOSITS

32.2

(TRY BILLION)
SHAREHOLDERS' EQUITY

14.3%

CAPITAL ADEQUACY
RATIO

1,006

BRANCHES

18,967

TOTAL
EMPLOYEES

3RD
BANK

IN TOTAL ASSETS

2ND
BANK

IN CASH LOANS

2ND
BANK

IN DEPOSITS

CORPORATE PROFILE

One of the benchmarks of the Turkish banking industry, Halkbank lends credit support to the real economy and the society while working for Turkey's prosperity.

SUPPORT TO THE REAL ECONOMY

Founded with the mission of encouraging tradesmen and artisans to produce, Halkbank maintains its uninterrupted support for the Turkish economy with the belief that prosperity and wealth can only increase through stronger players in the production sector.

SUPPORT TO SOCIAL WELFARE

Helping Turkey grow while growing with Turkey for 81 years, Halkbank continues to carry out social development initiatives in accordance with its corporate citizenship awareness while being the largest supporter of the Turkish economy with its mega projects.

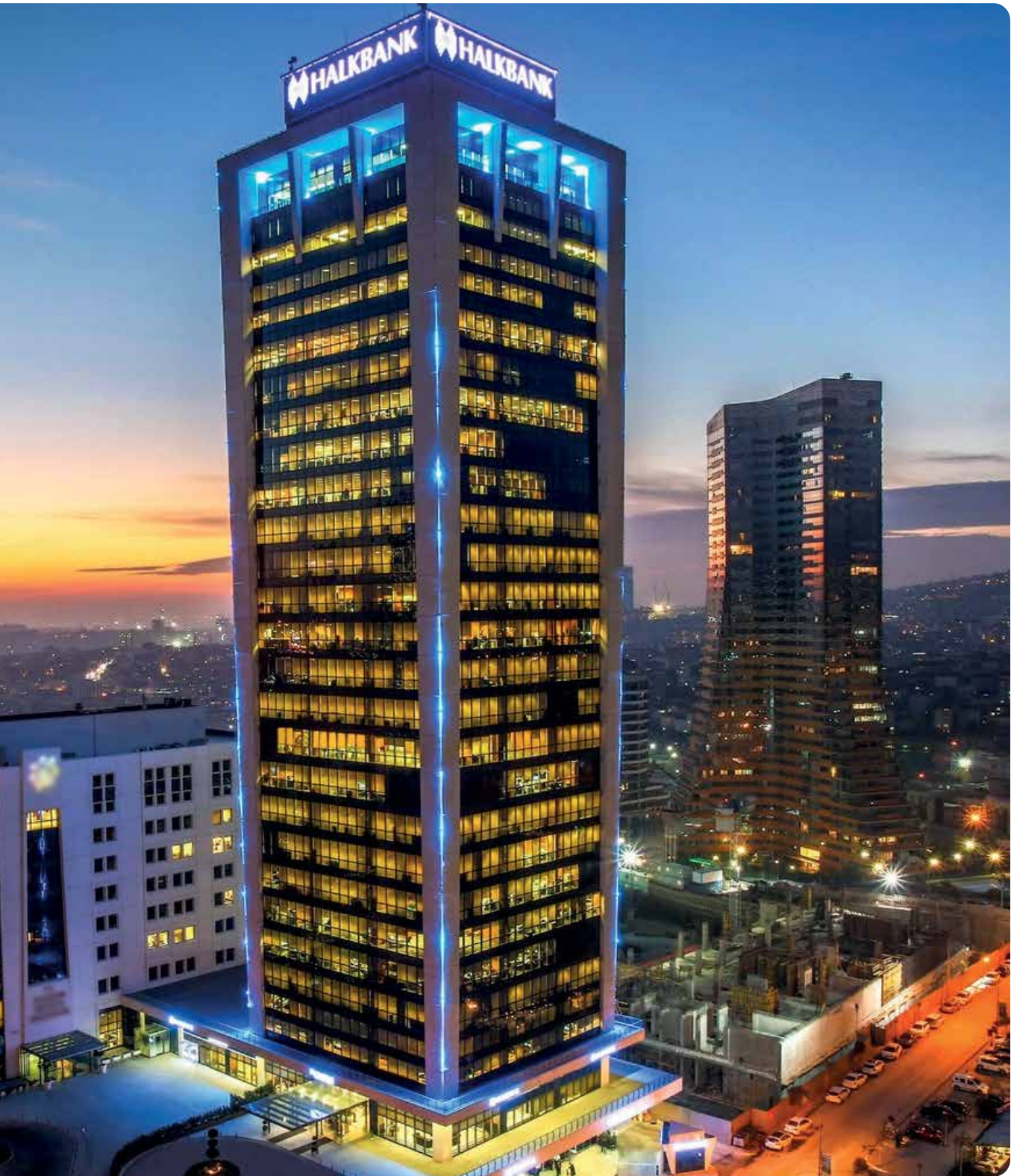
SUPPORT FOR CUSTOMERS

Having become one of the strongest players in the industry thanks to the confidence of the Turkish people, Halkbank serves its customers in every segment of contemporary banking and plans its operations based on the principle of standing by its customers everywhere and at all times.

SUPPORT FOR SMEs

Halkbank, the "Bank of Productive Turkey," leverages its expertise in SME banking to develop products and services that meet the needs of the real economy. SMEs in Turkey are producing, growing and looking to the future with hope with the support of Halkbank, the leader in SME banking.





HALKBANK'S VISION, MISSION, OBJECTIVES AND CORPORATE VALUES

Halkbank strives to be the region's leading SME bank and be the bank of first choice for SMEs and retail customers.

Our Vision

Fulfilling all the requirements of universal banking to become a bank strong in the retail segment and the leader of SME services across the region.

Our Mission

Fully aware of its social responsibility and professional mission, performing all banking services in an efficient manner, creating permanent value for customers, shareholders and employees, contributing to the development of the banking industry and capital markets, and assuming a prestigious position in regional and global banking.

Our Targets

- Becoming the leading SME bank of the region,
- Becoming the bank of choice for SME and retail customers alike,

- Becoming the employer of choice for highly qualified banking professionals,
- Delivering customer satisfaction in all business processes by reaching the highest quality and fastest service levels in the sector,
- Becoming a bank that grows in a balanced fashion and regularly posts sustainable profits.

Our Corporate Values


- Customer focus
- Reliability
- Integrity
- Creativity
- Dynamism
- Rationality
- Teamwork
- Productivity
- Transparency
- Sensitivity
- Self-confidence
- Openness to change
- Social responsibility awareness
- Sharing information and experience

HALKBANK'S STRATEGIES

Halkbank provides traditional banking services alongside custom tailored product and service alternatives to customers, embraces a customer-oriented and high-quality banking approach in accordance with its strategies, and continues to be Turkish economy's biggest supporter.

- Expanding the range of traditional banking activities and specially designed new product and service options.
- Offering SME and retail customers in the middle and higher income segments various exclusive products and services, as part of customer segmentation efforts.
- Providing top quality services with a customer focus.
- Creating efficiency in critical processes, in particular loan and financial risk management.
- Ensuring efficiency in all business processes to provide a wide array of products, transaction and system security, fast and high-quality transactions, and competitive pricing.
- Guaranteeing the continuous development and motivation of employees via career and performance management systems.
- Ensuring that internal and external customers embrace the corporate identity.
- Rendering high-quality service in international banking through the overseas branch network.





You need never forget your mission and stand behind the tradesmen. You need to address all needs with solutions such as Paraf Esnaf (Tradesman) and ease the burden of the tradesmen.

HALKBANK IN BRIEF

Rendering an unparalleled banking experience to its customers with 1,000 domestic branch locations, 6 overseas branches, 1 country management, 3 overseas representative offices, 4,051 ATMs, telephone and internet banking channels, and mobile banking applications as of the end of 2019, Halkbank serves with innovative products and services as part of its global vision.

A steadily-growing, deep-rooted, pioneering and respected brand of rising Turkey, Halkbank was founded in 1938 to support craftsmen and tradesmen and to accelerate Turkey's lasting economic development. The Bank has been spearheading the Turkish banking industry's development while successfully executing its mission of supporting the real economy for 81 years.

Rendering an unparalleled banking experience to its customers with 1,000 domestic branch locations, 6 overseas branches, 1 country management, 3 overseas representative offices, 4,051 ATMs, telephone and internet banking channels, and mobile banking applications as of the end of 2019, Halkbank serves with innovative products and services as part of its global vision.

Halkbank, the bank of producing Turkey, sees every producing and job-creating tradesman, farmer, and small, medium and large business owner as a business partner and considers supporting them in good days and bad days alike with all of its financing facilities as its *raison d'être*. Increasing its SME lending market share to 18.5% and allocating 39.5% of its total cash loans to SMEs, Halkbank continues to be the biggest supporter of the Turkish economy.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN 2019

In 2019, there were no changes to the Articles of Association.

SHAREHOLDING STRUCTURE

Having shifted to the registered capital system upon a resolution adopted at its Ordinary General Assembly dated March 27, 2015, Türkiye Halk Bankası A.Ş. has registered capital ceiling of TRY 7,500,000,000 and issued capital of TRY 1,250,000,000.

Türkiye Halk Bankası A.Ş. has shifted to the registered capital system, upon a resolution adopted at its Ordinary General Assembly dated March 27, 2015. The Bank's registered capital ceiling is TRY 7,500,000,000 and its issued capital is TRY 1,250,000,000.

99.999996207% of the Bank's shares, originally held by the Undersecretariat of Treasury of the Prime Ministry of the Republic of Turkey, were transferred to the ownership of the Privatization Administration of Turkey. Pursuant to Resolution No. 2007/08 of the Privatization High Council dated February 5, 2007; the Resolution of the Bank's General Assembly dated April 19, 2007; and Resolution No. 16/471 of the Capital Markets Board of Turkey dated April 26, 2007, 24.98% of these shares were publicly listed on May 10, 2007.

As part of the secondary public offering of the Bank's shares pursuant to Resolution No. 2012/150 of the Privatization High Council dated October 4, 2012, shares owned by the Privatization Administration of Turkey,

representing 23.92% of the Bank's capital, were successfully floated on November 21, 2012.

Pursuant to the Resolution numbered 2017/1 dated February 3, 2017 by the Privatization Board of Turkey, shares held by the Privatization Administration of Turkey were removed from the scope of the privatization program and they were transferred to the Turkey Wealth Fund on March 10, 2017.

The Bank's controlling shareholder is the Turkey Wealth Fund with an equity stake of 51.10604% (Address:

Kültür Mah. Nispetiye Cad. Akmerkez E Blok Beşiktaş İstanbul). Neither the Chairman, Vice Chairman, General Manager, the Members of the Board of Directors nor Deputy General Managers hold shares in the Bank.

Pursuant to Law No. 6327 dated June 13, 2012, as well as Provision 3 of Article 2 that was added to Law No. 4603, until their sale is finalized, these public sector-owned shares in the Bank shall be governed and represented by the Minister that the Bank reports to in accordance with the Turkish Commercial Code.

Shareholder	Paid-in Capital (TRY)	Shareholding (%)
Turkey Wealth Fund ⁽¹⁾	638,825,500	51.1060400
Free Float ⁽²⁾	611,093,358	48.8874686
Other ⁽³⁾	81,142	0.0064914
Total	1,250,000,000	100,0000000

⁽¹⁾ TRY 549,932 shares out of total shares belonging to Turkey Wealth Fund are eligible to be traded at Borsa İstanbul. The free float rate corresponds to 48.93%.

⁽²⁾ The Free Float amount includes shares worth TRY 47,976,845 that were repurchased in 2019 pursuant to the Bank's Board of Directors' Share Buy Back Resolution dated August 29, 2018.

⁽³⁾ The shares in the amount of TRY 78,521 under the "Other" group belong to our shareholders whose shares do not trade on the Exchange (though these shareholders have been dematerialized them in their own accounts); TRY 2,621 of the shares in the "Other" group belong to the shareholders whose shares are monitored under the DESA - Dematerialized Unknown Shareholder Account (KAYBOH) due to the ongoing legal action.

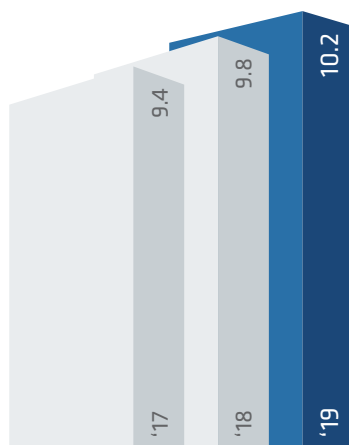
KEY FINANCIAL INDICATORS AND RATIOS

Halkbank's assets increased 20.8% as of year-end 2019 to reach TRY 457 billion. In the same timeframe, Halkbank raised its assets market share to 10.2% while shareholders' equity stands at TRY 32.2 billion.

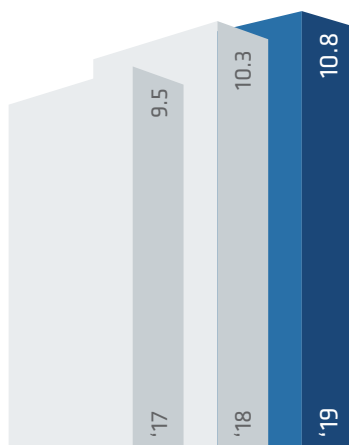
Halkbank's Position in the Sector

Share (%)	2018	2019
Total Assets	9.8	10.2
Cash Loans	10.3	10.8
Securities	14.0	13.9
Deposits	11.5	11.1
Shareholders' Equity	6.9	6.5
Profit	4.7	3.5

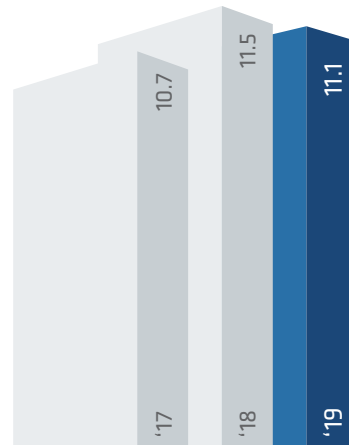
Total Assets Market Share (%)



Cash Loans Market Share (%)



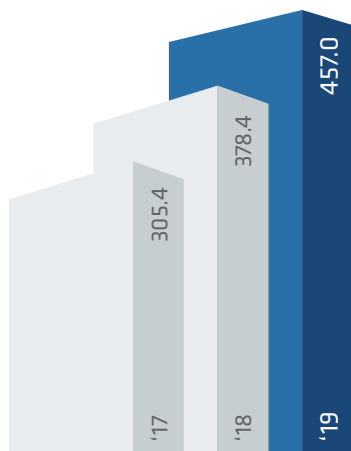
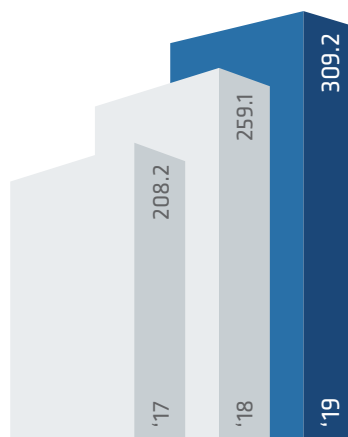
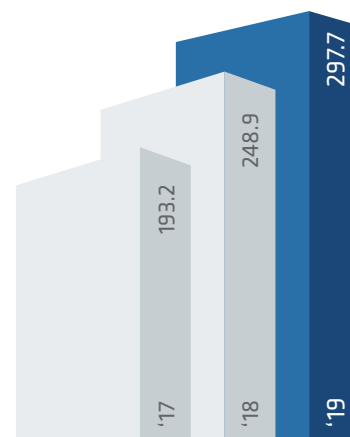
Deposits Market Share (%)



* Sector data dated December 31, 2019 and featured in the report was disclosed by BRSA on February 19, 2020.

Financial Indicators (TRY Million)	2018	2019	Change (%)
Total Assets	378,422	457,045	20.8
Liquid Assets	40,084	38,229	-4.6
Cash Loans	259,074	309,208	19.4
Securities	74,557	102,734	37.8
Total Deposits	248,855	297,734	19.6
Shareholders' Equity	29,021	32,197	10.9
Net Interest Income	8,080	10,612	31.3
Net Fee and Commission Income	1,950	2,778	42.5
Gross Profit	2,718	1,968	-27.6
Net Profit	2,522	1,720	-31.8

Key Ratios (%)	2018	2019
Interest Bearing Assets/Total Assets	82.7	84.3
Cash Loans/Total Assets	68.5	67.7
Non-performing Loans/Total Cash Loans (Gross)	3.29	5.15
Cash Loans/Deposits	104.1	103.9
Average Return on Assets	0.7	0.4
Average Return on Equity	9.3	5.6
Capital Adequacy Ratio	13.8	14.3

Total Assets (TRY billion)**Cash Loans (TRY billion)****Total Deposits (TRY billion)**

* Cash loans include rediscount loans and gross non-performing loans. The corresponding amounts for 2017 and 2018 were also revised accordingly.

HALKBANK'S HISTORICAL DEVELOPMENT

Mustafa Kemal Atatürk, who stated, “It is extremely essential to create an organization that will provide small business owners and large industrial enterprises with the loans they so desperately need, easily obtainable and inexpensively priced, and to lower the cost of credit under normal circumstances” paved the way for the inception of Halkbank.

HALKBANK AND THE PEOPLE'S FUNDS LAW

Halkbank and the People's Funds Law promoted the development of a hybrid system with a dual structure that included an occupation-based microcredit facility that Turkey lacked at the time.

Aware of the need for a balanced social structure, the young Republic of Turkey embraced supporting small tradesmen and artisans and developing people's banking as targets in this direction.

However, economic hardships due to various reasons such as lack of capital formation, scarcity of productive sectors, and inadequacy of the private sector prevented the emergence of lending institutions that would support tradesmen, craftsmen and small business owners in the early years of the Republic.

The Great Depression of 1929 led to a very challenging economic environment in Turkey. During this period, the commercial activities of artisans and tradesmen contracted across the country.

Banks and other state enterprises that started operations in the years after the founding of the Turkish Republic were unable to address the unique problems facing small scale artisans and tradesmen, which made up the

largest segment of the economy. As a result, Halkbank's establishment was decided to lend specifically to artisans, tradesmen and small businesses at favorable terms in order to achieve lasting economic development, social stability and peace.

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Halkbank and the People's Funds Law

Halkbank was founded pursuant to the Halkbank and Public Funds Law enacted in 1933. This legislation promoted development of a hybrid system with a dual structure that included an occupation-based microcredit facility that Turkey lacked at the time. Under this system, Halkbank would manage micro-lending centrally while public funds would be set up to



You need to provide a very versatile and rich loan lineup that will grow the business to ensure that business owners open shop with hope and close up with happiness and blessings.

assume the principal function in the areas deemed appropriate by the Bank.

This hybrid system was put in practice five years after the enactment of the law and Halkbank began operating in 1938.

People's banking, which followed a similar path to cooperative movements in various countries, also began in Turkey with the establishment of Halkbank. Halkbank is the first bank of the middle class, and its representatives in the economy consisting of tradesmen, artisans and small businesses, in the sector.

Conducting its operations in light of Ataturk's words "my happiest day will be when I see magnificent factories replace the small shops of tradesmen," Halkbank provided credit services through the Public Funds channel, from which it received financing, from 1938 to 1950. Halkbank was authorized to open branches and lend directly in 1950. The Bank started increasing the pace of its activities as well as its deposit and lending volumes in 1964 and reached an important position in the banking industry.

Halkbank acquired Türkiye Öğretmenler Bankası T.A.Ş. (Töbank) in 1992, Sümerbank in 1993,

and Etibank in 1998. Growing more diversified and stronger with each acquisition, Halkbank entered into the process of reorganization in 2000 to operate more effectively in the current, internationally competitive banking environment while preparing itself for privatization. In 2001, the Bank acquired Emlak Bankası with its 96 branches, personnel and balance sheet.

Pamukbank was merged into Halkbank in the second half of 2004. Finalized in only half the time of the originally estimated nine months, this integration went down in world banking history as a bank merger that was successfully completed in a very short period of time.

HALKBANK'S HISTORICAL DEVELOPMENT

Prioritizing investments that support the national economy and social development since its establishment, Halkbank continues to bolster its respected position in the banking industry that the Bank earned through extensive countrywide branch network, high quality products and services, and professional approach in the SME banking segment with major advances in recent years.

The first bank to establish an Entrepreneur Information Center in 1995 and the first bank in Turkey to offer a Women's Entrepreneur Loan in 2007, Halkbank has always been a pioneer in the industry. It was also the first state-owned bank to use TV banking and to open an offshore branch abroad.

Record Demand for Public Offering

Halkbank's share flotation in 2007 generated record demand as the largest ever public offering in Turkey at that time. Some 24.98% of the Bank's outstanding shares were sold for TRY 2.5 billion. Bids placed by domestic and international investors for the Bank's floated shares totaled TRY 17.3 billion, eight times the size of the offering. Halkbank's successful flotation received the "Best Public Offering" award for the year from Sweden-based East Capital, a leading independent European investment company.

In 2012, Halkbank carried out a secondary public offering of its shares that increased its free-float ratio to 48.9%. As a result of a successful public offering, TRY 4,5 billion sales were realized. Of the total offering,

80% of the shares were sold to foreign investors while domestic corporate investors and domestic individual investors were each allocated 10%. Halkbank completed its secondary offering, recorded as the largest public offering on the Borsa İstanbul A.Ş. and the third-largest in Europe in 2012, with the smallest discount to date, marking yet another notable achievement for the Bank.

Prestigious Position in the Sector

Since its establishment, Halkbank has always prioritized those investments that contribute to both Turkey's economic and social development. Thanks to major strides taken in recent years, the Bank continues to strengthen its well-respected position in the banking industry attained through a countrywide branch network, high quality products and services, and a professional approach to SME banking.

Striving to extend resources to productive enterprises and to create value for Turkey, Halkbank meets all funding demand with competitive interest rates thanks to its diversified range of loan products for investment, production, domestic and foreign trade, and retail financing. In addition

to its domestic funding sources, the Bank also cooperates with international financial institutions including the World Bank, the Council of Europe Development Bank and the French Development Agency. Furthermore, Halkbank offers a wide range of conveniences to SMEs including special loans and products tailored to their specific requirements, local and regional needs through credit agreements with chambers of commerce and industry throughout Turkey.

Halkbank works to increase cooperation with regional development agencies; increase the loans extended through KOSGEB (Small and Medium Enterprises Development Organization) and KGF (Credit Guarantee Fund of Turkey); and bolster the amount and variety of funding sources secured from international financial institutions. Additionally, Halkbank is constantly evolving and implements organizational change strategies to provide better service to SMEs and meet their specific needs with fast, effective, high-quality solutions that ultimately aim to contribute to the country's economic development by strengthening SMEs, the foundation of Productive Turkey.

The Bank of “Firsts” in Retail Banking

Upon the leap taken into the retail banking segment, Halkbank enriched its consumer loan portfolio with offerings that meet every type of need with attractive terms. In addition to general purpose loans for basic needs, the Bank added retail loans with convenient repayment options for target occupational groups to its existing product portfolio.

Europe’s first prepaid contactless debit card launched thanks to a partnership between Halkbank and Visa. Bank24 Jet combines many functions including a contactless payment card for small-sum purchases, a public transit card, KGS, a self-service payment card and a pass card.

With its initiative that shortened the process of receiving and evaluating credit card applications and delivering cards to customers, Halkbank became the first bank in Turkey to receive ISO 9001 Quality Management Systems Certification in 2008.

In December 2012, Halkbank launched a new credit card brand, Paraf, with the slogan, “Paraf: Home of Benefits.” Having introduced numerous firsts to the sector with distinctive promotional campaigns and innovative features, Paraf posted significant increases in card numbers and market share. Halkbank was selected the “Bank with the Largest Growth in Visa Credit Card Shopping Volume” at the Visa 2014 Achievement Awards.

With Paraf, which is not only a credit card product but also a platform that enables partnerships with other banks, Halkbank plans to offer services customized according to the personal preferences and needs of customers.

Strong Technological Infrastructure

Halkbank’s use of advanced technology serves as a powerful competitive advantage. Thanks to a revamped technological infrastructure, centralized database and automated operations facilities, the Bank significantly reduced the operational task workload performed by the branches for settlement and reconciliation purposes. Halkbank has launched a wide variety of technology related initiatives, including “data warehousing, data mining and customer relationship management;” these projects help facilitate the Bank’s business strategy development and decision-making processes, identification of customer profiles and needs, and product and service offerings.

Halkbank implemented the “Identity Management System” in 2008 at the Head Office and branches. The Identity Management System allows employees to conduct all banking transactions as well as to receive healthcare and social security services using a single ID number or card.

In order to facilitate customer banking transactions across all platforms, Halkbank uses technology infrastructure and processes as needed in today’s world and financial services industry.

A Powerful Regional Player

Halkbank is striving to extend its robust domestic performance to overseas markets and to become a strong regional bank in Turkey’s surrounding geography. In 2011, Halkbank acquired the shares of Export and Credit Bank Inc., the SME bank of Macedonia. Aiming to be one of Macedonia’s top three banks, Halkbank operates in the country under the name Halk Banka A.D., Skopje. In 2012, Halk Banka A.D. Skopje acquired Ziraat Banka A.D., Skopje along with all of its assets, liabilities, branches and personnel.

In 2015, Halkbank bought a 76.76% stake in Cacanska Banka and renamed it Halkbank A.D. Beograd. Halkbank continues to make long-term investments in Serbia. Becoming a 100% owner of Halkbank A.D. Beograd after the capital increase and share purchases, Halkbank continues its growth strategy in Serbia.

In the coming years, Halkbank plans to continue seizing opportunities that arise in the Balkans, to establish a strong regional presence there, and function as a bridge between Turkey and that burgeoning area.

Halkbank Headquarters Moves to Istanbul

At Halkbank’s Ordinary General Assembly Meeting held on March 29, 2013, the Bank’s headquarters was relocated from Ankara to Istanbul, with the approved amendments made to the Articles of Association.

MILESTONES

In addition to its robust financial infrastructure and asset quality, Halkbank grew its service network to 1,000 branches in 2019.

1933

Founded pursuant to the Halkbank and Public Funds Law, Halkbank carried out credit services through the Public Funds channel for which it provided financing from 1938 to 1950.

1940

Halkbank extended its first SME loans to small and medium-size enterprises.

1950

Having conducted credit services through the Public Funds channel since 1938, Halkbank was authorized to open branches and lend directly in 1950.

1964

Halkbank created the first fund for the construction of small industrial parks and marketplaces. That same year, the Bank started working actively to expand the deposit base and lending volume.

1975

Halkbank became the bank of larger industrial enterprises as well with the launch of industrial investment and working capital loans.

1992

Halkbank grew with the acquisition of a number of banks starting in 1992. As part of this process, Türkiye Öğretmenler Bankası (Töbank) was merged into Halkbank during the year with all of its personnel, branches, assets and liabilities.

1993

Halkbank acquired Sümerbank's assets and liabilities in 1993.

1995

The first Entrepreneur Information Center was established.

1998

Etibank was merged into Halkbank in 1998, with only the acquisition target's assets and liabilities.

2000

Halkbank launched restructuring initiatives pursuant to Law No. 4603 on the restructuring of state-owned banks to operate in accordance with the requirements of the current globally competitive banking environment and to prepare for privatization.

2001

Halkbank acquired Türkiye Emlak Bankası, with the target company's 96 branches, personnel and balance sheet.

2004

In the second half of 2004, Pamukbank was successfully merged into Halkbank with all the target company's assets, liabilities, branches and employees.

2007

Halkbank's public offering in 2007, which met with record demand, was registered in the history of the Borsa İstanbul A.Ş. as the largest public offering carried out in Turkey at that time. 24.98% of Halkbank

shares were floated. Thanks to this successful public offering, Halkbank received the annual “Best Public Offering” award from East Capital, a leading European investment company.

2008

Halkbank credit cards were redesigned to offer all benefits of Advantage and launched under the Halkbank Advantage brand.

With an initiative that shortened the process of receiving and evaluating credit card applications and delivering cards to customers, Halkbank became the first bank in Turkey to receive ISO 9001 Quality Management Systems Certification in 2008.

In addition, Europe’s first prepaid contactless debit card launched thanks to a partnership between Halkbank and Visa; Bank24 Jet combined a large number of diverse functions in one single card.

In 2008, Halkbank launched the SME Transformation Project to help SMEs comply with domestic and international regulatory requirements and practices with regard to corporate social responsibility, environment, occupational health and safety and energy efficiency.

2009

Entering into cooperation agreements with development agencies, Halkbank started collaborating with these agencies, the first bank to become a solutions partner to this segment.

2011

Halk Academy, an in-house banking school, was restructured to provide the highest quality training for Halkbank employees. The Academy administered programs

that generally related to banking, personal development and social responsibility.

Halkbank Operations Center was established as part of the Operational Transformation Project that was initiated to increase the Bank’s efficiency and accelerate growth.

Striving to extend its successful domestic performance to overseas markets and become a powerful regional bank, Halkbank acquired the shares of Export and Credit Bank Inc. /Skopje, the SME bank of Macedonia in 2011. Aiming to be one of Macedonia’s top three banks, Halkbank operates in the country under the name Halk Banka A.D., Skopje.

2012

Halkbank launched the credit card brand Paraf with the slogan, “Paraf: Home of Benefits” in 2012.

Halkbank shares were floated in 2012 through a secondary public offering, raising the Bank’s free-float percentage to 48.9%.

2013

At Halkbank’s Ordinary General Assembly Meeting held on March 29, 2013, the Bank’s headquarters was relocated from Ankara to Istanbul, with the approved amendments made to the Articles of Association.

Halkbank expanded the Paraf card product portfolio in 2013 and introduced Parafly, a credit card designed specifically for travel spending.

2014

Paraf Credit Card garnered Halkbank the “Bank with the Largest Growth in Visa Credit Card Shopping Volume” designation at the Visa 2014 Achievement Awards.

2015

In March 2015, Halkbank acquired a 76.76% stake in Cacanska Banka A.D., Cacak, which has branches in various regions of Serbia. Halkbank renamed the newly acquired bank Halkbank A.D., Beograd.

2016

Following completion of the registration process in Singapore, the Bank inaugurated its Singapore representative office.

In 2016, Halkbank took its efforts in the area of sustainability to the next level, and joined the BIST Sustainability Index.

2017

Pursuant to the Resolution numbered 2017/1 dated February 3, 2017 by the Privatization Board of Turkey, shares held by the Privatization Administration of Turkey were removed from the scope of the privatization program and they were transferred to the Turkey Wealth Fund on March 10, 2017.

The first Turkish bank to implement the ISO 50001 Energy Management System as part of its sustainability initiatives, Halkbank received the Low Carbon Hero award from the Sustainable Production and Consumption Association on April 26, 2017.

2018

In 2018 Halkbank unveiled the Paraf Esnaf (Tradesman) and Paraf KOBİ (SME) credit cards in the commercial credit cards market while rolling out the Parafree youth card in the retail credit card segment.

2019

The number of domestic branches reached 1,000.

CHAIRMAN'S ASSESSMENT

During its 81-year history, Halkbank embraced an approach that went above and beyond merely meeting companies' credit needs and played a complimentary role in every aspect of its clients' business. Our goal is to continue to perform this function successfully in 2020 with our innovative products and services in accordance with our universal banking approach.

We will continue to work resolutely to maintain Turkey's financial stability, expand its existing resources, and enhance its human capital. In an effort to serve our customers better, we will continue to improve ourselves in every aspect while teaming up with our domestic and international investors to further bolster our international brand reputation.

Esteemed Stakeholders,

We have left behind a year where the world's leading financial institutions periodically revised their global economic growth forecasts downwards. The tariff and non-tariff barriers to international trade materially hampered the growth performances of industrialized countries throughout 2019. While it appears to be a fiscal policy choice geared toward current account balance, this trend in reality is motivated by technological competition considerations. Demands for safeguarding patent rights and preventing technology transfer abroad in developed countries prompt the leaders of the world's top economies to implement such restrictions.

On the other hand, these restrictions on free trade had deep repercussions particularly on European countries in 2019. The German economy, which has been undergoing challenging times due particularly to the uncertainties in the automotive industry, was facing the prospect of a recession until the release of final results for Q3. The adverse effects of Brexit were further amplified during such a difficult period. Turkey, which counts Europe as its top export market, was also among the countries negatively impacted by these developments in 2019.

However, the dedicated efforts of our exporter companies to continue to create value for the Turkish economy despite the slowdown in global goods trade please and



instill confidence in all of us. The banking industry's enthusiasm is bolstered by the existence of firms that focus on manufacturing high value-added products; increase their technological competitive edge by investing in R&D and innovation; and create jobs with a human-oriented growth approach. Seeing that the loans we made available to the real economy segment turned into new success stories helped us look to the upcoming period even more optimistically.

Turkey boasts a large number of SMEs that strive to understand the new trends in the economy, adapt to the competition conditions, and continue to grow on a global scale. To this end, deep-rooted institutions with a staff of finance specialists, such as Halkbank, always stand behind active entrepreneurs and

competitive SMEs with extensive branch networks and seasoned professionals. While mobilizing its resources to provide the real economy firms with easy access to credit, the Bank also focuses on supporting companies through financial advisory and non-financial services.

Halkbank has always occupied a distinct place in the banking industry thanks to this managing principle and vision. During its 81-year history, the Bank embraced an approach that went above and beyond merely meeting companies' credit needs and played a complimentary role in every aspect of its clients' business. Our goal is to continue to perform this function successfully in 2020 with our innovative products and services in accordance with our universal banking approach.

Esteemed stakeholders,

We will continue to work resolutely to maintain Turkey's financial stability, expand its existing resources, and enhance its human capital. In an effort to serve our customers better, we will continue to improve ourselves in every aspect while teaming up with our domestic and international investors to further bolster our international brand reputation. As I thank our stakeholders, I wish a peaceful and prosperous year in 2020 for the entire world.

Sincerely,

R. Süleyman ÖZDİL
Chairman

GENERAL MANAGER'S ASSESSMENT

Continuing its successful performance in 2019, Halkbank increased its total assets to TRY 457 billion, a 20.8% growth in 2018, while increasing cash loans by 19.4% to TRY 309 billion.

Esteemed stakeholders,

The central banks of industrialized nations worked tirelessly throughout 2019 to set the monetary policies that will determine the rate of monetary expansion. While negotiations were being held to regulate global trade, central banks cut interest rates to maintain vibrant demand in the domestic market. We have witnessed the effects of the election environment particularly in the European Union countries on the continent's economy. The experts have now turned their attention to the U.S. elections in an effort to assess next year's risks.

Determining 2019 as a year of economic rebalancing, Turkey delivered a robust financial performance this year. The Turkish lira has regained stability during this period, as volatility in the exchange rate declined and the lira became more resilient against speculative attacks. As the inflation rate improved permanently, the Central Bank of Turkey's policy interest rate declined to 12 percent. These improvements, accomplished with an eye toward the current account balance, demonstrate that all economic indicators in Turkey are progressing in a balanced and coherent manner.

While the global financial markets were characterized by financial fragility in 2019, state-owned banks made an invaluable

contribution to sustaining financial stability in Turkey. The state-owned banks continued to be the Turkish banking industry's driving engine this year thanks to their strong financial positions, countrywide organizations, and staff of experienced industry professionals, as they focused on products that support the Turkish lira and supported the prevailing stability in the financial markets.

As we diversified our loan alternatives and increased our customers' access to credit during this period, we were able to maintain the quality of our balance sheet and perform at a high level thanks in most part to active field employees who went above and beyond the traditional banking approach. Having established an intensive relationship with tradesmen, artisans and SMEs for 81 years, the Bank continued to lead the way among pioneering institutions in this field this year owing to initiatives carried out both at the Head Office level and at the branch level.

We have conducted major initiatives in this past year in cooperation with our stakeholders within a sense of national responsibility. Our innovative packages that encourage domestic producers to engage in efficient projects and high value added production, such as the IVME (advanced, productive, indigenous industry) Financing Package, the Economic Value Loan, and the Job Creating Business Loan, drew heavy

interest. The interest rate cuts we made in commercial loans as well as mortgage, general purpose and car loans helped meet the pent-up demand in the marketplace.

We made loans totaling TRY 30 billion with our innovative products including the IVME (advanced, productive, indigenous industry) Financing Package, the Job Creating Business Loan, the Economic Value Loan, Campaign-Based Home Loan, Campaign-Based General Purpose Loan, Turkish Lira Overnight Reference Rate (TLREF) Indexed Loan, and Domestically Manufactured Vehicle Loan. In accordance with the goal of reducing unemployment gradually starting in 2020 as laid out in the New Economic Program, we developed an Employment Support Package under four distinct categories. We believe that this product will meet the financing needs of firms that have the potential to create incremental jobs under affordable terms while increasing the share of small businesses in employment.

In addition to correctly assessing firms' needs and providing them with the appropriate financial support, we also offer the content they need on the "SME Development Platform" digitally through the halkbankkobigelisim.com.tr website. We continuously improve the SME Development Platform, an invaluable resource for small business development, by adding new videos and articles each month.



We also continue to give priority to our tradesmen and artisans, who we see as the lifeblood of the Turkish economy. The innovative payment tools that we developed for tradesmen, artisans and SMEs also strengthened companies' procurement and supply processes. Halkbank achieved 18.5% market share in SME loans in 2019, a year where state-owned banks and economic institutions closed ranks on the basis of strong coordination and shared goals, and played a major role in the economic rebalancing process.

Conducting its banking operations in accordance with the principle of sustainability, Halkbank greeted 2020 with the earned pride of being the first bank to comply with the Zero Waste standards. The Bank installed the Environmental and Energy Management System in accordance with the ISO standards, integrated this system with its business processes, and put in operation a detailed

Waste Management Procedure. Halkbank began implementing waste management practices at all service locations within the scope of the Environmental and Energy Management System.

Esteemed stakeholders,

As a result of these initiatives, the Bank maintained its successful performance and raised its total assets to TRY 457 billion, up 20.8% in 2018, and its total deposits to TRY 298 billion. During this period Halkbank's cash loans increased 19.4% to TRY 309 billion while total loans, including non-cash loans, rose 16.7% to TRY 399 billion. As of year-end, the Bank's commercial loans, which also include SME loans, were up 20.6% to TRY 258 billion. As we worked diligently to strengthen the Turkish lira, we were especially pleased to see that our lira-denominated cash loans jumped by 28.6% during this period. As of year-end 2019,

the Bank's Paraf credit cards in circulation reached 4.4 million while the number of POS terminals and member businesses rose to 344 thousand and 254 thousand, respectively.

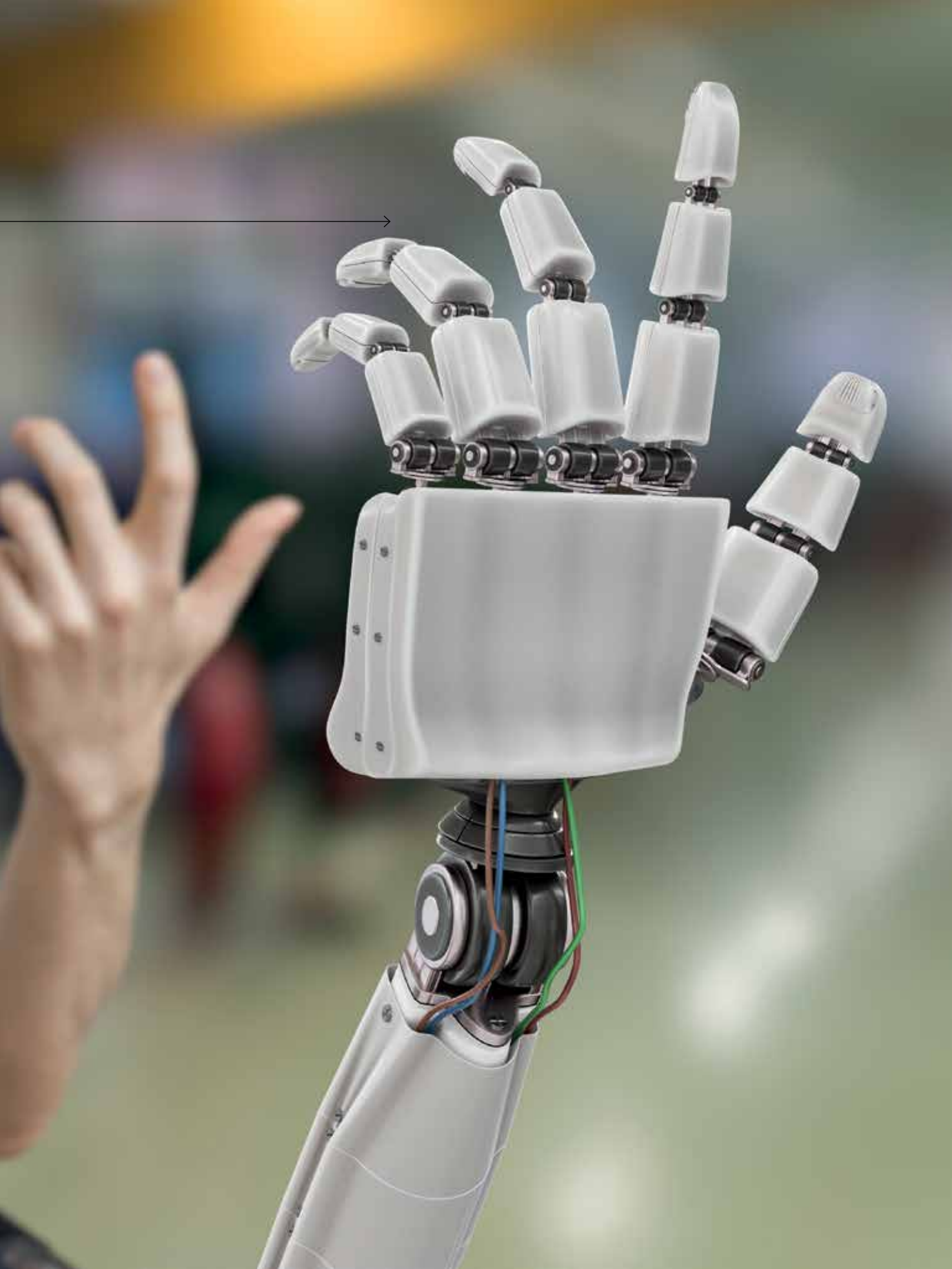
Focused on personnel development through continuous education as well as investing in technology and operations infrastructure, the Bank set its primary goal for 2020 as efficiency-oriented balanced growth. While maintaining its 2019 growth rate, Halkbank will continue to render high-quality service to customers and move forward confidently into the future on the back of the strength of its investors.

Sincerely,

Osman ARSLAN
General Manager

You need to help the companies that work hard for their country make the technology investments that will increase their global competitiveness.





BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



(1) Recep Süleyman ÖZDİL

Chairman

(2) Himmet KARADAĞ

Vice Chairman and Independent Board Member

(3) Osman ARSLAN

General Manager and Board Member

(4) Meltem TAYLAN AYDIN

Board Member

(5) Mehmet Emin ÖZCAN

Independent Board Member

(6) Maksut SERİM

Board Member

(7) Sadık TILTAK

Independent Board Member

(8) Sezai UÇARMAK

Board Member

(9) Mevlüt UYSAL

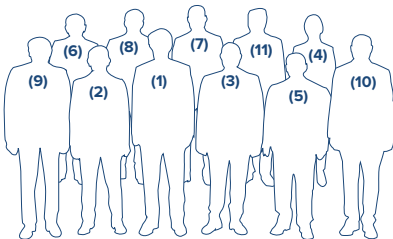
Board Member

(10) Prof. Dr. Yılmaz ÇOLAK

Member of the Supervisory Board

(11) Faruk ÖZÇELİK

Member of the Supervisory Board



EXECUTIVE MANAGEMENT



(1) Osman ARSLAN

General Manager

(2) Yalçın MADENCİ

Deputy General Manager

(3) Hasan TUNCAY

Deputy General Manager

(4) İlhan BÖLÜKBAŞ

Deputy General Manager

(5) Ergin KAYA

Deputy General Manager

(6) Yusuf Duran OCAK

Deputy General Manager

(7) Serdar SÜRER

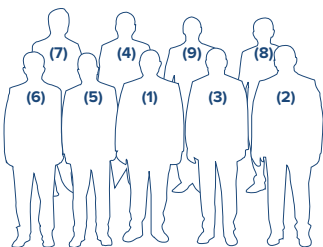
Deputy General Manager

(8) Olcay DOĞAN

Group Manager

(9) Mehmet Zihni GÜVENER

Group Manager



REVIEW OF OPERATIONS IN 2019

Halkbank increased Corporate and Commercial Banking cash loans 23% in 2019 to TRY 139.7 billion while total loans in the segment reached TRY 214.8 billion.

CORPORATE AND COMMERCIAL BANKING

Halkbank offers corporate and commercial segment services with 7 corporate and 36 commercial branches centered on a high-quality, efficient and contemporary banking concept.

Operating with a focus on customer satisfaction, Halkbank continued to expand in Corporate and Commercial Banking in 2019 by offering the most appropriate products, services and solutions in line with customer needs.

Halkbank's core objectives include providing customers the products and services they need with a specialized staff of professionals and increasing customer satisfaction.

Offering corporate and commercial segment services with 7 corporate and 36 commercial branches centered on a high-quality, efficient and contemporary banking concept. Halkbank treated its customers' investments as the future of Turkey and contributed to Turkey's development within this understanding.

Increasing Corporate and Commercial Banking cash loans 23% year-over-year in 2019 to TRY 139.7 billion while total loans in the segment reached TRY 214.8 billion, Halkbank continued to finance projects that were in the country's public interest and that fit the Bank's lending policies.



Cash Management

As part of Corporate Collection and Payment Systems initiatives, the Bank facilitates collections of public agencies, companies and local governments across Turkey as well as corporate payments such as professional training and social solidarity payments of firms.



Halkbank's operations and technological improvements reduce companies' operational risks while transferring real-time data to the companies.

The number of contracted institutions in the customer satisfaction-based collection and payment services ticked up 6% in 2019 compared to the previous year.

The Bank continues to conduct dedicated efforts and developments in the Direct Debiting System (DBS) in order to reach more primary companies and dealers. As a result of these efforts, the number of parent companies increased by 34%, dealers by 43% and the collection amount increased by 54% when compared to the previous year.

REVIEW OF OPERATIONS IN 2019

In 2019 Halkbank continued to lead innovation and play an active part in the success of SMEs thanks to its SME Banking initiatives.

SME-ARTISANS BANKING

Halkbank managed a grand success in SME Banking and increased its market share from 15.9% at the end of 2018 to 18.5% as of 2019.

Halkbank is the first name that comes to mind in SME Banking and the strongest supporter of Turkey's real sector. The Bank serves SMEs, and hence Turkey's economy, with a customer-focused approach that includes close contact with customers in the field. Halkbank sees and identifies SME needs and requirements first-hand on the spot with this perspective.

Taking service to its customers' door with branches and over 2,700 Customer Representatives exclusively serving SMEs, Halkbank offered 24/7 support to SMEs with www.halkbankkobi.com.tr, www.halkbankkobigelisim.com.tr, Corporate Banking Branch, Halkbank Mobile, Artisan and SME Dialogue.

In 2019 Halkbank continued to lead innovation and play an active part in the success of SMEs thanks to its SME Banking initiatives. Halkbank continued supporting strategic sectors, offering solutions for improving employment, providing innovative solutions to exporters, entrepreneurs wishing to set up their own businesses and SMEs that want to carry their business to the digital environment. Halkbank also maintained its mission to be

the complimentary agent in the finance industry for the economic administration's plans and programs for the real sector.

Thanks to these efforts, despite the fierce competition environment, Halkbank managed a grand success in SME Banking and increased its market share from 15.9% at the end of 2018 to 18.5%⁽¹⁾ as of 2019. The credits extended in 2019 by Halkbank to SMEs accounted for 39.5% of its total cash credits.

Solutions Specific to Sector and Business Lines

Along with generating specific solutions to unique demands of each sector, with an emphasis on the manufacturing industry, with SME Support Packages, Halkbank also supports these sectors through packages specially developed for these sectors to create awareness towards strategic sectors. Manufacturing, export, tourism, automotive industries and all other sectors have easy access to support packages designed for their areas of business.

⁽¹⁾ Calculations are based on the definition of small- and medium-size enterprises provided by the relevant regulation of the ⁽¹⁾ Ministry of Industry and Technology.



You need to find a way to address the problems of public health personnel. You need to provide them with healthy solutions such as the “Pharmacist Support Package.”

As part of this effort in 2019, Halkbank continued to offer solutions customized for individual industries and business lines with such products as the IVME Financing Package for financing new or capacity increase/ renovation investments, acquisition investments that entail the purchase of new and domestic machinery in manufactured by selected industries, and working capital needs arising from such investments; the Pharmacist Support Package for medicine and medical supply purchases and working capital needs of members of the Turkish Pharmacists' Association; and the Domestically Produced Commercial Vehicle Loan Campaign for supporting domestic production and financing vehicle purchases of real and legal persons under affordable terms.

Continuing to stay engaged in the field thanks to its countrywide branch network, Halkbank also continued determining needs and demands of the sectors through Productive Turkey Meetings and Shared Intelligence Meetings getting together with the

representatives from the sectors, and listening to the sectors and sector requirements from its representatives. To this end, the Bank organized programs in Eskişehir on January 31, in Gaziantep on February 6, in Istanbul on February 15, in Denizli on February 27, and in Adana on March 13 during 2019.

Supporting Entrepreneurs and Employment

In keeping with its long-standing mission of supporting entrepreneurs and social responsibility awareness, Halkbank places a great emphasis on fostering entrepreneurship, boosting employment, supporting entrepreneurs to start new businesses, and helping young people to actively participate in the economy.

Halkbank offers the Young, Bold, Master and Inventor Entrepreneur Loan products to those who want to start their own enterprises. These loans are designed according to key criteria such as educational level, age and work experience. Additionally, the Bank's Franchising Loan product

provides those entrepreneurs seeking to enter the franchising business the financing support they need.

In addition, Halkbank launched the “Employment-Oriented Working Capital Loan” in order to support the job creation campaign, encourage and support SMEs to create new jobs, and bolster production, efficiency and employment within the frame of Turkey's vision for 2023.

Solutions for Exporters' Needs

Halkbank generates customized solutions for and supports exporter SMEs in accordance with Turkey's strategy and economic programs. With its innovative efforts for meeting the demands and needs of export firms in order to improve the international competitive power of Turkey, Halkbank is offering as part of Export Support Package foreign currency loans, Turkish lira-denominated export loans, and letters of guarantee to SMEs gearing up for exports while providing installment export loans to SMEs that prefer to make installment payments on foreign currency-denominated credits and also, unique solutions to companies wishing to break into new markets.



You need to help the country expand into overseas markets, increase its foreign currency income and develop its economy while speaking the same language with exporters.



REVIEW OF OPERATIONS IN 2019

Halkbank acts with the awareness that one of the most important steps in growing SME banking is the establishment of platforms that will support the development of SMEs.

SME-ARTISANS BANKING

Halkbank further bolstered its strong ties with SMEs via the www.halkbankkobi.com.tr platform, which serves more than 200 thousand registered members.

Halkbank continued to support exporters as part of the Export Mobilization Loan that was put together pursuant to the protocol signed with the Turkish Exporters Assembly (TIM). With the CBT Rediscount Credit for Export and Foreign Exchange Earning Services and Growing Exporter Loan, Halkbank supports exporting companies and offers them the ability to protect against foreign exchange rate volatility. The Bank's Call Option Foreign Exchange Loan allows exporters to hedge against such FX fluctuations. While Halkbank mediates low-interest Eximbank-sourced loans through its extensive correspondent network, the Bank also offers the possibility to companies to open letters of credit and perform other foreign trade transactions under affordable terms. Further, the Bank provided exporters with KGF-sponsored lower interest rate loans as part of SME Value Loans.

As part of the cooperation protocol it signed with a leading global e-commerce platform in 2019, Halkbank offers special financing support for businesses to own a virtual store where they can promote their products and acquire new customers.

Special Digital Platform for SMEs

Halkbank further bolstered its strong ties with SMEs via the www.halkbankkobi.com.tr platform, which serves more than 200 thousand registered members.

Acting with the awareness that one of the most important steps in growing SME banking is the establishment of platforms that will support the development of SMEs, Halkbank promotes its products and services and provides visitors with a convenient application opportunity to these products and services through the www.halkbankkobi.com.tr platform.

In addition to providing the most affordable financing solutions to SMEs, Halkbank also strives to assess SMEs' needs correctly and serve them with training and advisory support. The Bank offers SME customers the "Ask an Expert" feature on the www.halkbankkobi.com.tr platform, which serves more than 200 thousand registered members. "Ask an Expert" provides quick answers to questions posed by SMEs to the Bank's expert advisors. Halkbank SME Experts, who respond to queries from platform members, also author monthly magazines that include articles of relevance to the platform's members, providing valuable guidance to SMEs and entrepreneurs.

As part of its partnership with the Credit Guarantee Fund of Turkey (KGF), Halkbank continued its efforts to inform all SMEs about KGF guarantees and enable them to be able to tap this resource in 2019.

Halkbank provides round-the-clock support to artisan and SME customers over the dedicated phone line 0850 222 0 401 Artisan and SME Dialog. The phone line allows clients to obtain information on the Bank's products and services, make appointments, and receive other support services without visiting a branch.

The www.halkbankkobigelisim.com.tr website carried Halkbank's ongoing training services for the SMEs to the digital platform. Designed with the understanding that "Turkey Develops if SMEs Develop," the online training platform aims to ensure that all SMEs develop and overcome the hurdles in front of their businesses with the knowledge they will learn from this platform.

KGF Partnerships

As part of its partnership with the Credit Guarantee Fund of Turkey (KGF), Halkbank continued its efforts to inform all SMEs about KGF guarantees and enable them to be able to tap this resource in 2019. SMEs that were experiencing difficulty in obtaining financing due to lack of guarantees gained access to the needed funding thanks to the KGF-sponsored loans originated by Halkbank. Halkbank signed protocols with the KGF on various dates for

SME Value Loan, SME Value - Loan-2, Economic Value Loan, KGF Support Loan, and COSME Loan. As part of the protocols, the Bank unveiled attractive loan packages for SMEs.

KOSGEB Interest Support Loans

Halkbank and the Small and Medium Enterprises Development Organization of Turkey (KOSGEB) signed protocols for the KOSGEB Istanbul, Samsun and Düzce Provinces Emergency Support Loan and the KOSGEB SME Financing Support Program in 2019 to offer financial support at favorable terms to enterprises registered in the KOSGEB database that have a valid SME Certification.

As part of other products and services, the Bank launched the Turkish Lira Overnight Reference Rate (TLREF) Indexed Loan product that offers businesses long-term, Turkish lira-denominated, variable-rate borrowing opportunity in response to companies' expectations for lower interest rates. In addition, the Halkbank Certified Check product was rolled out to facilitate companies' commercial transactions and allow businesses to manage their cash flows easily. The SME Affordable Banking Tariffs, which offer banking transaction costs such as money transfers, check collections, check

books, and account fees under a single fee, allow businesses to use banking services under more affordable terms using the tariffs that best fit their needs. As part of digital transformation, the Bank began offering customers the opportunity to query their customs declarations via the SMS Banking channel and pay their customs duties through the same channel.

Loans with Treasury-Subsidized Interest

In line with its founding mission, Halkbank continues to meet the financing needs of tradesmen, craftsmen and artisans, who make up an important part of society today, under the most favorable terms possible, while providing them with effective, top-quality banking services.

The Bank continues its support to tradesmen and artisans to meet the financial requirements of this key social group in the fastest, most efficient way by using cutting edge technologies.

In addition to working capital loans with Treasury-subsidized interest to artisans and tradesmen with monthly, quarterly and semi-annual repayment period options up to a 60-month term, Halkbank also offers investment loan products for workplace and vehicle purchases with monthly and quarterly repayment period options up to a 120-month term.

REVIEW OF OPERATIONS IN 2019

As of year-end 2019, total Treasury-Subsidized loans extended to tradesmen and artisans amounted to TRY 41,043 million, up 32% on the previous year.

SME-ARTISANS BANKING

Halkbank's Loans with Treasury-Subsidized interest for artisans and tradesmen are offered under the guarantee of the 1,000 Artisans and Tradesmen Loan and Guarantee Cooperatives or directly by Halkbank without a cooperative's guarantee.

Halkbank's Loans with Treasury-Subsidized interest for artisans and tradesmen are offered with attractive interest rates and favorable terms. These loans are extended under the guarantee of the 1,000 Artisans and Tradesmen Loan and Guarantee Cooperatives (ESKKK) or directly by the Bank without a cooperative's guarantee.

Under the initiative in which loans with Treasury-subsidized interest rate payments are extended by Halkbank to tradesmen and artisan customers in 2019, those active in professions that are near extinct, those with certificates of mastership who set up new businesses and young entrepreneur artisans and tradesmen, are given a 100% interest rate discount with zero interest. Besides, tradesmen and artisans received 50% interest rate payment support from the Treasury for working loans.

Under the Treasury-supported loans for tradesmen and artisans in 2019, loans with a maximum maturity of one year had an interest rate of 8% and those with a longer maturity term had an interest rate of 10% between January 1, 2019 and April 30, 2019; loans with a maximum maturity of one year had an interest rate of 14% and those with a longer maturity term

had an interest rate of 16% between May 1, 2019 and November 3, 2019; all existing and new loans for all maturities had an interest rate of 12% on or after November 4, 2019.

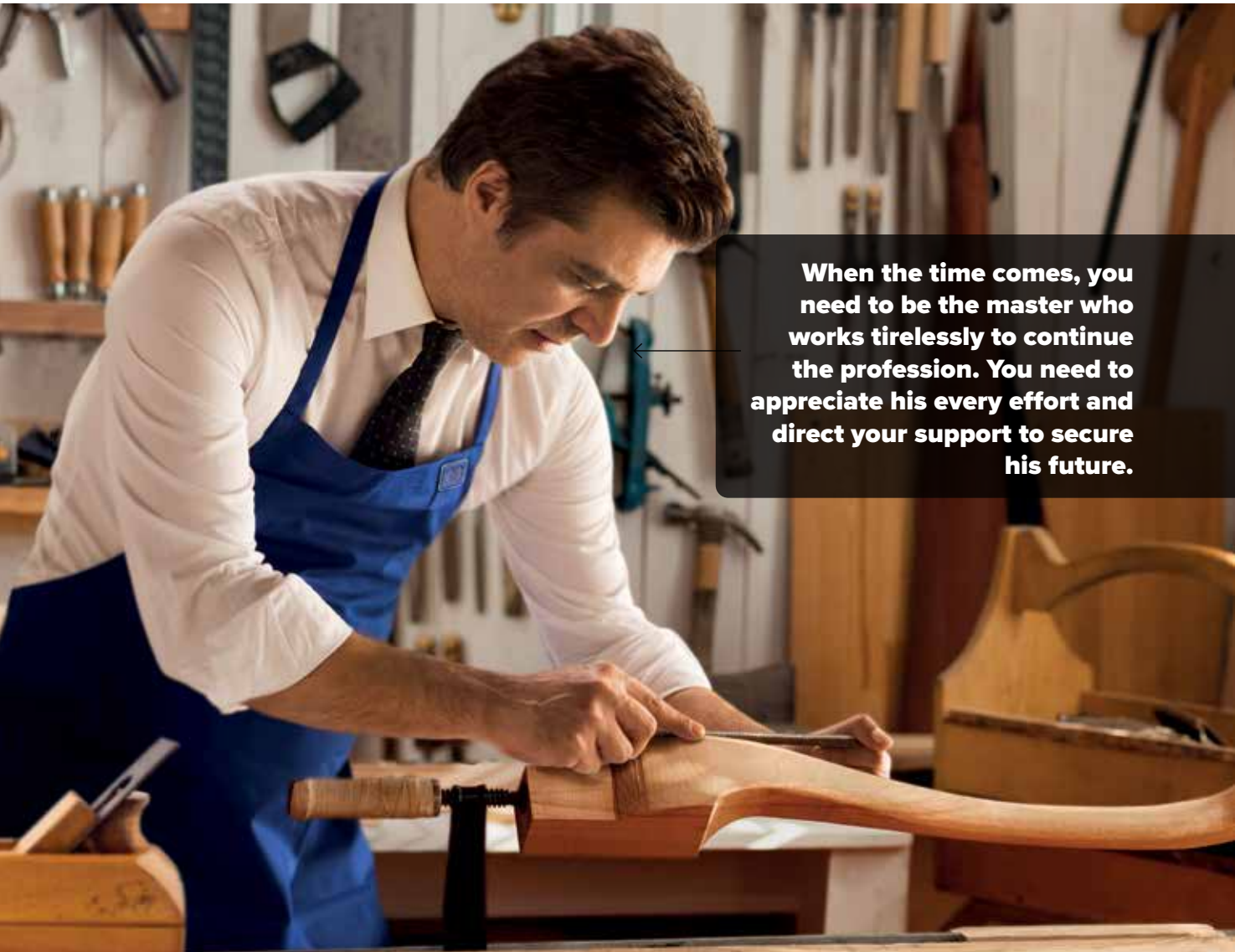
In addition, loans with Treasury-Subsidized interest for artisans and craftsmen are exempt from the banking insurance transaction tax (BSMV)*, stamp duty, and resource utilization support fund tax (KKDF).

Loans to 567,029 Tradesmen and Artisans

Total Treasury-subsidized loans extended to tradesmen rose from TRY 31,126 million at the end of 2018 to TRY 41,043 million as of the end of 2019, up 32%.

As of year-end 2019, total Treasury-Subsidized loans extended to tradesmen and artisans under ESKKK guarantee amounted to TRY 39,390 million, while Treasury-subsidized loans without ESKKK guarantee granted directly by the Bank totaled TRY 1,653 million.

* In Treasury interest subsidized direct loan allocations, non-manufacturing firms cannot benefit from BSMV tax exemption.



When the time comes, you need to be the master who works tirelessly to continue the profession. You need to appreciate his every effort and direct your support to secure his future.

At the end of 2019, the Bank extended 100%-interest rate discounted (zero interest rate) loans totaling TRY 85.2 million. Of this total, TRY 80.2 million went to tradesmen and artisans who took out zero interest rate loans of up to TRY 30 thousand; TRY 1.4 million was allocated to tradesmen and artisans with mastership certification who were setting up new businesses; TRY 2.6 million was obtained by tradesmen and artisans operating in professions nearing extinction, and TRY 1 million was extended to young entrepreneurial tradesmen and artisans.

Following the new amendment in 2017, the individual upper limits of Treasury-subsidized operating loans to ESKKK partners were according to the risk groups of the cooperatives; the individual upper limits of direct, Treasury-subsidized allocations remained gradually at TRY 100 thousand to TRY 200 thousand according to the customers' risk groups in 2019 as well.

Halkbank offered Treasury Interest-Subsidized Investment Loan to help tradesmen and artisans own their current or prospective places of business or to enable them to purchase new motor vehicles for business use up to a term of

120 months with a maximum amount of TRY 500 thousand. Within this scope, the Bank originated TRY 283.8 million for workplace purchases and TRY 139.4 million for motor vehicle acquisitions, for a total of TRY 423.2 million in investment loans as of year-end 2019.

The Paraf Tradesmen Card was introduced to meet the commercial credit card needs of tradesmen and artisans and can be used for all goods and services purchases on all kinds of POS devices. In addition, cardholders can benefit from discount and installment opportunities within a specified limit at contracted suppliers. The Paraf Tradesmen Card reached 185 thousand units as of year-end 2019.

REVIEW OF OPERATIONS IN 2019

A central pillar of Retail Banking operations is developing new products that respond to ever-changing customer needs and fluctuating market dynamics while meeting Halkbank's performance objectives.

RETAIL BANKING

Halkbank offers various financial products and services tailored to the needs of customers, and the personal loans extended reached TRY 51.6 billion, corresponding to 16.7% of total cash loans.

Adopting a customer-focused banking approach, Halkbank offers suitable solutions to customer's changing and diversifying needs with its 81 years of experience, constantly renewed technological infrastructure and extensive service network.

Along with Traditional Retail Banking services, Halkbank offers various financial products and services tailored to the needs of customers and the personal loans extended reached TRY 51.6 billion, corresponding to 16.7% of total cash loans.

Ground-breaking, Pioneer and Differentiated General Purpose Loans

A central pillar of Retail Banking operations is developing new products that respond to ever-changing customer needs and fluctuating market dynamics while meeting Halkbank's performance objectives. Halkbank's strategic priorities include boosting product and service quality, and diversifying the product offering to capture more market share.

The Bank continued offering an array of diversified loan products to its customers including traditional consumer loans such as "Medicine Festival Loan" for the healthcare

sector, "Loan 155" for police officers, "Halk Day General Purpose Loan," and other general purpose loan products priced according to specific customer segments such as Payroll 24, public sector, pensioners and private sector employees.

Halkbank supported its retail customers in 2019 with personal loan products customized to meet their specific financing requirements. To this end, Halkbank launched the "Property Reconciliation Loan" to support the government's Property Reconciliation initiative, and the "Halk Support Loan" for customer who would like to restructure credit card balances as installment-based personal load during the year.

As a result of the loan type-based revisions made to personal loan contracts, the number of signatures signed by customers were reduced and the personal loan disbursement period was shortened.

Creating new collection and payment channels for retail customers, Halkbank began offering customs duty payments via SMS. As a result, Halkbank customers now can pay their customs duties via the Bank's SMS channel on a 24/7 basis by entering an order in their checking or overdraft accounts.



You need to understand customer expectations accurately and figure out how to meet them. You need to make the customer feel special with your banking solutions.

Financial Solutions in Mortgage Loans

Halkbank has become one of the most preferred banks in mortgage lending thanks to a broad product range, flexible repayment options customized for each customer, and attractive promotional campaigns.

Halkbank views mortgage loans as the basis of a long-term relationship of trust with customers. In 2019, the Bank continued with the “My Sweet Home” scheme and the My Economical Home Mortgage Loan to offer individuals payment plans at

attractive interest rates so that they can become homeowners.

Striving to offer customers specialized products when they most need it, Halkbank unveiled the “Inflation Indexed Mortgage Loan” product for home purchases of customers who expect a fall in the inflation rate and prefer to take advantage of falling interest rates as a result of falling inflation.

Halkbank launched a refinancing initiative after the fall in interest rates during 2019 to allow customers with

outstanding mortgage loans to take advantage of lower interest rates. The Bank refinanced mortgage loans of all customers with an interest rate of 0.99% per month for loans up to TRY 500 thousand and 1.09% per month for loans above TRY 500 thousand.

Halkbank developed differentiated solutions at the request of retail home buyers as well as residential construction companies and participated in nearly 400 branded residential development projects in Istanbul and other large metropolitan areas.

REVIEW OF OPERATIONS IN 2019

Halkbank has become one of the most preferred banks in mortgage lending thanks to a broad product range, flexible repayment options customized for each customer, and attractive promotional campaigns.

RETAIL BANKING

Halkbank organized a “Domestically Manufactured Vehicle Loan Package” as part of protocols with domestic vehicle manufacturers and brands that are produced in Turkey.

INFLATION INDEXED MORTGAGE LOAN

Halkbank unveiled the “Inflation Indexed Mortgage Loan” product for home purchases of customers who prefer to take advantage of falling interest rates as a result of falling inflation.

Special Solutions in Car Loans

In addition to the standard automotive loans for customers’ financing needs arising from vehicle purchases, Halkbank also continued to offer the “Green Light Automotive Campaign” at attractive interest rates during 2019.

In an effort to continue increasing its market share in car loans and to support domestic automotive production, Halkbank organized a “Domestically Manufactured Vehicle Loan Package” as part of protocols with domestic vehicle manufacturers and brands that are produced in Turkey.

Special Solutions for Salary Payment Clients

The Payroll 24 Consumer Loan product, especially designed for customers who collect their salary via Halkbank, was offered with a low interest rate to meet the cash requirements of customers prior to payday.

During the year, the Instant Package was maintained for customers collecting their salaries via Halkbank. Salary-payment customers are able to swiftly access previously allocated loans especially for their use. For salary-payment customers, the Bank also developed the Instant Salary Advance and Instant Loan products.

Retail Banking Solutions for Pensioners

Continuing to leverage the services of its specialist staff to make the lives of retired customers easier, Halkbank offers pensioners a large number of specialized products and services in addition to salary payments that the Bank has many years of experience in.

Having started to give service priority to pension salary customers at the branches in accordance with its social responsibility approach, Halkbank launched the 0850 222 92 62 Halkbank Retiree Phone Line in response to the needs of this customer segment and demonstrated once again its commitment to provide retiree customers with the best service on all channels.

Retirees whose receive their pension payments through Halkbank or who pledge to transfer their pension accounts to the Bank were offered the “Smiling Pensioner Loan” and “Mini Pensioner Loan” products, which are personal loan facilities with attractive interest rates and various repayment options that facilitated retiree customers’ access to credit.

Golden Days from Halkbank

To integrate physical gold kept “under the mattress” with the economic system, many Halkbank branch locations regularly hold gold collection events known as “Golden Days from Halkbank.”

Advantageous Fee Packages

Halkbank launched the “Advantageous Fee Packages” to allow customers to conduct all of their transactions for a more affordable fee rather than paying a separate fee for each banking transaction such as money transfers and safe deposit box rentals.

Paperless Banking Applications

As part of Paperless Banking Branch Practices, Halkbank launched a new service where customers inside the branch receive a link to loan documents in their mobile phones once the customer representative sends them from the Bank’s screens, without the need for the customers to sign in to the Internet or Mobile Branch or connect to Dialog. This provides a simple way for customers to submit loan document approvals and complete their transactions conveniently at the branch.

Corporate Salary Payment

In 2019 Halkbank continued to expand its salary payment intermediation services and acquire new companies with high profitability potential. As of year-end 2019, 1.2 million people receive their salary payments through Halkbank.

Insurance Products

Insurance products that are developed in line with the banking industry’s corporate structure, financial support, vast product range, customer trust and multiple distribution channel strategies, are offered to customers via the

partnership between the Bank and its subsidiaries Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.

Paraf Era in Credit Cards

Since entering the credit card market in December 2012, Paraf has gained a strong position by offering innovative products with a competitive edge to customers and steadily increased its market share.

In addition to the existing Paraf Esnaf (Tradesmen), Paraf KOBİ (SME) and Parafree, the Bank launched the Paraf KOBİ (SME) card with the Turkish Pharmacists’ Association logo for members of the Turkish Pharmacists’ Association and offered them the Pharmacist Support Package in 2019.

ParafPOS

Following the launch of Paraf Card in the market in 2012, the Bank has worked to boost the number of its POS devices, ensure that its bank cardholders can easily access special offers at more contact points as part of the loyalty program, and increase its market share in terms of turnover. To this end, Halkbank offers a diversified range of options that includes the Cash Register POS, Fixed POS, Mobile POS, Virtual POS, Economic POS and Dial-Up POS products.

During the year, Halkbank conducted POS device and cash register POS device sales driven by various promotional campaigns. The Bank aims to become a dominant player in the POS market while also preventing contracted member workplaces from experiencing any problems. Halkbank ranks sixth in the POS market with an 8.6% share. The Bank’s POS turnover market share increased to 4.7% in 2019.

Number of Digital Banking Customers Climbs to 2.3 Million

Continuing to carry out Internet Banking, Mobile Banking and SMS Banking initiatives in 2019, the Bank expanded the product range and functionalities to sustain its customer-oriented service approach. In addition, the Mobile Banking application was overhauled in line with contemporary design trends and rolled out for customer use with a more functional user experience. The number of active Digital Banking customers reached 2.3 million at the end of 2019.

In an effort to help customers use the Bank’s corporate websites more efficiently and actively, internet sites were made compatible with mobile devices and tablets. Halkbank launched the Paraf Mobile application to meet the needs of card customers that enables them to participate in card campaigns and perform their card and banking transactions. Further, the www.parafree.com.tr website was launched to enable the young people between the ages of 18 and 25 monitor the campaigns organized exclusively for this segment.

Number of ATMs reached 4,051

Extension of the ATM network continued in 2019. The ATM network, with 28 new ATMs established in 2019, reached 4,051, up 1% than last year.

In 2019, Halkbank recorded 324 million transactions at its ATMs, up 3% from the previous year. Meanwhile, total annual ATM transaction turnover increased to TRY 114.4 billion, up 13%. With the newly installed and replaced automated teller machines, the number of Cash-Deposit ATMs rose to 3,312, up 3%. Of Halkbank’s ATM network, 82% are cash depositing ATMs while 11% are also recycle ATMs.

REVIEW OF OPERATIONS IN 2019

Halkbank employs an IT-based “Credit Risk Monitoring System” aimed to preserve the Bank’s asset quality and ensure the repayment of its loans.

LOAN POLICIES, MONITORING AND LEGAL PROCEEDINGS

Halkbank continued to undertake activities to harmonize its lending policies with the changes in markets and industries, and generating industry, regional and market research reports.

Halkbank developed borrower-based alternative practices regarding delinquent receivables management and collection of receivables. In an effort to ensure quick adaptation to the Financial Restructuring Process (FRP), the Bank undertook effective efforts at the customer level, reinforced the field staff, and established new business units.

Updated Credit Evaluation Processes

As part of the lending processes established in accordance with Halkbank’s credit policies in 2019, the Bank updated the collateralization policy based on new credit rating scores and credit approval authorization limits were revised according to customers’ rating scores in an effort to comply with changing regulatory requirements and best practices-based approaches, increase the effectiveness of credit risk mitigation and establishment of collateral, and shorten the lending processing to create time and cost savings.

The Bank continued to undertake activities to harmonize its lending policies with the changes in markets and industries, and generating industry, regional and market research reports.

New Model and Rating Score

In an effort to increase effectiveness in credit decision processes, specialist staff independent from the marketing and allocation units continued to prepare loan and project appraisal reports, primarily for addressing the credit demands of corporate and commercial segment clients. The Unit played an active role in the appraisal and controlled disbursement processes of investment loans, residential and commercial construction cooperatives, and build/sell projects above a certain amount.

The Bank employs an IT-based “Credit Risk Monitoring System” aimed to preserve the Bank’s asset quality and ensure the repayment of its loans. Activities continued in regard to classifying loans in accordance with rules that were set pursuant to laws and regulations, executing the early warning mechanism based on risk measurement and identification criteria determined by the Bank, reviewing and evaluating loans periodically, and sending automated notifications to all units. New organizational structures were formed to reinforce these initiatives and increase the effectiveness in the field.

Halkbank created new business units and launched initiatives to quickly integrate with the Financial Restructuring Process (FRP), which constituted a major field of business in 2019.

The Bank complied with the 2019 updates to the loan classification structure processes that originally took effect in 2018 as part of the IFRS-9 applications and the provisions of the Provisioning Regulation. Efforts to bring the Bank's practices in compliance with changes in laws and regulations were completed while early warning-oriented systems development initiatives continued.

Early Warning Systems

As part of the Early Warning efforts aimed at maintaining portfolio quality, the Bank emphasized systemic operations, completed the major systems integrations with major data sources and improvements, and began using the resulting data in portfolio analyses.

In an effort to ensure quick adaptation to the developments in the industry and in the general economic outlook and to enhance the operability of the monitoring function in the field, the Bank established new organizational structures under Regional Coordination Offices and initiated on-site monitoring and analysis initiatives.

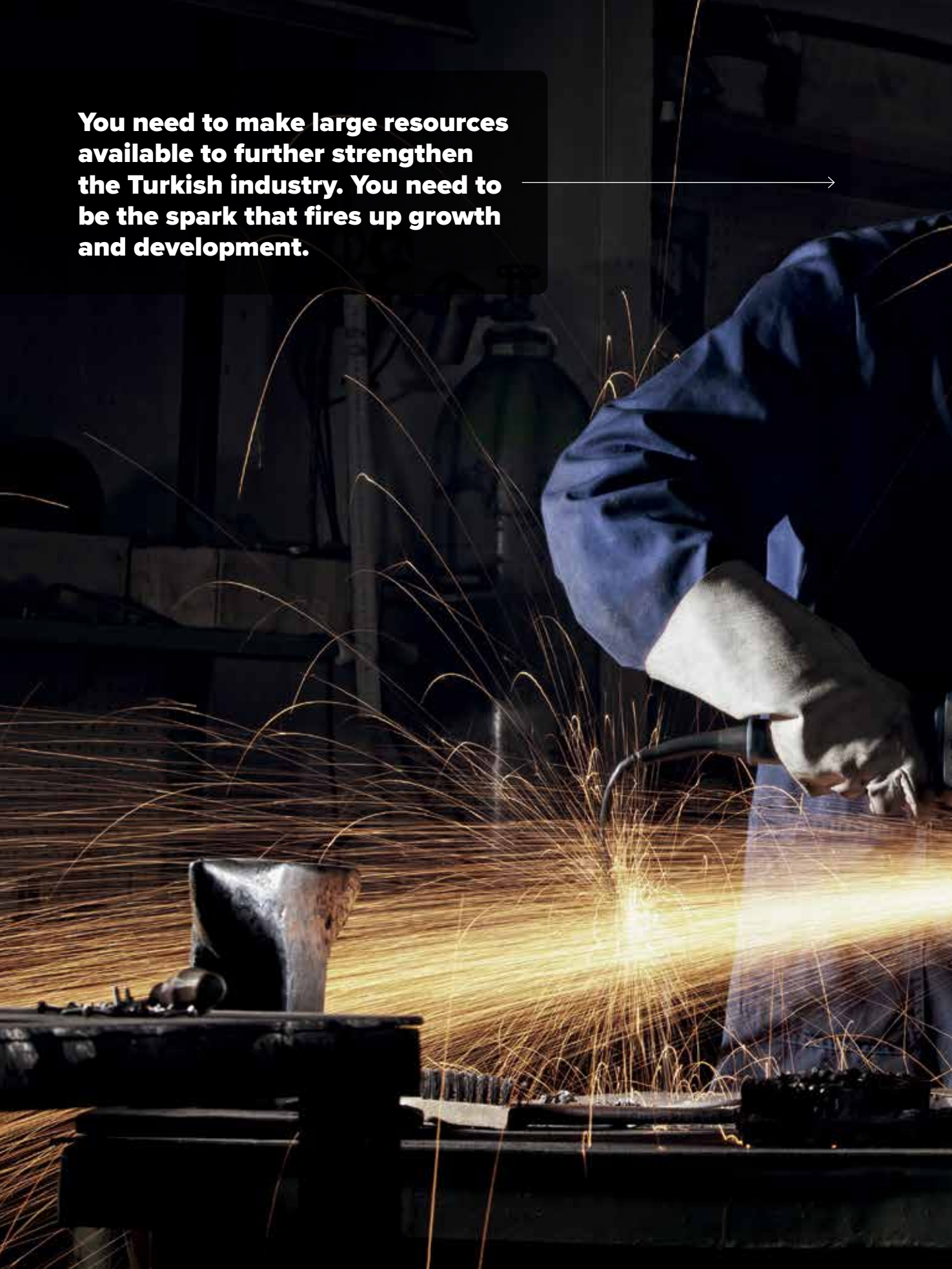
Further, Halkbank created new business units and launched initiatives to quickly integrate with the Financial Restructuring Process (FRP), which constituted a major field of business in 2019.

In addition to the goal of improving collection from delinquent accounts, Halkbank adopted a monitoring management approach where file-based solutions are created and delinquent debtors are included in the process. As a result, the Bank assessed each file according to its unique conditions and formulated solutions specific to the debtor. With this approach, Halkbank improved the collection amounts from delinquent accounts.

CAPABILITY TO ADAPT TO CHANGES

Halkbank complied with the 2019 updates to the loan classification structure processes that originally took effect in 2018 as part of the IFRS-9 applications and the provisions of the Provisioning Regulation.

You need to make large resources available to further strengthen the Turkish industry. You need to be the spark that fires up growth and development.





REVIEW OF OPERATIONS IN 2019

Under its risk/return oriented management approach, Halkbank followed specific management strategies by closely monitoring domestic and international macroeconomic developments, geopolitical and diplomatic events throughout 2019.

TREASURY MANAGEMENT AND INTERNATIONAL BANKING

Halkbank continued to issue securities in 2019 in order to create alternative funding sources, maintain its robust capital position, improve its capital adequacy ratios, and to support its financial stability.

Halkbank closely monitors the digitalization and transformation taking place in the global banking industry. The Bank is focused on integrating the possibilities that advanced technology offers and rendering work independent of time and space into its business flows. With this perspective, Halkbank implements solutions that enable customers to benefit from the markets 24/7 via mobile applications.

held under the auspices of the Office of the President of Turkish Republic and played host to concerts by many local and international artists, Ministry of Treasury and Finance to fund public spending. With a well-balanced securities portfolio strategy, the Bank continued to eliminate the impact of market risks on its balance sheet and improved profitability.

TRY 17.2 Billion of Security Issuance

Halkbank continued to issue securities in 2019 in order to create alternative funding sources, maintain its robust capital position, improve its capital adequacy ratios, and to support its financial stability. To this end, Halkbank raised TRY 17.2 billion in 2019 through the issuance of securities directly to qualified investors without offering them to the public, as well as public offerings.

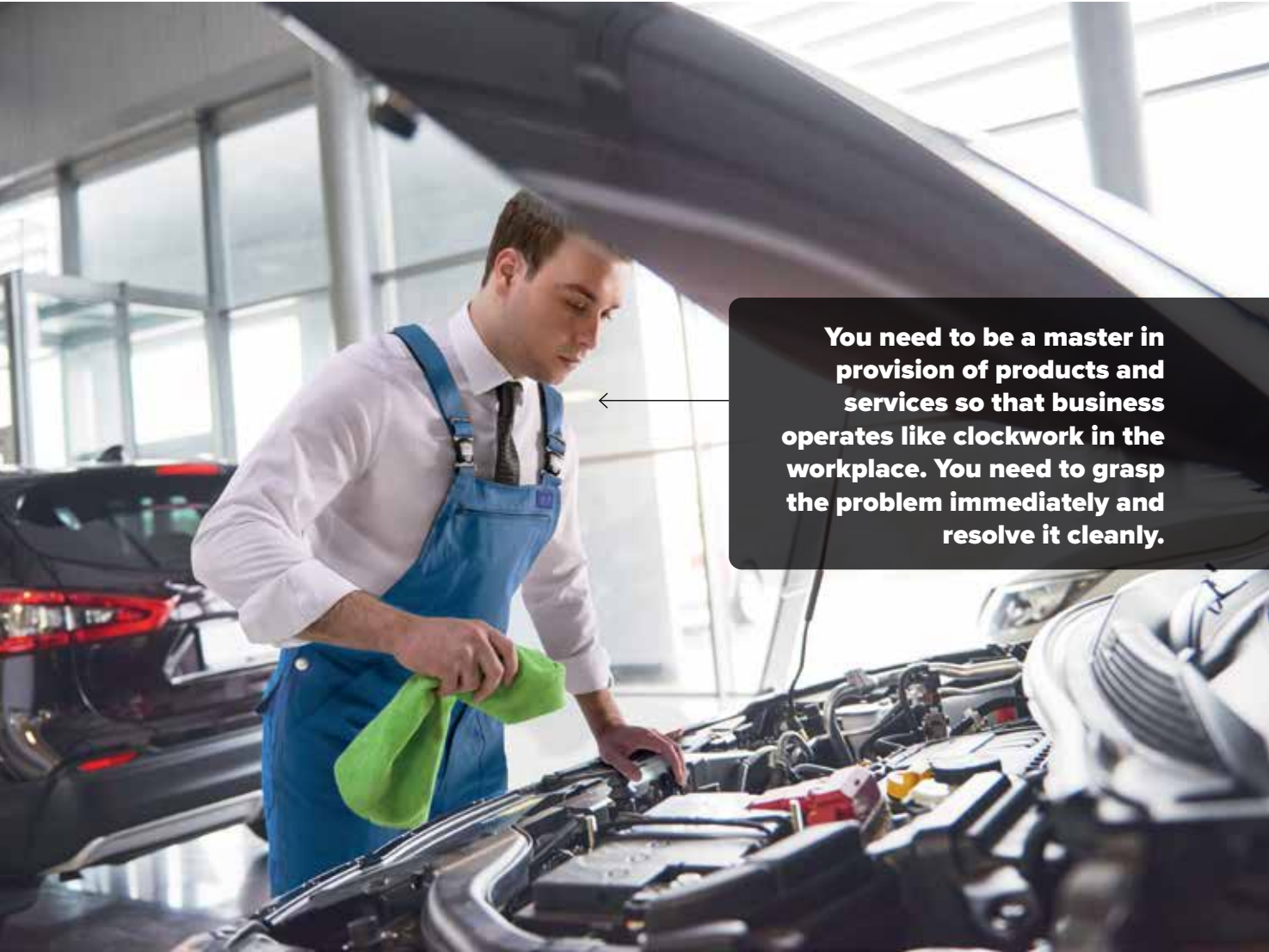
In addition, the Turkish Lira Overnight Reference Rate (TLREF) began to be calculated under the auspices of Borsa Istanbul in 2019. TLREF is a Turkish Lira reference interest rate in compliance with international standards that plugged a major hole in allowing the banks to manage their interest rate risk. Adopting the TLREF framework in short order, the Bank issued TLREF-indexed securities with maturities from 3 months to 5 years

SECURITY ISSUANCE

Halkbank raised TRY 17.2 billion in 2019 through the issuance of securities directly to qualified investors without offering them to the public, as well as public offerings.

Under its risk/return oriented management approach, Halkbank followed specific management strategies by closely monitoring domestic and international macroeconomic developments, geopolitical and diplomatic events throughout 2019. Capable of adapting itself to the changing market conditions with the support of a strong capital and financial structure, the Bank maintains its profitability and growth momentum as a consequence of the dynamic policies it pursues. At the same time, it improves the resistance of its customers against high fluctuations in the markets.

Having successfully maintained the title "Turkish GDS Market Maker" since 2003, Halkbank remains an active player in primary and secondary capital markets in 2019 as well. The 2nd International Folk Music Festival,



You need to be a master in provision of products and services so that business operates like clockwork in the workplace. You need to grasp the problem immediately and resolve it cleanly.

and raised TRY 3.7 billion in these issuances. Halkbank plays an effective role in improving and deepening of the capital markets with its support for innovative products.

Efficient Liquidity Management

Halkbank performs balance sheet management in light of the Assets & Liabilities Committee's strategy decisions, which take into consideration macroeconomic analyses, stress tests and risk management reports. As a result of these market analyses, the

Bank effectively provided short term funding via money market transactions, efficiently utilized funds surpluses, while TRY and FX liquidity management was performed in the most efficient way possible by using various derivatives and other debt instruments. The policy documents strengthened the liquidity risk management framework. A Liquidity Risk Committee was constituted to offer opinions and recommendations in support of the Asset and Liability Committee's efforts to manage the Bank's liquidity effectively.

Increasing Trade Volume and Profitability

In 2019, Halkbank continued to improve its operations in terms of both products and technology in parallel with customer needs. The Bank offers both fixed income and hedging products in the rapidly developing derivatives markets in Turkey. Expanding its offering of products that will meet the needs of import/export companies to protect against FX and interest rate risk in this period, the Bank continued to provide support to clients especially

REVIEW OF OPERATIONS IN 2019

In line with evolving customer needs, Halkbank continued to develop new products, innovate its operations, participate in different markets, and to provide financing under the most favorable terms possible.

TREASURY MANAGEMENT AND INTERNATIONAL BANKING

During the year, Halkbank effectively managed its extensive correspondent bank network comprised of some 1,300 banks in 120 countries.

in hedging transactions related to project finance. Halkbank kept pace with digitalizing trends in its global applications and delivered faster access to platforms for customers.

During the year, Halkbank increased its transaction volume and profitability especially in the FX and commodity markets by means of a widespread branch network throughout Turkey, an extensive customer portfolio composed primarily of SMEs and a significant corporate client base. With the marketing strategies specially formulated for its customer base, the Bank has bolstered its position among the most effective players in the foreign currency and commodity markets.

120 Countries, 1,300 Banks

With its vast correspondent bank network, Halkbank provides top-quality and high value added products and services to its clients. In line with evolving customer needs in 2019, the Bank continued to develop new products, innovate its operations, participate in different markets, and to provide financing under the most favorable terms possible. The Bank continued to offer customers import and export services on a global scale, working tirelessly as a major supporter of Turkish exporters.

During the year, Halkbank effectively managed its extensive correspondent bank network comprised of some 1,300 banks in 120 countries. Factors underlying the Bank's success are customer trust towards Halkbank, its strong relationship management capabilities, extensive know-how, sustainable trade volumes directed to correspondent banks, ever-increasing service quality in overseas operations and customer satisfaction arising from its diversified product portfolio.

As part of its correspondent bank relations efforts, Halkbank continuously monitors country risks and financial indicators, and performs all trading in meticulous fashion. The Bank reviewed limits on a regular basis and managed correspondent bank risks effectively. The Bank follows the geopolitical developments and global economic conditions closely.

In the coming year, Halkbank plans to deliver the best solutions that meet customer financing needs and expectations. The Bank also aims to establish new, long-term collaborations in order to develop products that make a difference in the market.

By means of insurance from Export Credit Agencies (ECA), Halkbank offered long- and medium-term funds to its customers importing capital goods from overseas in collaboration with numerous correspondent banks.

In the scope of the agreement with Taiwan Eximbank, the exports in Taiwan were financed.

Halkbank participated in the Bond, Loans and Sukuk Conference held in Dubai on March 25-26, 2019 for bond investors and issuers, and conducted one-to-one meetings with correspondent banks.

To further expand its correspondent bank network and improve future relations, Halkbank participated in SIBOS held in London on September 23-26, 2019.

Efficient Communication with Stakeholders and Investors

In 2019, Halkbank continued to keep all business partners, existing and potential investors in both equities and fixed income securities informed and up-to-date, in order to increase the Bank's value in the eyes of investors over the long run. The Bank made its disclosures in an efficient, consistent and reliable manner.

Halkbank attended a large number of investor conferences and meetings in Turkey and abroad, particularly in financial centers where international institutional investors are based, and met with investors, analysts and portfolio managers in individual and group meetings.

During investor meetings, Halkbank discussed its financial and administrative structure, position within the banking industry and international finance markets, corporate strategies, and expectations for the upcoming period.

Halkbank prepared informative visual quarterly presentations related to its capital structure based on the Bank's financial results disclosed to the public, published these on the corporate website and simultaneously presented them to domestic and overseas investors via teleconferences. The Bank addressed questions related to the financial results in detail as promptly as possible.

In 2019, Halkbank continued to keep all business partners, existing and potential investors in both equities and fixed income securities informed and up-to-date. The Bank made its disclosures in an efficient, consistent and reliable manner.

REVIEW OF OPERATIONS IN 2019

Halkbank's current overseas organization is comprised of one country directorate and five branches in the Turkish Republic of Northern Cyprus (TRNC); one branch in Bahrain; and representative offices in London, Singapore and Tehran.

TREASURY MANAGEMENT AND INTERNATIONAL BANKING

Halkbank conducts operations in TRNC via a country management, four-branch network located in Lefkoşa (Nicosia), Gazimağusa (Famagusta), Girne (Kyrenia) and a satellite office in Paşaköy (Asia).

In addition, Halkbank maintained open communication channels with investors throughout the year; evaluated all questions, comments and requests conveyed to the Bank; and regularly made disclosures regarding material issues and significant developments in areas that could affect investment decisions.

Overseas Branches

Halkbank's current overseas organization consists of one country directorate and five branches in the Turkish Republic of Northern Cyprus (TRNC), one branch in Bahrain, and liaison offices in London, Singapore and Tehran.

Halkbank conducts operations in TRNC via a country management, four-branch network located in Lefkoşa (Nicosia), Gazimağusa (Famagusta), Girne (Kyrenia) and Gönyeli and a satellite office in Paşaköy (Asia). The Bank's Northern Cyprus branches provide all banking services that are offered at Halkbank branches in Turkey. Halkbank plans to increase its market share in TRNC by expanding the existing branch network and developing a product portfolio suitable for that market.

Halkbank's Bahrain Branch, which commenced operations in 1994, is located in Bahrain, the financial center of the Gulf Region. Through the Bahrain Branch, the Bank aims to make Gulf Region funds available, both to Halkbank clients and to Turkey in general, as financing facilities; enter into strategic partnerships with the major banks in the region; fund foreign trade transactions that take place as a result of the increasing business volume between the Gulf Region and Turkey; and finance the projects planned for the region.

The London Representative Office, founded in 2014, works to establish more effective and sustainable business relations in the global finance markets; boost existing relations with current investors; and support access to business opportunities with new investors.

In order to improve cooperation with both international institutional investors and correspondent banks in the Asia-Pacific Region, in 2016, a Representative Office was inaugurated in Singapore.

Effective deposit management serves to broaden the funding base and ensure continuity while also allowing Halkbank to roll out innovative products to diversify client transactions.

DEPOSIT MANAGEMENT

Effective deposit management serves to broaden the funding base and ensure continuity while also allowing Halkbank to roll out innovative products to diversify client transactions.

Halkbank has adopted a dynamic deposit management strategy based on optimization of cost, market share, liquidity and non-deposit resource facilities. The Bank aims to offer services to the mass market with deposit products developed in line with this strategy.

Accumulating Deposit, Fixed-Interest Productive Deposit, Flexible Term Deposit, Deposit with Mutual Fund, Convertible Safe Deposit, Convertible Term Deposit, Dowery Account, Home Deposit Account, and Demand/Term Gold Deposit Account.

Effective deposit management serves to broaden the funding base and ensure continuity while also allowing Halkbank to roll out innovative products to diversify client transactions. As the Bank expects deposits to remain a very important source of funding in the upcoming period, Halkbank plans to continue maintaining a customer-oriented, stable, and broad-based deposit structure.

Halkbank aims to achieve savings deposit growth above the sector average as a strategic priority. During the year, the Bank sustained its robust deposit volume as well as the maturity composition of its deposits while maintaining its broad-based deposit structure.

Total Deposits Reach TRY 297.7 Billion

Halkbank's deposits reached TRY 297.7 billion as of year-end 2019, a 19.6% year over year increase. The term deposits rose to TRY 245.3 billion with an increase of 24.9% while its share in total deposits amounted to 82.4%.

Solid Deposit Base

Effective deposit management serves to broaden the funding base and ensure continuity while also allowing Halkbank to roll out innovative products to diversify client transactions. To this end, the Bank rolled out the FX to Lira Conversion Deposit Account, Inflation Indexed Protecting Deposit Account, and Inflation Protected Interim Payout Deposit Account products in 2019, in addition to its existing lineup consisting of

BROADENING DEPOSIT BASE

Halkbank's deposits reached TRY 297.7 billion as of year-end 2019, a 19.6% year over year increase.

REVIEW OF OPERATIONS IN 2019

Halkbank serves with a total workforce of 18,967 employees from 1,000 branches and 29 regional offices in Turkey, as well as 1 country management office, 6 branches and 3 representative offices abroad.

HUMAN RESOURCES

While focusing on technical banking issues in training activities, Halkbank also prioritized personal and professional development trainings.

Halkbank continued to deliver top quality banking services with its headquarters-based departments and an extensive branch network of domestic and overseas branches. The Bank serves with a total workforce of 18,967 employees. Halkbank operates 1,000 branch locations in Turkey (914 regular branches; 7 corporate, 36 commercial, 2 free-zone and 41 satellite branches), 29 regional offices, 1 country management office, 6 overseas branches and 3 overseas representative offices.

The Halkbank family welcomed 698 new employees in 2019 while 512 employees left. The average job tenure of employees stands at 10.7 years while the average age is 35.3. Halkbank's staff consists 85.8% of higher education graduates and 14.2% of secondary education graduates.

Halk Academy

Halkbank offers its employees ongoing training, a broad range of career opportunities and a modern work environment.

Halk Academy conducts its operations as the Bank's training brand.

In 2019, Halk Academy conducted 2,371 days of in-class training, consisting of 1,601 training sessions for the Bank's employees. Of these,

50.59% were in-house training while the remaining 49.41% were administered by external training firms/instructors. The pace of core banking training programs was intense in the first half of the year due to new recruitments and orientation and in line with the Bank's strategies, the training programs focused on technical banking topics while also administering personal and professional development modules.

The Bank conducted the specialized "Gallipoli" training programs for the newly appointed branch managers while organizing comprehensive training programs for other employees who were promoted in their current positions. As part of the "Development Drivers" Project, 190 in-house instructors completed the In-House Instructor Development Program and joined the Bank's staff. The in-house instructors educated by the Bank are actively engaged in training activities in the field, including orientation training.

The Bank launched the "Academy Hour" lunch break seminars, one-hour seminars that also support the work-life balance approach, some of which were broadcast live in all regional offices and branches. On average, the participation rate was 2.88 people/day of training during the year.

EMPLOYEE TRAINING

Operating as Halkbank's training brand, Halk Academy conducted 1,601 sessions and 2,371 days of classroom training during 2019.



You need to support the dreams of those who dream to do a job that makes them happy. You need to continuously generate solutions for business to proceed as planned and problem-free.

Halk Academy introduced an extensive e-learning catalogue containing various contents under titles such as technical banking, Bank applications, new products and services, personal and professional development, IT training and trainings and training videos under more than 1,000 titles, articles and documents to support in-class trainings in 2019.

In addition to the Halk Academy Training Platform, Halkbank also rolled out mobile applications compatible with next generation learning in 2019. Under the “Success Stories” theme, the Bank highlights the stories of successful branch employees in

order to support employee motivation and inspire the other staff. As part of the “1 Day at “Halkbank” project, job descriptions at the branches are communicated in conjunction with the employees’ hobbies. With the addition of e-learning time of 14.25 people/day due in part to the live broadcasts, training time of 17.13 people/day per employee was reached in 2019 in total.

In 2019 Halk Academy generated 76 video and interactive training modules consisting primarily of Bank products, services and applications. The Halk Academy Library opened its doors with more than 10,000 books, while

the Digital Library containing more than 22,000 e-books and the Audio Book application featuring nearly 15,000 titles were unveiled.

Career and Self-Improvement Days

Halkbank continued to engage in active dialogue with university students in 2019 with the dual objective of promoting the Bank to potential candidates for recruiting purposes and undertaking corporate social responsibility activities. To this end, the Bank participated in the Career and Personal Development Days events of various universities organized in Ankara, Antalya, Burdur, Diyarbakir, Erzurum, Gaziantep and Konya provinces.

REVIEW OF OPERATIONS IN 2019

Halkbank's operational transactions are conducted with the continuous improvement approach and in line with the principles of operational productivity and quality enhancement.

BANKING OPERATIONS AND INFORMATION TECHNOLOGIES

The number of calls received by Halkbank Call Center in 2019 increased by 1% on the previous year, while the number of communications established by the Customer Communication Center reached 33 million.

Operations Center

Halkbank's operational transactions are conducted with the continuous improvement approach and in line with the principles of operational productivity and quality enhancement. Operations Center was structured to offer high quality, standard, fast service with low operational risk to all branches. The number of transactions at the Operations Center, performing transactions in 37 business lines, reached 20 million in 2019.

In 2019, Halkbank continued to improve, simplify and centralize operations that create workload for the Bank. Data and document flows with institutions and customers, with whom information is exchanged, were transferred onto new generation digital platforms. To this end, approximately 1.6 million directed transactions that were formerly executed by the branches and the operations center were automated, reducing their workload. In addition, release transactions for securities taken against the letters of guarantee and loans granted to the customs offices were migrated to the electronic environment.

The Bank reviewed operational risk points in business processes and conducted risk mitigation procedures via systematic checks.

Call Center

The number of calls received by Halkbank Call Center in 2019 increased by 1% on the previous year, while the number of communications established by the Customer Communication Center reached 33 million. The number of transactions performed by way of the Customer Communication Center surged 36% to 79.5 million. Using both in-house and external resources, nearly 8.8 million outbound calls were made to inform customers about the Bank's product and service offering; to market and sell products and services; and to collect payments.

The Bank's outbound calling capacity was increased in 2019 with the opening of two new locations in Kirikkale and Siirt provinces. The Bank began more closely tracking customer satisfaction by rolling out a new survey system where customers calling the Customer Communication Center can evaluate their call experience in real time via the interactive voice response system.

Halkbank invested in software and hardware solutions that will enhance the information security aspect of its information systems infrastructure, and launched a new monitoring infrastructure to track system resources effectively.

Additionally, Halkbank began to use single-use SMS passwords in an effort to enhance customer and Bank security.

Information Technologies

As part of its e-transformation efforts, the Bank implemented business processes that operate in the electronic environment end-to-end in a number of fields including e-lien, e-invoice and e-letter of credit. In line with its drive to digitalize processes, Halkbank initiated ERP Projects in a number of areas, particularly in correspondence and document management, and many business flows outside of core banking were migrated to the electronic environment.

The Mobile Banking application was redesigned with a robust security infrastructure and a large number of new business processes were included in the application. The Paraf Mobile Wallet application was rolled out as another mobile product.

A work flow was designed and implemented to enable loan disbursement at the branches without the need for wet signatures and paper use. A paperless personal loan evaluation and disbursement infrastructure was furnished to extend credit to purchase amounts at chain store locations.

A Combo/Dual Card infrastructure was established to offer a credit card and a prepaid card on the same plastic card.

The Bank invested in software and hardware solutions that will further enhance the information security aspect of Halkbank's information systems infrastructure, and launched a new monitoring infrastructure to track system resources effectively.

PARAF MOBILE WALLET

In 2019 the Mobile Banking application was redesigned with a robust security infrastructure and the Paraf Mobile Wallet application was launched.

REVIEW OF OPERATIONS IN 2019

Halkbank continues to add value to society and life through its social responsibility projects that extend across numerous fields, including education, tourism, arts and environmental protection.

CORPORATE COMMUNICATION ACTIVITIES

Halkbank lent sponsorship support to the 2nd International Geographical Indications Summit in order to raise awareness on the economic importance of products with geographical indications and promote Turkish products with geographical indications under the theme of “From Anatolia to the World.”

Tradesmen’s Meeting

Halkbank sponsored the Turkish Tradesmen’s Meeting that brought together 10 thousand tradesmen in Ankara with the purpose of hearing the problems of tradesmen and artisans, offer solution alternatives, promote credit and financing opportunities, and identify expectations.

Productive Turkey Meetings

In 2019 Halkbank continued to organize Productive Turkey Meetings, where products and services tailored for tradesmen and SME customers were explained for attendees. As part of this effort, the Bank got together with approximately 2 thousand customers in Eskişehir, Denizli, Gaziantep and Adana.

Istanbul Finance Summit

Organized for the 10th time this year under the sponsorship of Halkbank, the Summit creates a meeting and debating platform for international figures from the finance industry around a separate theme each year with the purpose of turning Istanbul into a financial hub where decision makers get together to discuss finance.

Geographical Indications Summit

Halkbank lent sponsorship support to the 2nd International Geographical

Indications Summit in order to raise awareness on the economic importance of products with geographical indications and promote Turkish products with geographical indications under the theme of “From Anatolia to the World.”

10th Energy Efficiency Forum and Exhibition

The Bank sponsored the 10th Forum and Fair of Energy Efficiency where a large number of local and international energy efficiency firms came together and displayed their products.

International Ankara Brand Meetings

The Bank lent sponsorship support to the 4th International Ankara Brand Meetings organized by Ankara Chamber of Commerce on November 28-30, 2019 featuring panels, conferences and events attended by communication industry professionals, business people and academics, and students.

Next Generation Entrepreneurship Summit

The Bank sponsored the Next Generation Entrepreneurship Summit where traditional entrepreneurs and next generation entrepreneurs came together, development of public-private partnerships was discussed, and experts, public authorities, successful entrepreneurs and civil society leaders presented their opinions.



You need to do everything you can to realize a family dream. You need to extend a loan that will facilitate a blissful investment.

Kırşehir Ahi Week

As in previous years, Halkbank sponsored the 32nd Ahi Week Celebrations organized by the R.T. General Directorate of Tradesmen and Artisans of the Ministry of Customs and Trade in Kırşehir, to uphold the "ahi" and "yaran" cultures, which are based on ethics, integrity, fraternity and philanthropy.

Red Crescent Collection

Halkbank lent sponsorship support to the Red Crescent Collection exhibiting crescent designs that was organized by the Turkish Red Crescent in recognition of its 150th anniversary.

Teknofest 2019

Halkbank sponsored the Teknofest 2019 that was organized by the Turkish Technology Team Foundation on September 17-22, 2019 at the Atatürk Airport for the purpose of enabling talented young people to take part in technology development processes, and designing and supporting national and unique products.

REVIEW OF OPERATIONS IN 2019

Halkbank continues to add value to society and life through its social responsibility projects that extend across numerous fields, including education, tourism, arts and environmental protection.

CORPORATE COMMUNICATION ACTIVITIES

The 2nd International Folk Music Festival, held under the auspices of the Office of the President of Turkish Republic, was sponsored by Halkbank.

World Rafting Championship

Halkbank lent sponsorship support to the International Rafting Championship that was organized on the Munzur River located in the Munzur Valley National Park with the participation of a large number of international athletes.

8th International Clarinet Festival

Under the sponsorship of Halkbank for the third year, young clarinet players exhibited their talents, artists who left their marks on the music world were commemorated, and their works were performed by local and international artists at the International Clarinet Festival that was held for the eighth time this year on September 8-17, 2019 simultaneously in Istanbul and Ankara.

2nd International Folk Music Festival

The 2nd International Folk Music Festival, held under the auspices of the Office of the President of Turkish Republic and played host to concerts by many local and international artists, was sponsored by Halkbank.

Ethnosport Culture Festival

Halkbank sponsored the 4th Ethnosport Culture Festival organized by the World Ethnosports Federation for the purpose of increasing the recognition of our traditional sports and games, and promoting this culture through modern vehicles.

7th International Conquest Cup

Halkbank lent sponsorship support to the 7th International Conquest Cup organized under the auspices of the Office of the President with the participation of more than 600 local and international athletes in over 40 countries.

Turkish Folk Music Chorus

The Turkish Folk Music Chorus, composed of Halkbank employees, gave a concert. Chorus rehearsals continue for future concerts.

Turkish Classical Music Chorus

The Turkish Classical Music Chorus formed of bank employees continued their practices and gave two concerts within the year.

“Together at Halkbank” Magazine

Internal communication magazine, published every two months to instill corporate culture and offer motivation, “Together at Halkbank” meets with its readers.

Total charitable contributions and donations made by Halkbank in 2019 amounted to TRY 723 thousand, while charitable contributions and donations including the consolidated subsidiaries amounted to TRY 1.8 million.

OTHER INFORMATION ON OPERATIONS

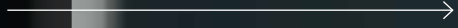
On October 15, 2019, the United States Attorney for the Southern District of New York filed a lawsuit against Halkbank for violating Iranian sanctions at the United States District Court for the Southern District of New York. The court case is still ongoing. The Bank is utilizing all of the rights it has under the U.S. law and monitoring the legal proceeding closely. The Bank has not received any penalties, sanctions or judgements as a result of this case.

There have not been any administrative or legal sanctions imposed on the members of the Bank's Board of Directors for practices in breach of applicable legal or regulatory provisions.

There have not been any administrative or legal sanctions imposed on the Bank for practices in breach of applicable legal or regulatory provisions.

Total charitable contributions and donations made by Halkbank in 2019 amounted to TRY 723 thousand, while charitable contributions and donations including the consolidated subsidiaries amounted to TRY 1.8 million.

You need to back high value added initiatives as well as traditional business lines. You need to see the future wherever you look.





HALKBANK'S SUBSIDIARIES AND AFFILIATES

Halkbank has an extensive portfolio of subsidiaries and affiliates comprised of 25 companies that provide its customers with advanced banking services, as well as products and services in other areas.

EXTENSIVE PARTICIPATION PORTFOLIO

Halkbank provides quick and effective services to its customers, with the synergistic cooperation among its subsidiaries and affiliates.

Halkbank has an extensive portfolio of subsidiaries and affiliates comprised of 25 companies that provide its customers with advanced banking services, as well as products and services in other areas.

In accordance with Halkbank's policy, its subsidiaries and affiliates strive to:

- Establish good relations with other enterprises, while expanding and continuing existing relationships.
 - Increase operational efficiency and reduce service production costs.
 - Ensure the delivery of high-quality services needed by the Bank's clients.
- Acting in accordance with this policy, Halkbank provides quick and effective services to its customers, with the synergistic cooperation among its subsidiaries and affiliates.
- Create added-value, enrich the product and service portfolio that Halkbank offers to its retail and corporate clients, and create cross-selling and supplementary product marketing and sales opportunities.

HALKBANK'S SUBSIDIARIES

CAPITAL

TRY 412,000,000

HALKBANK'S SHAREHOLDING

100%**Halk Hayat ve Emeklilik A.Ş.**

Birlik Hayat Sigorta A.Ş. was established in 1998 in order to operate in life and personal accident insurance, coinsurance, reinsurance and retrocession businesses for individuals both in Turkey and abroad. With the purchase of the share certificates of Türkiye Halk Bankası Personnel Provident Fund by Halkbank at the beginning of 2006, the Company became a subsidiary.

Making preparations in 2009 to operate in the private pension sector, the Company acquired the operating license from the Undersecretariat of Treasury to operate in the pension branch in January 2012 and launched initiatives in this segment.

At the Company's Ordinary General Assembly Meeting held on July 26, 2017, it was decided to make a TRY 135 million capital increase by bonus issue. The Company's capital was increased from TRY 277 million to TRY 412 million and the Bank's share is 100%.

Pursuant to the New Economic Program, the Company will be transferred to a firm to be established by the Turkey Wealth Fund. The associated process is ongoing.



CAPITAL

TRY 100,000

HALKBANK'S SHAREHOLDING

100%**Halk Varlık Kiralama A.Ş.**

The Company was established on October 3, 2017 to issue "Lease Certificates" pursuant to the Capital Markets Law No. 6362, the Capital Markets Board's related communiqué, and the Capital Markets Board's related regulations. The Company's capital is TRY 100 thousand and Halkbank's shareholding is 100%.



CAPITAL

TRY 26,000,000

HALKBANK'S SHAREHOLDING

100%**Bileşim Alternatif Dağıtım Kanalları A.Ş.**

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. commenced operations in 1998 to carry out activities in the areas of alternative distribution channels and payment systems. As of July 22, 2013, the Company became a wholly-owned subsidiary of the Bank.

With the resolution passed at the Ordinary General Assembly held on April 21, 2016, the Company's title was changed to "Bileşim Alternatif Dağıtım Kanalları A.Ş." The Company's capital was increased from TRY 20 million to TRY 26 million in 2018.

Pursuant to the Turkey's ATM Center (TAM) Project regarding the provision of joint ATM services by state-owned banks, the Bank turned over 66.67% of the Company's share capital, 33.34% to T.C. Ziraat Bankası A.Ş. and 33.33% to T. Vakıflar Bankası T.A.O., on February 7, 2020. The Bank currently owns 33.33% of the Company's share capital.

HALKBANK'S SUBSIDIARIES AND AFFILIATES

HALKBANK'S SUBSIDIARIES



CAPITAL

RSD 6,260,280,000

(SERBIAN DINARS)

HALKBANK'S SHAREHOLDING

100%

Halkbank A.D. Beograd

In line with the Bank's policy of increasing its presence in the Balkan region and Middle Europe, Halkbank acquired a 76.76% stake in Cacanska Bank, operating in the Cacak Region of Serbia. The bank included the acquisition target in the subsidiary portfolio as of May 27, 2015. The acquired bank was renamed Halkbank A.D.

The Bank's name was changed to Halkbank A.D. Beograd with the resolution passed at the General Assembly held on October 15, 2015 and the headquarters was moved from the province of Cacak to Belgrade, Serbia. The Bank conducts operations with 38 service points: 24 branches in 21 cities across Serbia, 10 affiliated branches, and 4 foreign exchange offices with a total workforce of 505.

With the purchase of share certificates traded on the stock exchange by Halkbank and the capital increases on February 22, 2018 and August 1, 2018, Halkbank's share ratio among all shares including privileged share certificates, reached 100%.



CAPITAL

TRY 323,000,000

HALKBANK'S SHAREHOLDING

99.99%

Halk Finansal Kiralama A.Ş.

Commencing operations in 1991, Halk Finansal Kiralama A.Ş. was founded to acquire movable and immovable property, machinery, vehicles and equipment through purchasing, import and other legal means; to use these economic assets in domestic and overseas leasing operations; and to conduct all kinds of leasing transactions. The Company, which was a 47.75%-owned affiliate of Halkbank, became a subsidiary after Halkbank acquired the shares of other shareholders in 2011.

Halkbank raised its stake in the Company to 99.99% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. The Company's capital was raised to TRY 323 million with the resolution passed at the Ordinary General Assembly held on April 20, 2018.



CAPITAL

TRY 104,000,000

HALKBANK'S SHAREHOLDING

99.96%

Halk Yatırım Menkul Değerler A.Ş.

Halk Yatırım Menkul Değerler A.Ş. was established in 1997 in order to engage in capital market operations, sell and purchase capital market instruments and to conduct stock exchange transactions. When Halkbank purchased the share certificates of Türkiye Halk Bankası Personnel Provident Fund in 2006, the Company became a subsidiary.

The share rate of Halkbank rose to 99.96% with the purchase of shares of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. in the capital of the Company in 2014. According to the Ordinary General Assembly Resolution dated April 20, 2018, the Company's paid-in capital increased from TRY 82 million to TRY 104 million.

As a result of the application filed by the Company due to the obligation of renewing investment firm licenses based on the abrogated Capital Markets Law No. 2499 under Capital Markets Law no. 6362, the Company was classified and authorized as a brokerage firm with broad authority as per CMB's resolution dated October 15, 2015.

The agency contract between Halk Yatırım Menkul Değerler A.Ş. and Halkbank was cancelled to be replaced with the "Order Transfer Intermediation Contract" signed on November 11, 2015 and approved by CMB.



CAPITAL

MKD 6,696,910,000

(MACEDONIAN DENARS)

HALKBANK'S SHAREHOLDING

99.29%

Halk Banka A.D. Skopje

The majority shares of Izvozna I Kreditna Banka A.D. Skopje, established in 1993 to carry out all kinds of banking activities, were purchased from Demir-Halk Bank (Nederland) N.V. in 2011 and the Bank was included in the partnership portfolio as a subsidiary. The name was changed to Halk Banka A.D., Skopje.

The capital of Halk Banka A.D. completely took over Ziraat Banka A.D. Skopje, active in Skopje, North Macedonia and with R.T. Ziraat Bankası A.Ş., as the controlling shareholder, with all its assets, liabilities, branches and personnel on October 1, 2012. As a result of this takeover, the Company's capital increased from MKD 1,884,150,000 to MKD 2,893,690,000 while Halkbank's equity stake went up from 98.12% to 98.78%. Halk Banka A.D. Skopje's capital was raised to MKD 6,696,910,000 with the resolution passed at the General Assembly Meeting held on April 24, 2019. The Bank's shareholding ratio reached 99.29% after the capital increase.

Halk Banka conducts its business operations with a 42-branch network – 20 branches in Skopje and 22 in other cities – and a total workforce of 569 employees.



CAPITAL

TRY 96,000,000

HALKBANK'S SHAREHOLDING

97.50%

Halk Faktoring A.Ş.

Halk Faktoring A.Ş. was founded on June 6, 2012 as a Halkbank subsidiary in order to provide all financing, guarantee and collection products needed in domestic and international trade transactions with a focus on trade finance and receivables-backed financing to SMEs, companies with major import or export activities, corporations with extensive supplier and dealer networks, as well as all other clients. Pursuant to the operating license granted by the Banking Regulation and Supervision Agency of Turkey, the Company began executing transactions on December 10, 2012.

Halkbank raised its stake in the Company to 97.50% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. The Company's capital was raised to TRY 96 million with the resolution passed at the Ordinary General Assembly held on April 20, 2018.

The Company operates three branches, two in Istanbul and one in Ankara.



CAPITAL

TRY 349,000,000

HALKBANK'S SHAREHOLDING

89.18%

Halk Sigorta A.Ş.

The Company was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives. The Company became a subsidiary in early 2006 when Halkbank acquired the shares held by Türkiye Halk Bankası Personnel Provident Fund.

The Company's title of Birlik Sigorta A.Ş. was changed to "Halk Sigorta A.Ş." at the Ordinary General Assembly Meeting on December 27, 2010. With the Resolution passed at the Ordinary General Assembly Meeting on April 9, 2019, the paid-in capital of the Company was raised by TRY 69 million, from TRY 280 million to TRY 349 million, within the registered capital ceiling.

Pursuant to the New Economic Program, the Company will be transferred to a firm to be established by the Turkey Wealth Fund. The associated process is ongoing.

HALKBANK'S SUBSIDIARIES AND AFFILIATES

HALKBANK'S SUBSIDIARIES



CAPITAL

TRY 928,000,000

HALKBANK'S SHAREHOLDING

79.33%

Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

The Company was established under the leadership of Halkbank in 2010 to do business for the objectives and in the matters stipulated by the regulations of the Capital Markets Board of Turkey regarding the real estate investment trusts and to invest in real estate properties, real estate-backed capital market instruments, real estate projects and real estate-based rights.

Halk Gayrimenkul Yatırım Ortaklığı A.Ş. was offered to public in February 2013. All nominal-value share certificates worth TRY 185.5 million offered to public were sold. As of February 22, 2013, 28% of the Company's share certificates began trading on Borsa Istanbul.

Halkbank raised its stake in the Company to 71.96% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. The Bank owns 79.33% of the Company's outstanding shares, including publicly traded shares held by Halkbank corresponding to 7.36% of the Company's share capital.

The Company's capital was raised from TRY 858 million to TRY 928 million with the Resolution passed at the Ordinary General Assembly held on April 9, 2019.

AFFILIATES

Platform Ortak Kartlı Sistemler A.Ş.

CAPITAL

TRY 21,000,000

HALKBANK'S SHAREHOLDING

33.33%

Platform Ortak Kartlı Sistemler A.Ş.

The Company was determined to be established for the purpose of performing all types of operational activities, furnishing the infrastructure, and providing technical support regarding debit cards, credit cards, POS devices, member businesses and payment systems with the participation of state-owned banks. Registered on the trade registry as of September 23, 2019, the Company has not yet commenced operations.

It was resolved on February 11, 2020 that the Bank's 13.33% ownership in the Company's capital be transferred to Turkey Wealth Fund and PTT A.Ş. equally. The share transfer to the Turkey Wealth Fund has been completed as of February 12, 2020, while the process to transfer shares to PTT A.Ş. is ongoing.



CAPITAL

TRY 38,000,000

HALKBANK'S SHAREHOLDING

31.47%

KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş.

KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş. was established in 1999. The purpose of the Company is to provide support for small and medium-scale enterprises that have high potential for development and are in need of funds. The intention of the Company is to contribute to their development by offering them the capital and strategic support they need to grow.

The Company was expanded to build and manage an angel investor network and to carry out portfolio management activities. Through this network, the Company intends to bring together a group of angel investors and undertake finance matching to meet core and initial capital needs.



CAPITAL

EUR 113,750,000

HALKBANK'S SHAREHOLDING

30%**Demir-Halk Bank (Nederland) N.V.**

Having commenced operations in 1992 and carrying out a full range of banking operations, Demir-Halk Bank (Nederland) N.V. is a company with Turkish capital, operating according to Dutch legislation. The Company was established in Rotterdam, the Netherlands to offer services particularly to Turkish companies and their partners in Western Europe.



SERMAYE

TRY 30,000,000

HALKBANK'S SHAREHOLDING

18.95%**Bankalararası Kart Merkezi A.Ş.**

The Company was established in 1990 to generate solutions for common issues related to the card payment system and to develop the rules and standards for debit and credit cards in Turkey.



CAPITAL

TRY 7,425,000

HALKBANK'S SHAREHOLDING

18.18%**Kredi Kayıt Bürosu A.Ş.**

The Company was founded in 1995 to facilitate information sharing, a prerequisite for monitoring and controlling retail loans, between financial institutions that are engaged primarily in money and capital markets and insurance business lines.



CAPITAL

TRY 13,500,000

HALKBANK'S SHAREHOLDING

16.67%**Türk P&I Sigorta A.Ş.**

The Company was established on December 31, 2013 in accordance with Insurance Law No. 5684 to operate exclusively in the non-life insurance branch of Water Vessels Liability Insurance, with a capital of TRY 300,000. Pursuant to the Regulation on the Establishment and Operating Principles of Insurance and Reinsurance Companies, the company obtained a license to operate in the field of Water Vessels Liability Insurance on February 18, 2014.

On April 2, 2015, Halkbank acquired a 16.6667% stake in Türk P&I Sigorta A.Ş. previously held by Halk Sigorta A.Ş. As a result, Türk P&I Sigorta was transformed into an affiliate.

HALKBANK'S SUBSIDIARIES AND AFFILIATES

OTHER PARTNERSHIPS

Türkiye Ürün İhtisas Borsası A.Ş.

CAPITAL

TRY 100,000,000

HALKBANK'S SHAREHOLDING

3%

Kredi Garanti Fonu A.Ş.

CAPITAL

TRY 513,134,229.53

HALKBANK'S SHAREHOLDING

1.4925%

Mesbaş Mersin Serbest Bölge İşleticisi A.Ş.

CAPITAL

TRY 10,804,320

HALKBANK'S SHAREHOLDING

1.37%

Türkiye Cumhuriyet Merkez Bankası

CAPITAL

TRY 25,000

HALKBANK'S SHAREHOLDING

1.11%

Sberbank Magyarország Zrt. (Sberbank Hungary)

CAPITAL

HUF 3,727,100,000

(HUNGARIAN FORINTS)

HALKBANK'S SHAREHOLDING

1.07%

İstanbul Takas ve Saklama Bankası A.Ş.

CAPITAL

TRY 600,000,000

HALKBANK'S SHAREHOLDING

0.99%

Alıdaş Alanya Liman İşletmeleri Denizcilik Tur. Tic. ve San. A.Ş

CAPITAL

TRY 6,000,000

HALKBANK'S SHAREHOLDING

0.50%

Borsa İstanbul A.Ş.

CAPITAL

TRY 423,234,000

HALKBANK'S SHAREHOLDING

0.00353%

Visa INC.

CAPITAL

USD 16,900,000,000

HALKBANK'S SHAREHOLDING

0.0017614%

TÜRKİYE HALK BANKASI A.Ş.

REPORT OF THE BOARD OF DIRECTORS

As a long-established bank in the sector, Halkbank has provided full support to the real economy and, in 2019, continued to offer high-quality products and services to the customers by drawing upon its 81 years of experience, risk management activities and quick response to market conditions. In this context, the Bank not only increased its service diversity in retail banking through its credit card brand Paraf, but also contributed to the national economy by actively supporting SMEs and tradespeople, in particular, with funds obtained from the capital market instruments it has issued and its widespread deposit base.

In 2019, Halkbank increased its assets to 457 billion Turkish lira from 378.4 billion Turkish lira with a 20.8 percent year-on-year increase. It also ranked third in assets within the sector.

By the end of 2019, the Bank directed a large part of its funding resources to loans, with loans comprising a 67.7 percent share on its balance sheet. Its commercial loans, including the SME loans, rose to 257.6 billion Turkish lira and its retail loans to 51.6 billion Turkish lira. The Bank ranked second in cash loans within the sector. In 2019, cash and non-cash loan volumes increased to 399.1 billion Turkish lira from 342.1 billion Turkish lira, up 16.7 percent year-on-year.

The IVME Financing loan was recorded at 8,473 million Turkish lira to 3,269 clients and Employment-Oriented Working Capital Loan (ISTOD) was provided to 1,597 clients, amounting to 2,476 million Turkish lira in total. As a result, an employment commitment for 21,032 people was created in ISTOD. Loan disbursement for artisan loans were recorded at 25,278 million Turkish lira, rose by 31.9 percent year-on-year to 41,043 million Turkish lira.

The size of its securities portfolio also increased to 102.7 billion Turkish lira, up 37.8 percent year-on-year. The portfolio's share in the balance sheet amounted to 22.5 percent.

In 2019, Halkbank issued bonds/bills to qualified investors without making any public offering and by making public offering with a par value of 17.2 billion Turkish lira.

Halkbank's total deposit base grew by 19.6 percent to 297.7 billion Turkish lira, up from 248.9 billion Turkish lira year-on-year. In addition, demand deposit volume amounted to 52.4 billion Turkish lira in 2019. In the second half of the year, interest rate cuts of CBRT led resource costs to decrease significantly.

The Bank posted a 1.7 billion Turkish lira year-end profit and maintained its sustainable profitability in 2019. In 2019, the Bank's capital adequacy ratio was 14.3 percent.

With 18 new branches opening in 2019, Halkbank expanded its branch network to 1,000 domestic branches and ended the year with 18,967 employees.

We would like to thank our employees. Their efforts and contributions have enabled Halkbank to maintain its sustained growth in 2019 and contributed to our profitable and productive year. We hereby submit the Reports of the Board of Directors' and Auditors', as well as financial statements for the year 2019, to our esteemed shareholders and their representatives for their consideration.

Osman ARSLAN
Board Member
General Manager

R.Süleyman ÖZDİL
Chairman

ANNUAL REPORT COMPLIANCE STATEMENT

INDEPENDENT AUDITOR'S REPORT REGARDING THE BOARD OF DIRECTOR'S ANNUAL REPORT

To the General Assembly of Türkiye Halk Bankası A.Ş.

1) Opinion

As we have audited the full set of consolidated and unconsolidated financial statements of Türkiye Halk Bankası A.Ş. (the "Bank") and the Bank's companies that are in the scope of consolidation (the "Group") for the accounting period of 01/01/2019–12/31/2019; we have also audited the annual report pertaining to this accounting period.

In our opinion, the consolidated and standalone financial information in the Board of Director's Annual Report, and the assessments made by the Board of Directors on the Bank's situation based on the information presented in the audited consolidated and standalone financial statements, with all its important aspects, are consistent with the complete set of audited consolidated and standalone financial statements and the findings we have come across during our independent review, and they reflect the facts except for the effects of the matter specified in the Grounds for Qualified Opinion paragraph in the Independent Auditor's Report dated February 14, 2020.

2) Basis for the Opinion

The independent audit we have conducted was performed in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette numbered 29314 dated April 2, 2015, and the Independent Audit Standards ("BDS") that is a part of the Turkish Audit Standards published by the Public Oversight, Accounting and Audit Standards Authority ("KGK"). Our responsibilities pursuant to these Standards were stipulated in detail in the section titled Independent Auditor's Responsibilities regarding the Independent Audit of the Annual Report. We hereby declare that we are independent from the Bank in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by KGK and with the provisions on ethics stipulated in the independent auditing laws and regulations. We have also fulfilled all other responsibilities stipulated in the Code of Ethics and effective laws and regulations. We believe that the independent audit evidence we obtained during the independent audit form a reasonable and sufficient basis for our opinion.

3) Our Auditor's Opinion on Complete Set of Consolidated and Standalone Financial Statements

Concerning the full set of consolidated and standalone financial statements of the Bank for the accounting period of 01/01/2019–12/31/2019, we delivered a qualified opinion, because of the issues stated in the auditor's report dated February 14, 2020, in the paragraph about the "Grounds for Qualified Opinion." Additionally, our opinion points out the continuing judicial proceedings on Halkbank currently under way in the United States as a matter of interest.

4) Board of Director's Responsibility Regarding the Annual Report

As per the 514th and 516th Article of the Turkish Commercial Code n.6102, and the "Regulation on the Principles and Procedures Regarding the Preparation of the Annual Report by Banks" ("Regulation") the Bank management is responsible for below mentioned issues regarding the annual report:

- a) Issuing an annual report within three months of the date of the balance sheet and presenting it to the general assembly of shareholders.
- b) Preparing the annual report in a way to reflect the Bank's activities throughout the year and its financial position in all aspects, accurately, completely, straightforwardly, truthfully and honestly. Evaluations in the report about the financial position are based on financial statements. Additionally, the report clearly points out to the Bank's development, and the potential risks that may be faced. Evaluations of the Board of Directors on these issues are included in the report.
- c) The annual report also entails the following elements:
 - Major developments at the Bank that transpired after the end of the reporting year that are of particular significance,
 - The Bank's research and development activities,
 - Financial compensation in the form of salary, bonus or incentives; allowances; travel, accommodation and representation expenses; in-kind and cash facilities; insurances and similar guarantees.

The Board of Directors also complies with the secondary regulations set forth by the Banking Regulation and Supervision Agency, the Ministry of Trade, and the other related authorities when preparing the annual report.

5) Independent Auditor's Responsibility Regarding the Independent Audit of the Annual Report

Pursuant to the provisions of the Turkish Commercial Code and the Regulation, our purpose is to present an opinion on whether the consolidated and standalone financial information in the Board of Director's Annual Report, and the assessments made by the Board of Directors on the Bank's situation are consistent with the audited consolidated and standalone financial statements and the findings we have come across during our independent audit, and whether they reflect the facts; and issue a report conveying this opinion.

The independent audit that we have performed was done within the framework of the 397th Article of the Turkish Commercial Code and the "Regulation on Independent Audit of the Banks" published in the Official Gazette n.29314 dated 2nd April 2015 and in conformity with the Independent Audit Standards ("BDS"). These standards require that we comply with ethical provisions, and plan and conduct the independent audit in a way that provides a reasonable assurance on whether the consolidated and standalone financial information in the Board of Director's Annual Report, and the assessments made by the Board of Directors on the Bank's situation are consistent with the audited consolidated and standalone financial statements and the findings we have come across during our independent audit, and whether they reflect the facts.

Hasan Kılıç is the responsible auditor who conducts and finalizes this independent audit.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

Hasan Kılıç, SMMM

Partner

Istanbul, March 9, 2020

BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



Recep Süleyman ÖZDİL

Chairman

Mr. Özdil was born in 1961 in Istanbul and graduated from Ankara University, Faculty of Political Science, Department of Economics. Özdil started his professional career in 1984 at a private company as Inspector. Subsequently, Mr. Özdil went on to work as Specialist, Assistant Manager and Branch Manager at Albaraka Türk Özel Finans Kurumu A.Ş. between 1986 and 1993. From 1993 to 1995, he served as Financial Coordinator at a private company. Later, he worked as Deputy General Manager between 1995 and 2001 at İhlas Finans Kurumu A.Ş. and from 2001 to 2005 at Family Finans Kurumu A.Ş. From 2005 until 2011, Recep Süleyman Özdil was a Board Member and CEO at Birleşik Fon Bankası A.Ş. and Board Member at Security Deposit Insurance Fund (TMSF). Since August 28, 2015, Mr. Özdil has been serving as Chairman at Türkiye Halk Bankası A.Ş. He is also the Chairman of the Board of Directors of Halkbank A.D. Beograd.



Himmet KARADAĞ

Vice Chairman - Independent Board Member

Himmet Karadağ was born in Denizli in 1974 and graduated from Antalya High School in 1991. He received his undergraduate degree from Gazi University, Faculty of Economics and Administrative Sciences, Department of Public Administration in 1995. He received his MBA degree from Exeter University in 2010. Mr. Karadağ embarked on his career in 1998 in the Ministry of Finance where he worked as Between 1999 and 2002, he worked as Account Specialist, Chief Account Specialist, Group Vice President, Head of Department, Advisor to the President of the Revenue Administration, and Advisor to the Ministry of Finance from 1999 and 2012. Since 2012, he has been a Board Member on the Capital Markets Board and became the Vice Chairman of the Board on April 1, 2016. He served as Chairman of the Board of Directors and as CEO at Borsa Istanbul and at Central Securities Depository of Turkey, respectively, in 2016 and 2018. He was appointed a Board Member at Turkey Wealth Fund on January 19, 2017 and served as the General Manager and acting Chairman at the same institution between September 7, 2017 and September, 12 2018. Mr. Karadağ has been serving as Vice Chairman and Independent Member of the Board of Directors of Türkiye Halk Bankası A.Ş. since August 12, 2018. He also teaches courses on Development and Investment Banking at Istanbul Commerce University.



Osman ARSLAN

General Manager and Board Member

Osman Arslan was born in Ankara in 1971. He graduated from Middle East Technical University, Faculty of Science and Literature, Department of Statistics. He received an MBA from the same institution's Faculty of Economics and Administrative Sciences, Department of Business Administration. Mr. Arslan joined Ziraat Bank in 1995. He served in managerial positions at various private banks from 1998 to 2004. Between 2004 and 2012, Mr. Arslan served as Division Manager, Head of Department, and Deputy General Manager at Türkiye Halk Bankası A.Ş., and as General Manager of Arap Türk Bankası (now A&T Bank). In March 2012, he began serving as the Deputy General Manager of Financial Affairs at Ziraat Bank. In January 2013, he was appointed Executive Vice President for International Banking and Partnerships and in August 2014, the Executive Vice President for Information Technology Management. He served as Founding General Manager at Ziraat Participation Bank from February 2015 to June 2017. Mr. Arslan has been serving as Chairman of the Board of Directors and General Manager at Halkbank since June 8, 2017. He also serves as the Chairman of the Boards of Directors of Halk Sigorta A.Ş., Halk Hayat ve Emeklilik A.Ş., and Halk Banka A.D. Skopje.



Meltem TAYLAN AYDIN

Board Member

Born in Ankara in 1973, Aydın graduated from Istanbul University, Faculty of Political Science, Department of Business Administration. She completed her graduate studies on the macroeconomic performance of emerging economies and behavioral economics. In 2014, she was admitted to Harvard University's Emerging Leaders program. She is currently working toward her MBA degree at Harvard Extension School. Currently serving as an Adviser to the President and a member of the President's Economic Policies Council, Mrs. Aydın has been a Member of the Board of Directors of Halkbank since June 8, 2017.



Mehmet Emin ÖZCAN

Independent Board Member

Mehmet Emin Özcan was born in 1960 and graduated from Ankara University, Faculty of Political Science, Department of Economics and Public Finance in 1982. Starting his professional career at İş Bankası on January 1, 1983 as Assistant Inspector, Mr. Özcan subsequently served in various managerial roles at Albaraka Türk Katılım Bankası. He served as Executive Member of the Board of Directors at Halkbank from March 2003 to April 2005. Mr. Özcan also served as the Bank Representative before the Institute of International Finance (IIF) as well as a Member of the Boards of Directors of Demir-Halk Bank (Nederland) N.V., Halk Yatırım Menkul Değerler A.Ş., and Halk Finansal Kiralama A.Ş. Between April 2005 and May 2010, he served as Member of the Board of Directors at Ziraat Bankası and Chairman/Member of the Board of Directors at the Bank's overseas subsidiary banks. Returning to Halkbank's Board of Directors as Vice Chairman in May 2010, Mr. Özcan also served as Member of Demir-Halk Bank (Nederland) N.V.'s Board of Directors. Appointed as Vice Chairman of VakıfBank's Board of Directors in March 2013, he also served as Chairman of the Board of Directors of VakıfBank International AG-Vienna and Vakıf Yatırım Menkul Değerler A.Ş.; and Vice Chairman of the Board of Directors at Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş., Vakıf Finansal Kiralama A.Ş. and Güneş Sigorta A.Ş. He assumed the Presidency of the Central Bank of the Turkish Republic of Northern Cyprus (TRNC) in February 2017 with the resolution of the Council of Ministers of the TRNC. Appointed as General Manager of VakıfBank in June 2017, Mr. Özcan has been serving as Member of the Board of Directors of Türkiye Halk Bankası A.Ş. since May 27, 2019. He is also the Chairman of the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. and Halk Varlık Kiralama A.Ş.



Maksut SERİM

Board Member

Born in İzmit in 1955, Mr. Serim graduated from Marmara University, Faculty of Theology. He received his master's degree from Atılım University, Department of Public Administration and Political Science. Mr. Serim served as Clerk, Chief, Supervisor, Deputy Manager, and Deputy General Manager at VakıfBank between 1977 and 1998. He later served as Press and Public Relations Adviser and then as Chief Adviser to the Prime Minister between 2003 and 2016. Mr. Serim currently serves as a Senior Adviser to the President, and has been a Member of the Board of Directors of Halkbank since June 8, 2017.

BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



Sadık TILTAĞ

Independent Board Member

Sadık Tiltak received his Bachelor's degree in Finance from the Ankara University Faculty of Political Science. Mr. Tiltak started his professional career as Assistant Inspector at Garanti Bank in 1988, where he later worked as a Branch Manager and Manager at Head Office Units. Appointed Board Member of Türkiye Vakıflar Bankası T.A.O. on March 30, 2012, Mr. Tiltak previously served as Loan Committee Member, Corporate Governance and Appointment Committee Member, and Audit Committee Member at Türkiye Vakıflar Bankası T.A.O.; Chairman at Vakıf Finans Faktoring Hizmetleri A.Ş.; Vice Chairman at Vakıf Gayrimenkul Değerleme A.Ş., Vakıf Pazarlama ve Ticaret A.Ş., Vakıf Portföy Yönetimi A.Ş. and Board Member at Halk Hayat ve Emeklilik A.Ş. Elected as Member of the Board of Directors of Türkiye Halk Bankası A.Ş. on April 1, 2014, Mr. Tiltak currently serves as Independent Member of the Board of Directors after also serving as Vice Chairman of the Board of Directors. He is also Vice Chairman of Halk Sigorta A.Ş.



Sezai UÇARMAK

Board Member

Sezai Uçarmak was born in Ordu in 1964 and graduated from Istanbul University, Faculty of Political Science, Department of Public Administration. He started working at the Ministry of Customs as an Assistant Customs Inspector in 1987. He subsequently served as Customs Inspector and Chief Customs Inspector in the same institution. He taught courses on "Customs and Foreign Trade" at Istanbul University, Institute of Social Sciences between 1994 and 1998. He served as Director of Customs from 2003 to 2005. After serving as Chief Customs Inspector between 2005 and 2008, Mr. Uçarmak then served as the Head of the Board of Inspectors until 2011. He was appointed Deputy Undersecretary at the Ministry of Customs and Trade in November 2011. Mr. Uçarmak has been serving as Deputy Minister at the Ministry of Trade since January 18, 2019, and as a Board Member at Türkiye Halk Bankası A.Ş. since February 27, 2019.



Mevlüt UYSAL

Board Member

Born in Antalya in 1966, Mevlüt Uysal graduated from Istanbul University, School of Law. He worked as an attorney for many years following his graduation. He was elected the Mayor of Başakşehir Municipality in the March 2009 local elections. He was renominated in the 2014 local elections and was elected the Mayor of Başakşehir Municipality for the second time. He was voted the Mayor of İstanbul Metropolitan Municipality at an extraordinary meeting of the İstanbul Metropolitan Municipal Council in September 2017. He has been serving as Member of the Board of Directors at Türkiye Halk Bankası A.Ş. since May 27, 2019. He is also the Vice Chairman and Independent Member of the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.



Prof. Dr. Yılmaz ÇOLAK

Member of the Supervisory Board

Yılmaz Çolak was born in Giresun in 1969. He graduated from the Middle East Technical University, Department of Sociology. He received his master's degree and Ph.D. from Bilkent University, Department of Political Science and Public Relations. Between 1993 and 2010, Mr. Çolak served under the academic titles of Research Assistant, Assistant Professor and Associate Professor at Bilkent University, Kırıkkale University, and Eastern Mediterranean University, respectively. Joining the Police Academy in 2010, he was appointed the President of the Police Academy in 2010 continues to serve in that capacity. Professor Yılmaz Çolak has been serving as a Member of Halkbank's Supervisory Board since June 8, 2017.



Faruk ÖZÇELİK

Member of the Supervisory Board

Faruk Özçelik was born in Konya in 1968. He is a graduate of Ankara University, Faculty of Political Science, Department of Business Administration. He holds a Master's degree in International Relations from Selçuk University, Institute of Social Sciences. He also graduated from Anadolu University, Faculty of Economics, Department of Public Administration and Department of Finance, Banking and Insurance as well as from Faculty of Law. Beginning his career as Assistant Auditor at the Republic of Turkey Prime Ministry, General Directorate of Foundations, Mr. Özçelik subsequently served as Auditor and Chief Auditor in the same institution and at the Ministry of Public Works and Settlements. He served as Deputy General Manager at the Prime Ministry, General Directorate of Personnel and Principles between 2003 and 2009, and then as the General Manager of the same institution from 2009 to 2014. He has also served as a Member of the Board of Directors of the Turkish Natural Catastrophe Insurance Pool, a Member of the Supervisory Board of the Turkish Maritime Organization (Türkiye Denizcilik İşletmeleri A.Ş.), and a Member of the Board of Directors of the Public Administration Institute for Turkey and the Middle East (TODAİE). Currently employed as Undersecretary of Ministry of Youth and Sports, Mr. Özçelik has been serving as a Member of Halkbank's Supervisory Board since May 24, 2010.

EXECUTIVE MANAGEMENT



Osman ARSLAN

General Manager and Board Member

Please see page 74 for Mr. Osman ARSLAN's background.



Yalçın MADENCİ

Deputy General Manager

Corporate and Commercial Marketing

Yalçın Madenci was born in Istanbul in 1977. He graduated from Sakarya University, Faculty of Economics and Administrative Sciences, Department of Economics. Mr. Madenci began his professional career at Türkiye Halk Bankası A.Ş. in 1999 and spent his entire career at Halkbank as Specialist, Senior Specialist, Director, Commercial Branch Manager, Department Manager and Division Head. He has been serving as the Bank's Deputy General Manager of Corporate and Commercial Marketing.



Hasan TUNCAY

Deputy General Manager

Retail Banking

Hasan Tuncay was born in Ankara in 1967. He graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He worked as Inspector and Manager at Pamukbank T.A.Ş. Since 2004 he served as Branch Manager, Department Head and Deputy General Manager of Corporate and Commercial Marketing at Türkiye Halk Bankası A.Ş. Mr. Tuncay has been serving as the Deputy General Manager of Retail Banking since May 31, 2019.

**İlhan BÖLÜKBAŞ***Deputy General Manager****Loan Allocation and Management***

İlhan Bölükbaş was born in Samsun in 1971. He graduated from Ankara University, Faculty of Political Science, Department of Business Administration. Beginning his career as Assistant Financial Analyst at VakıfBank, he subsequently served in managerial positions at ING Bank A.Ş. and ICBC Bank as Assistant Inspector, Inspector, Manager, Department Head and Group President. He served as Deputy General Manager at Ziraat Finansal Kiralama A.Ş. from 2014 to 2016 and Department Head at Ziraat Katılım Bankası A.Ş. between 2016 and 2017. Appointed as Department Head at Türkiye Halk Bankası A.Ş. in 2017, İlhan Bölükbaş has been serving as Halkbank's Deputy General Manager of Loan Allocation and Management since June 11, 2019.

**Ergin KAYA***Deputy General Manager****Banking Operations and Support Services***

Ergin Kaya was born in Artvin in 1970. He graduated from Ankara University, Faculty of Political Science, Department of Public Administration. He served as Assistant Inspector, Inspector, Division Director, Department Head, and Deputy General Manager of Banking Operations and Information Technologies at Türkiye Halk Bankası A.Ş. Mr. Kaya has been serving as the Deputy General Manager of Banking Operations and Support Services since May 31, 2019.

EXECUTIVE MANAGEMENT



Yusuf Duran OCAK

Deputy General Manager

Financial Management and Planning

Born in Kadiri, Osmaniye, in 1966, Ocak graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Public Finance. After serving as Assistant Inspector, Inspector, Deputy Head of the Board of Inspectors, and Department Head at Türkiye Halk Bankası A.Ş. (Halkbank), Mr. Ocak has served as Halkbank's Deputy General Manager of Financial Management and Planning since July 18, 2017.



Serdar SÜRER

Deputy General Manager

Treasury Management and International Banking

Serdar Sürer was born in Istanbul in 1972. He graduated from Anadolu University, Faculty of Economics, Department of Economics. He served as Money and Capital Markets Director, Department Manager, and Treasury Management Department Head at Türkiye Halk Bankası A.Ş. since 2002. He was appointed General Manager of Halk Yatırım Menkul Değerler A.Ş. in 2017. Mr. Sürer has been serving as Halkbank's Deputy General Manager of Treasury Management and International Banking since July 8, 2019.

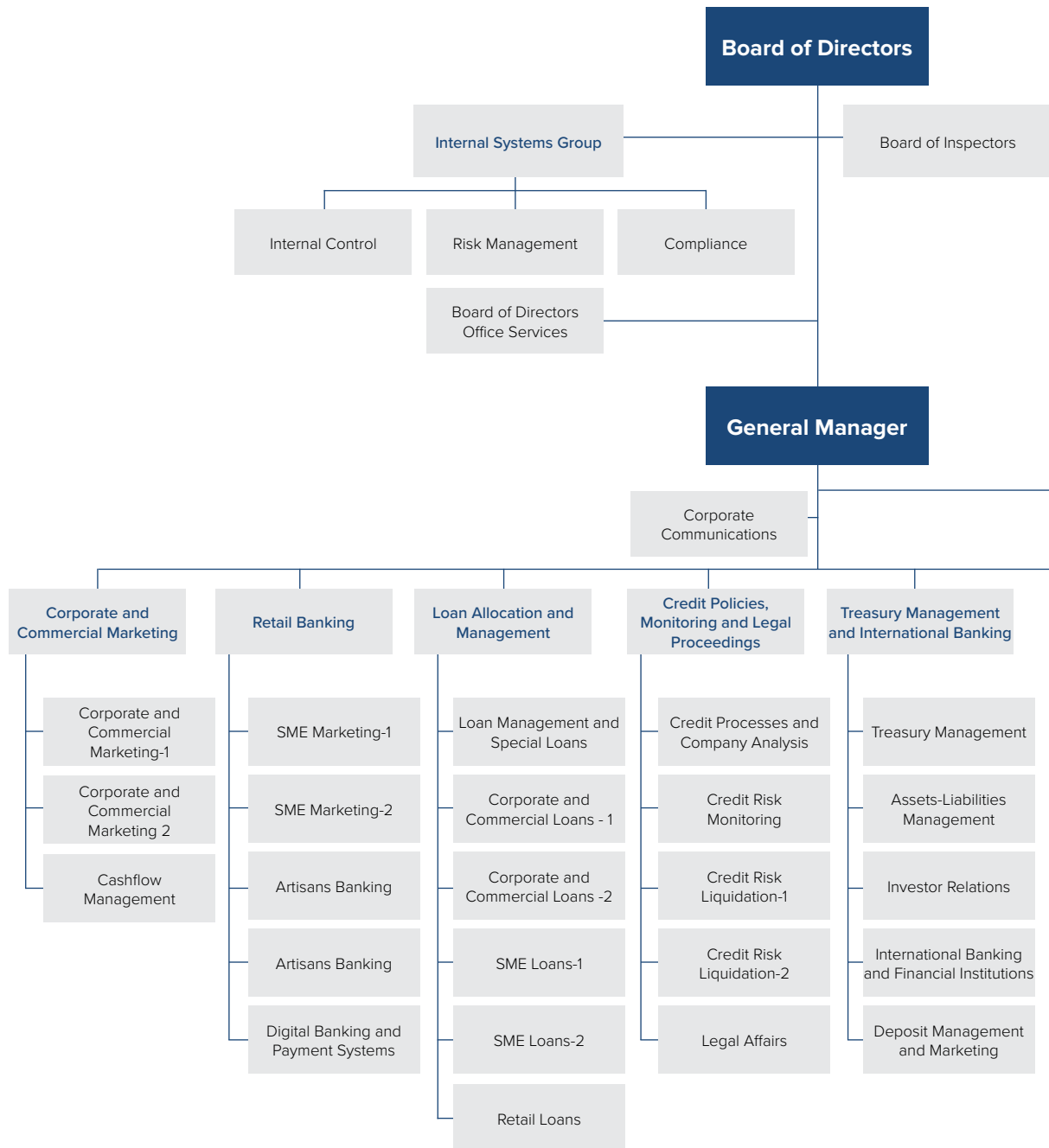
**Olcay DOĞAN***Group Manager**Human Resources*

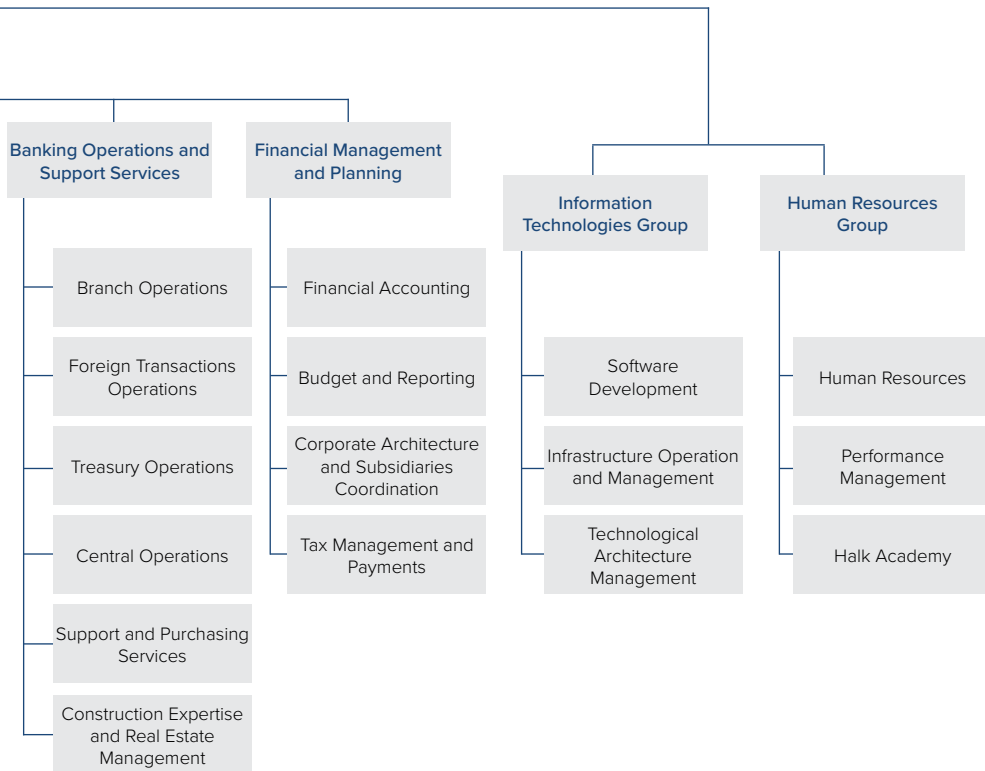
Olcay Dođan was born in Ankara in 1970. He is a graduate of Ankara University, Faculty of Political Science, Department of Business Administration. He received his Master's degree from Yıldırım Beyazıt University, Institute of Social Sciences, Department of Banking and Finance. Starting his professional career as Inspector at Türkiye Halk Bankası A.Ş. in 1994, Mr. Dođan spent his entire career at the Bank as Chief Inspector, Commercial Branch Manager, and Department Head. He has been serving as Human Resources Group Manager since May 31, 2019.

**Mehmet Zihni GÜVENER***Group Manager**Internal Systems*

Mehmet Zihni GÜvener in Aksaray in 1972. He graduated from the Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Public Administration. He worked as Inspector and Manager at Pamukbank T.A.Ş. after joining it in 1995. Serving as Department Manager, Commercial/Corporate Branch Manager, and Department Head at Türkiye Halk Bankası A.Ş. since 2004, Mr. GÜvener has been serving as Internal Systems Group Manager since May 31, 2019.

ORGANIZATIONAL CHART





COMMITTEES

Audit Committee

Halkbank's Audit Committee was established pursuant to the Board of Directors resolution numbered 34-01 and dated October 31, 2006. Qualifications, duties and responsibilities of the Audit Committee are set forth in the Internal Directive on Governance as amended last pursuant to the Board of Directors resolution numbered 42-45 and dated May 15, 2018 and as per the provisions of the "Regulation On Banks' Internal Systems and Internal Capital Adequacy Assessment Process" published in the Official Gazette n.29057 and dated: July 11, 2014; the Audit Committee is responsible – on behalf of the Board of Directors – for overseeing the efficiency and sufficiency of the internal control, risk management and internal audit systems of the Bank, and the functioning of these systems and the accounting and reporting systems within the framework of the law and relevant regulations, and for overseeing the integrity of the information produced, making preliminary evaluation necessary for the Board of Directors to choose an independent audit firm and also, rating, assessment and support services institutions, regularly monitoring the activities of these institutions chosen by the Board of Directors, making sure that the internal audit functions of the corporations subject to consolidated audit are performed in a consolidated manner in the corporations which are defined as the parent company within the scope of the law. The Audit Committee is in charge of establishing the audit and control process which will provide assurance for the efficiency and accuracy of İSEDES. Within the scope of "Early Detection and Management of Risk" specified in the Turkish Commercial Code, the Audit Committee also carries out the duty of early "diagnosis" of the reasons that endanger the existence, development and continuity of the Bank. It counsels the Board of Directors regarding the issues of risk management and implementation of remedies for the detected risks. Carrying out the necessary tasks by means of the relevant units of the Bank in accordance with its duty, the Committee submits the situation analysis and its suggestions (if any) in a report to the Board of Directors.

Duties of the Audit Committee

- a) On behalf of the Board of Directors, overseeing the effectiveness and adequacy of the internal control, risk management, compliance and internal audit systems of the Bank; ensuring the functioning of these systems and the accounting and reporting systems in accordance with the Law and related regulations as well as the integrity of the information generated by these systems; providing that the internal audit functions of the Bank's consolidated subsidiaries and affiliates are conducted in a consolidated framework and coordinated fashion pursuant to the regulations issued as per the Law,
- b) Establishing the channels of communication through which the employees of the internal systems units can contact the Audit Committee directly,
- c) Overseeing that the internal audit system covers the Bank's existing and planned activities as well as the risks arising from these activities, analyzing internal Bank regulations regarding internal audit that will take effect with the approval of the Board of Directors,
- d) Making recommendations to the Board of Directors regarding the election of the heads of the units covered by the internal systems and reporting directly to the Audit Committee, providing opinion when the Board of Directors considers removing these employees from their related positions,
- e) Soliciting and evaluating senior management's opinions and recommendations regarding internal systems,
- f) Ensuring the establishment of channels of communication through which irregularities and fraud within the Bank can be reported directly to the Audit Committee or to the internal audit unit or to the inspectors,
- g) Overseeing that the inspectors execute their duties independently and impartially,
- h) Analyzing internal audit plans,
- i) Making recommendations to the Board of Directors regarding the desired qualifications of personnel to be employed in the internal systems units,
- j) Supervising the measures taken by the senior management and the units reporting to the senior management in response to the matters identified in internal audit reports,

- k) Assessing the professional education levels and qualification of the managers and personnel, within the internal systems,
- l) Assessing the existence of methods, tools and implementation procedures necessary for identifying, measuring, monitoring and controlling the risks the Bank is exposed to,
- m) Meeting with the inspectors as well as the independent auditors of the independent audit companies which conduct independent audit process of the Bank within the scope of pre-determined programs and agendas at regular intervals not less than four times a year,
- n) Informing the Board of Directors about the opinions and assessments of the senior management, employees performing risk management, internal control and internal audit functions, and the independent audit company regarding the practices required for the proper execution, ensuring efficiency and improvement of the tasks that are part of their duties and responsibilities,
- o) Reviewing the assessments of the independent audit company with regard to the compliance of the Bank's accounting practices with the law and other related regulations, soliciting the statement of the senior management regarding the discrepancies identified,
- p) Evaluating the independent audit results, annual and quarterly financial statements and their related documents, and the independent audit report in conjunction with the senior management and the independent auditors and resolving other issues that the independent auditors have reservations about,
- q) Evaluating independence of the rating agencies, independent audit firms including ones that perform information systems audits, and valuation firms that the bank is contemplating signing contracts with; these companies' chairmen and board of directors members, auditors, executives and employees with respect to their activities with the Bank; and the adequacy of the resources assigned to these activities; presenting its assessments in a report to the Board of Directors; and repeating these procedures regularly during the term of the contract if the Bank resolves to procure service from these companies, not to exceed one year for valuation firms and three months for other firms.
- r) Conducting a risk assessment for the support service the Bank is considering procuring, presenting the assessments to the Board of Directors in the form of a report, repeating these steps at regular intervals not less than one time a year as long as the contract is in effect should the Bank resolve to procure service from them, and supervising the adequacy of the services rendered by the support service provider,
- s) Overseeing that the Bank's financial reports contain only the facts and all the information which need to be revealed and that these reports comply with the law and other related regulations; ensuring that the errors and irregularities identified are corrected,
- t) Consulting with the independent auditors whether the financial reports accurately reflect the Bank's financial position, results of its activities and the Bank's cash flows and whether they are prepared in accordance with the procedures and principles stipulated in the law and other related regulations,
- u) Not exceeding periods of six months, reporting the activities the Audit Committee has performed during the period and the results of such activities to the Board of Directors, including in these reports the Audit Committee's opinions on the measures that need to be taken and practices that need to be initiated within the Bank as well as other matters significant for being able to continue the Bank's operations in a safe manner,
- v) Monitoring whether officers with the authority to establish line of credit take part in the assessment and decision-making processes for credit transactions with themselves, their spouses, children under their custody, and other real persons and entities that form a risk group with these individuals, and establishing the channels of communication that will enable these matters to be transmitted to the Committee,
- w) Collecting information and documentation from all units of the bank, support service providers under contract, and independent audit firms; procuring consulting services from subject matter experts subject to approval by the Board of Directors to be paid for by the Bank,

COMMITTEES

- x) Within the scope of “Early Detection and Management of Risk” stipulated in the Turkish Commercial Code, carrying out the duty of early “diagnosis” of the factors that may endanger the existence, development and continuity of the Bank; making recommendations to the Board of Directors regarding the issues of implementation of mitigations and remedies for the detected risks and risk management; undertaking the necessary tasks by means of the related units of the Bank in accordance with its duty and submitting the status evaluation and its suggestions, if any, in a report to the Board of Directors.
- y) Establishing the requisite audit and control process that will provide assurance for the adequacy and reliability of the Internal Capital Adequacy Evaluation Process (ISEDES),
- z) Ensuring that the Bank’s obligations and responsibilities pursuant to Law no. 5549 on Prevention of Laundering of Proceeds of Crime, Regulation related to Law no. 5549, and other related legislation; overseeing the adequate and effective execution of the entire compliance program.

The Audit Committee convened 12 times during 2019; during these meetings, the potential risks of the Bank, stress tests, scenario analyses, and risk management policies and implementation procedures were discussed. The members of the Committee attended the meetings regularly.

Members of the Audit Committee	Position	Primary Position
Sadık TILTAK	Chairman	Independent Board Member
Mehmet Emin ÖZCAN	Member	Independent Board Member

Operational Risk Committee

The Operational Risk Committee convenes quarterly, for at least four meetings each year. In addition, the Committee also convenes at the date and time set by the Chairman as deemed necessary by the Chairman or under special circumstances.

The duties, authorities, and responsibilities of the Operational Risk Committee are as follows:

- a) Studying and assessing the Bank’s operational risks on a standalone and consolidated basis, and makes determinations in areas that require measures.
- b) Making recommendations for the operational risk loss database, established to monitor the operational risks, to comply with local and international regulations as well as with changes stemming from non-regulatory developments.
- c) Identifying the heads of units responsible for implementing the resolutions documented in committee meeting minutes pertaining to preventing operational risks at the Bank and its subsidiary companies.
- d) Assessing the risk appetite and instances of exceedance of risk limits with regard to the operational risks determined by the Board of Directors. Assessing the risk analysis reports prepared by the business units on the explanation of the causes of operational risks that resulted in the exceedance, and oversees the decision making process regarding the prevention, transfer and/or acceptance of the risk.
- e) Making recommendations (e.g. classroom training, e-training, electronic announcements on “Operational Risk Warning,” “Security Announcements” regarding the risks the Bank may encounter), on an as needed basis, with the purpose of raising the Bank personnel’s awareness on operational risks in an effort to ensure the widespread adoption of the operational risk culture.
- f) Creating working subgroups, subject to the approval of the committee chairman, to assess operational risks more frequently as the conditions may require.

The Operational Risk Committee convened four times during 2019. At these meetings, decisions were made regarding the identification of operations that cause operational losses and the prevention of operational losses.

Members of the Operational Risk Committee	Position	Primary Position
Mehmet Zihni GÜVENER	Chairman	Internal Systems Group Manager
Ergin KAYA	Member	Deputy General Manager of Banking Operations and Support Services
Ali CEBECİ	Member	Head of the Board of Inspectors
Erol ÇELİK	Member	Head of Internal Control Department
Mehmet Hakan TERCAN (acting)	Member	Head of Infrastructure Operation and Management Department
Kamil Enis TUNA	Member	Head of Digital Banking and Payment Systems Department
Mustafa ERMIŞ (acting)	Member	Head of Foreign Transactions Operations Department
Uğur Deniz ŞAHİN (acting)	Member	Head of Treasury Operations Department
Ali ŞÖNER	Member	Head of Treasury Management Department
Mehmet SEVİMLİ	Member	Head of Legal Affairs Department
Hüseyin ZEYBEK	Member	Head of Corporate Architecture and Subsidiaries Coordination Department
Osman KARAARSLAN	Member	Head of Central Operations Department
Erdem ÖZDEMİR	Member	Head of Risk Management Department
Süleyman Baran KOYUNCU (acting)	Member	Head of Branch Operations Department
Olçay ATLIOĞLU	Member	Head of Technological Architecture Management Department
Elvan ÖZTABAK	Member	Head of Compliance Department
Ahmet Cemal EREN (acting)	Member	Head of Tax Management and Payments Department
Özlem MEMİŞ	Member	Head of Software Development Department
Abdullah GÜRHAN	Member	Deputy Head of Board of Inspectors of Analysis-Investigation
Zeynep TURHAN	Member	Department Retail Marketing, Division Manager of Insurance
Ethem ARSLANHAN	Member	Department of Human Resources, Division Manager of Ethics Applications and Discipline
Sıla Burcu BAŞAĞAOĞLU	Member	Department of Risk Management, Division Manager of Operational Risk
Fatma AYDIN KHALİL	Member	Department of Branch Operations, Division Manager of Secure Banking Operations

Credit Committee

Operating within the authority delegated to it by the Board of Directors, the Credit Committee makes decisions related to new loan allocations and on loan restructuring matters such as maturity extension, increase, change in covenant, and lowering the interest rate for loans. The Committee sets the mandatory rules and principles governing the Bank's credit decisions. Established to perform the credit-related duties assigned by the Board of Directors, the Credit Committee consists of the Bank's General Manager and a minimum of two members elected from among the members of the Board of Directors who possess all of the qualifications required of a General Manager except for the tenure requirement. Two associate members, who also possess all of the qualifications required of a General Manager except for the tenure requirement, are elected from among the members of the Board of Directors to replace any members of the Credit Committee who are unable to attend a meeting.

An affirmative vote of at least three-quarters of the members of the Board of Directors is required to elect the members and associate members of the Credit Committee. The General Manager serves as the Chairman of the Credit Committee. In the absence of the General Manager, a permanent member presides over the Credit Committee. The Chairman of the Credit Committee is responsible for the coordination of the Committee's activities to ensure that they are run in an effective and smooth manner.

COMMITTEES

Duties and Authorities of the Credit Committee

- Enforcing the policies approved by the Board of Directors related to the Bank's lending policy, size of its placement portfolio, and its breakdown by sector, region and loan type,
- Making recommendations to the Board of Directors to determine the procedures and principles pertaining to the Bank's lending policies and its lending activities on the basis of the portfolio and real/legal persons,
- Ensuring that the loan portfolio is managed in accordance with generally accepted credit risk management principles,
- Delegating some of its duties and authorities as needed provided that the limit and scope are expressly set out; however, the Committee may not delegate its authority with regard to open credit transactions, except for retail loans, and it shall oversee and supervise the actions of the bodies to which it delegated its authority,
- Carrying out the authorities and duties delegated by the Board of Directors.

The Credit Committee convened 50 times and made 988 decisions in 2019. The members of the Committee attended the meetings regularly.

Members of the Credit Committee	Position	Primary Position
Osman ARSLAN	Chairman	General Manager and Board Member
Sadik TILTAK	Member	Independent Board Member
Mehmet Emin ÖZCAN	Member	Independent Board Member

Assets and Liabilities Committee (ALCO)

The Committee was formed to set the policies regarding the management of the Bank's assets and liabilities and the movement of funds within that scope, and to take and implement the decisions regarding the management of the Bank's balance sheet to be executed by the related units.

Duties of the Asset and Liability Committee is deliberating and evaluating the financial structure, portfolio, budget, loan and deposit interest rates of the Bank; developments in the money and capital markets; and the developments taking place in the Bank itself and in other banks.

ALCO meets regularly once a week, but at minimum once a month, on the date and at the place determined by the Chairman of the Committee. ALCO meetings begin with the discussion of the agenda items put together by the Committee Chairman. Upon invitation by the Committee, Deputy General Managers and other officials may attend these meetings to obtain information and/or offer opinions. The decisions and practices adopted in previous meetings are evaluated at these meetings, after which the decisions to be made and the practices to be adopted are identified. The decisions made and practices to be adopted are submitted to the General Manager for approval to be transmitted to the related Deputy General Manager.

The Asset and Liability Committee convened 28 times in 2019. The members of the Committee attended the meetings regularly.

Members of the Assets and Liabilities Committee	Position	Primary Position
Osman ARSLAN	Chairman	General Manager and Board Member
Yalçın MADENCİ	Member	Deputy General Manager of Corporate and Commercial Marketing
Hasan TUNCAY	Member	Deputy General Manager of Retail Banking
İlhan BÖLÜKBAŞ	Member	Deputy General Manager of Loan Allocation and Management
Ergin KAYA	Member	Deputy General Manager of Banking Operations and Support Services
Yusuf Duran OCAK	Member	Deputy General Manager of Financial Management and Planning
Serdar SÜRER	Member	Deputy General Manager of Treasury Management and International Banking
Nazmi BAĞDINLI (acting)	Member	Deputy General Manager of Credit Policies, Monitoring and Legal Proceedings
Olca DOĞAN	Member	Human Resources Group Manager
Mehmet Zihni GÜVENER	Member	Internal Systems Group Manager
Ergin KAYA (acting)	Member	Information Technologies Group Manager
Ali CEBECİ	Member	Head of the Board of Inspectors
Erdem ÖZDEMİR	Member	Head of Risk Management Department
Yalçın KAYA	Member	Head of Corporate Communications Department

Corporate Governance Committee

The Corporate Governance Committee oversees the Bank's compliance with the Corporate Governance Principles, identifies conflicts of interest that may arise in this matter, and undertakes improvement efforts. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors from among its independent and non-executive members. The date and location of the Corporate Governance Committee meetings are determined by the Committee Chairman. Upon invitation by the Committee Chairman, other officials may attend these meetings to obtain information and/or offer opinions.

Duties of the Corporate Governance Committee oversees the Bank's compliance with corporate governance principles, carrying out activities to make improvements in this area and presenting opinions to the Board of Directors in accordance with the "Regulation on the Corporate Governance Principles for Banks" published by the Banking Regulation and Supervision Agency and the "Corporate Governance Principles" published by the Capital Markets Board. It also oversees the activities of the Investor Relations Department. The Corporate Governance Committee also fulfills the functions of the Nomination Committee as outlined in the Corporate Governance Communiqué.

COMMITTEES

The Corporate Governance Committee convened 4 times during 2019.

Corporate Governance Committee Members	Position	Primary Position
Himmet KARADAĞ	Chairman	Vice Chairman / Independent Board Member
Sezai UÇARMAK	Member	Board Member
Yusuf Duran OCAK	Member	Deputy General Manager of Financial Management and Planning
Serdar SÜRER	Member	Deputy General Manager of Treasury Management and International Banking
Olca DOĞAN	Member	Human Resources Group Manager
Osman BEKTAŞ	Member	Head of Financial Accounting Department

Compensation Committee

The Compensation Committee was established pursuant to the Board of Directors Resolution No. 41-32 dated December 27, 2011 for the purpose of supervising and overseeing the Bank's compensation policies on behalf of the Board of Directors. The Committee is comprised of at least two non-executive Members of the Board of Directors.

The Compensation Committee convened once during 2019. The members of the Committee attended the meeting.

Members of the Compensation Committee	Position	Primary Position
Mehmet Emin ÖZCAN	Chairman	Independent Board Member
Meltem TAYLAN AYDIN	Member	Board Member

Sustainability Committee

Sustainability Committee was established with the Board of Directors decision dated April 16, 2015, in order to coordinate the sustainability activities of the Bank.

The Committee started its activities, under the Board of Directors, with the aim of increasing the Bank's strength to create long term value, and adapting economic, environmental and social factors together with the Corporate Governance Principles into the activities and decision mechanisms of the Bank.

A deeply rooted player in the Turkish banking industry, Halkbank is a corporation that translates its sustainability approach into its business processes. Considering the fate of future generations and contributing to sustainable development are integral parts of the Bank's policies.

After issuing its most recent Sustainability Report for 2018, the Bank also participated in the Carbon Disclosure Project (CDP) – Climate Change and Water Program in 2019. The aim was to combat climate change-related problems and the depletion of water resources to contribute to the creation of a habitable world.

Having adapted the Corporate Governance Principles to all its activities and decision-making mechanisms, the Bank figured among those major corporations, which, in the November 2019 – October 2020 period, were included in the BIST Sustainability Index. The index features companies that demonstrate a superior corporate sustainability performance.

Halkbank has calculated its carbon footprint since the year 2013 and devises mitigation strategies. Aiming to minimize the environmental impact of its operations and with a view toward reducing its energy consumption by using efficiently and establishing a standard structure, the Bank integrated the ISO 14001:2015 Environment Management System and ISO 50001:2018 Energy Management System into its structure and working processes and established “Integrated Management System” in 2016. The Bank created environmental and energy procedures for internal audits, goals and practices, completed the audit process, and qualified for certification. The scope of implementation was expanded in 2019 to encompass 1,028 service locations.

Halkbank became the first ISO 50001-certified Turkish bank.

Halkbank’s waste management policy, in place as a requirement of the Integrated Management System, was revised to comply with the Zero Waste Regulation that took effect on July 12, 2019. The zero waste system was implemented at all service locations and all requirements of the zero waste system was satisfied. Halkbank became the first bank to comply with the regulation at all branches. The system is also supported with training and best practice initiatives.

Supporting its financial operations with environmental and social projects, Halkbank conducts its business activities within the scope of sustainability, environment and energy policies.

The duties and authorities of the Sustainability Committee are as follows:

The Committee pursues the “Sustainability Policy” determined by the Board of Directors and ensures that the Policy is implemented. The Committee coordinates the Bank’s sustainability activities and evaluates the economic, environmental and social impacts of its activities. Study groups are established in relevant units for sustainability, and if necessary, technical assistance is received from outside the Bank. Within the scope of sustainability, the Committee makes necessary recommendations in order to decrease the potential negative impacts of the Bank’s activities, and determines the procedures and principles regarding the energy management of the Bank. The Committee analyzes the results of the emission calculation based on the Bank’s energy and water consumption figures and waste data, and shares the results with and makes recommendations to the related units within the Bank, and if necessary, reports to the public disclosure platforms like CDP (Carbon Disclosure Project). In situations regarding sustainability, whether legally required or not, the Committee prepares the appropriate infrastructure for the Bank, and takes necessary action in order to ensure that the Bank, as a publicly traded bank on Borsa İstanbul, is continuously listed in the BIST Sustainability Index, and coordinates the internal regulations of the Bank for this purpose. Committee advises the Board of Directors regarding the activities and deficiencies within the Bank in the field of sustainability.

COMMITTEES

The Committee convened four times in 2019.

Sustainability Committee		
Members	Position	Primary Position
Sadık TILTAK	Chairman	Independent Board Member
Mevlüt UYSAL	Vice Chairman	Board Member
Nazmi BAĞDINLI (acting)	Member	Deputy General Manager of Credit Policies, Monitoring and Legal Proceedings
Yusuf Duran OCAK	Member	Deputy General Manager of Financial Management and Planning
Ergin KAYA	Member	Deputy General Manager of Banking Operations and Support Services
Ergin KAYA (acting)	Member	Information Technologies Group Manager
Olçay DOĞAN	Member	Human Resources Group Manager
Mehmet Zihni GÜVENER	Member	Internal Systems Group Manager
Özgür BOZKURT	Member	Head of Credit Processes and Company Analysis Department
Semih TUFAN (acting)	Member	Head of Investor Relations Department
Onur BİLGİN	Member	Head of International Banking and Financial Institutions Department
Süleyman Baran KOYUNCU (acting)	Member	Head of Branch Operations Department
Fatih ŞAHBAZ (acting)	Member	Head of Support and Purchasing Services Department
Mehmet TANRIVERDİ	Member	Head of Construction Expertise and Real Estate Management Department
İbrahim Okan ÇAĞLAR	Member	Head of Budget and Reporting Department
Hüseyin ZEYBEK	Member	Head of Corporate Architecture and Subsidiaries Coordination Department
Mehmet Hakan TERCAN (acting)	Member	Head of Infrastructure Operation and Management Department
Erdem ÖZDEMİR	Member	Head of Risk Management Department
Yalçın KAYA	Member	Head of Corporate Communications Department

Board of Directors

The Bank is governed and represented by the Board of Directors in accordance with the Turkish Commercial Code, Banking Legislation, Capital Market Law, other related laws and regulations, and the Bank's Articles of Association.

The Board of Directors has the ultimate oversight authority over whether individuals with managerial duties comply with the laws, the Bank's Articles of Association, internal by laws, and the written instructions of the Board of Directors.

The Board of Directors is comprised of nine (9) members. The members of the Board of Directors are elected by the General Assembly of Shareholders.

At its first meeting following the swearing-in ceremony, the Board of Directors appoints one of its members as the Chairman of the Board of Directors and one as the Vice Chairman. The Chairman presides over the Board of Directors. When the Chairman is not present, the Vice Chairman presides over the Board of Directors.

The Independent Members who will serve on the Board of Directors are determined in accordance with the provisions of the Capital Market Law and Banking Legislation.

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board Member. The Board is obligated to convene at least once a month.

As a rule, the Board of Directors meetings are held in the province where the Head Office of the Bank is located. However, it is possible to have the meetings elsewhere if a simple majority of all members agree to do so.

Board of Directors meetings can be conducted in a physical and/or an electronic environment. As per Article numbered 1,527 of the Turkish Commercial Code, those who have the right to attend the Bank's Board of Directors meetings may choose to do so electronically. Pursuant to the provisions of the "Communiqué on Board Meetings at Corporations Other Than Joint Stock Company General Assembly Meetings to be Held in an Electronic Environment," the Bank may establish an electronic meeting system that permits the right holders to attend these meetings and to vote in an electronic environment or it may opt to procure the service from systems that are created for this function. The Bank shall ensure that stakeholders will be able to exercise their rights as stipulated in the relevant laws, rules and regulations under the provisions of the Communiqué at the meetings either through the system established in accordance with the relevant provision of the Articles of Association or through an externally procured system.

The agenda of the Board of Directors is set by the Chairman or Vice Chairman calling the meeting at least 24 hours prior to the meeting and it is delivered to the members along with the meeting invitation by the Board of Directors Secretariat Services Department. In the event of an emergency, items may be added to the agenda upon the request of the Chairman of the Board of Directors; Members of the Board of Directors may also make a motion on the issues that require a Board resolution to be passed.

The motions that are part of the Board of Directors meeting agenda, as well as all related attachments, shall be transmitted to the Board of Directors Secretariat Services Department by the member making the motion up to the time when the agenda is finalized. The motions that will be taken up as part of the Board of Directors agenda are presented to the Chairman, Vice Chairman and members of the Board of Directors as well as to the General Manager by the Board of Directors Secretariat Services Department.

If the subject of an agenda item is proposed by the Chairman, Vice Chairman and/or a Member of the Board of Directors, the subject is converted into a motion by the Board of Directors Secretariat Services Department, signed by the member(s) of the Board of Directors making the motion and presented to the Board of Directors.

A motion that falls within the authority of the Credit Committee but cannot be resolved by the Committee with an unanimous vote is presented to the Board of Directors with all related attachments via the Board of Directors Secretariat Services Department.

Unless a member requests a deliberation, Board of Directors resolutions can also be passed by obtaining the written approval of a simple majority of the full membership of the Board of Directors for a motion made by a member, provided that all members of the Board of Directors were notified of the motion.

The Board of Directors convened 53 times and passed 756 resolutions in 2019.

HUMAN RESOURCES PRACTICES

Recruitment

The Human Resources Department determines the recruitment policies taking into account the developments in the industry, new trends that impact hiring decisions, qualitative changes in human resources, and budget restrictions. The Department performs the recruitment planning for the Bank's personnel needs, from within and outside the Bank or from other resources, and ensures that right candidates are placed into right roles and positions.

Candidates to be hired are expected to possess the following general qualifications, although special qualifications may be sought depending on the position for which a candidate applies.

- Being a Turkish citizen or possessing a work permit obtained from the official bodies in accordance with Law No. 4817 on Work Permits for Foreign Nationals,
- Not being devoid of public rights,
- Not having any compulsory service obligation to any company or organization,
- Being at least 18 years of age as of the date of the examination,
- Being no more than 30 years of age at the time of the commencement of employment for the positions of Assistant Inspector, Assistant Specialist, Service Officer and subordinate titles (this age limit may be changed upon approval of the Board of Directors for special positions),
- Excluding negligent offenses and suspended convictions apart from the offenses listed below, not having been sentenced with heavy imprisonment or imprisonment for more than six months or even if they have been pardoned, in relation to the following offenses: crimes against the state, infamous or disgraceful offenses such as embezzlement, peculation, extortion, bribery, theft, fraud, forgery, abuse of faith, fraudulent bankruptcy or smuggling except for employment or consumption smuggling, rigging of official tenders or auctions, money laundering or disclosing state secrets,
- Not having been banned from working at banks in accordance with the Banking Law,
- Having completed or deferred military service as of the date of the examination or to be exempt from such military service obligation,
- Except for those who will be employed within the scope of the requirement set out by the Labor Law on the mandatory employment of disabled persons, being in good health as required by the position of employment and not having any mental or physical disabilities that may prevent the individual from doing permanent work in any part of Turkey,
- For Assistant Specialist and Service Officer positions, having graduated from a four-year undergraduate program offered by a university or academy or being a graduate of an equivalent accredited school overseas; for lower-rank positions, being a high school graduate or a graduate of a high-school equivalent institution,
- Possessing the basic qualifications stipulated in the related article of the Banking Law.

Job Applications

Vacant positions at the Bank are announced via press and social media channels as well as on Halkbank's website. These announcements clearly state the relevant information about the examinations and those who pass the examination are interviewed and/or subjected to assessment center practices in order to determine whether they possess the knowledge and experience required by the position.

Promotion

There are two types of promotion at Halkbank: promotion in title and/or promotion in position. The minimum requirements to be met by the employees to be promoted to a higher title and/or position from their current title and/or position are as follows: The availability of a vacant title and/or position to which the employee will be promoted, to have completed the minimum term of office in the current title and/or position, if applicable, to have achieved the necessary level of success at the end of the performance review, to hold the minimum education level and competencies required by the position and/or title to which the employee will be promoted, to have successfully completed the courses and/or seminars to which the employee will attend/attended in relation to the title and/or position to which the employee will be promoted, not to have received a title/position demotion or Promotion Hold penalty within three years in accordance with a Disciplinary Board decision within the two years prior to the promotion exam/promotion evaluation.

Performance Management

The performance management system that is used actively at the Bank allows Halkbank to link corporate performance to individual performance and to measure it at the individual level. Performance management is administered concurrently in two main avenues: numerical rating and competency evaluation. The performance evaluation results are used actively in the bonus system, career and training planning.

INFORMATION ON SUPPORT SERVICES PROVIDERS

Under the “Regulation on Bank’s Procurement of Support Services,” Halkbank procured the following support services provided by the companies listed below:

- IBM Global Services İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.: Business continuity and emergency services,
- Veripark Yazılım A.Ş.: Software development and maintenance services for internet and telephone banking activities,
- Bilgi Birikim Sistemleri Elektronik and Bilgisayar Endustrisi Muh. Hiz. San. Tic. Ltd. Şti. license purchase, and maintenance and support services for ID Management System Product
- Yavuz Koruma ve Özel Güvenlik Hizmetleri Tic. Ltd. Şti.: Outsourcing security staff required in the Bank’s various units,
- Bilişim Bilgisayar Hizmetleri Ltd. Şti.(Banksoft): Credit card, debit card and member business information systems software service,
- Bileşim Alternatif Dağıtım Kanalları A.Ş.: Credit card, debit card, printing office operations services, ATM, fast pass system (HGS) and call center service procured from,
- KRM Yönetim Danışmanlık A.Ş.: Call Center and Operations Center staffing service provided
- TMOB Bilişim Yazılım Teknoloji Sistemleri A.Ş.: Software development and maintenance services within the scope of the Mobile Banking Project,
- Intellect Design Arena Fz Llc.: Software development and maintenance services for the Collection Management System,
- Hobim Digital Elektronik Hizmetleri A.Ş.: for protecting, storing and destroying the Bank’s physical archive service,
- İstanbul Altın Rafinerisi A.Ş. (Istanbul Gold Refinery): Physical gold appraisal service,
- ISIS E Dönüşüm Teknolojileri San. Tic. Ltd. Şti.: Software development and maintenance services for e-invoice special integration function,
- FU Gayrimenkul Yatırım Danışmanlık A.Ş., Pusula Girişim Gayrimenkul Yatırım ve Danışmanlık Hizmetleri A.Ş., İpoteka Gayrimenkul Yatırım Danışmanlık A.Ş., Tagar Tapu Garanti Hizmetleri A.Ş., Avi Gayrimenkul Yatırım Değerleme ve Danışmanlık A.Ş. and BBS Danışmanlık Gayrimenkul ve Eğitim A.Ş.: Mortgage establishment services,
- Etisan Proje Bilgi ve Yazılım Teknolojileri San. Tic. A.Ş.: Prepaid card/access card services at universities, governmental/private entities and institutions,
- Güzel Sanatlar Çek Basım Ltd. Şti.: Check printing services,
- Assisrt Rehberlik ve Müşteri Hizmetleri A.Ş.: Call center service procured,
- Akkoyunlar Otomotiv İletişim Tekstil San. ve Dış Tic. Ltd. Şti.: Call center service procured.

TRANSACTIONS WITH THE RISK GROUP

The details and related notes of the transactions the Bank carried out with its risk group in 2019 are provided in Footnote VII of Section Five of the Unconsolidated Financial Statements and Independent Auditor's Report.

PROFIT DISTRIBUTION POLICY

During its dividend distribution processes, the Bank complies with the Turkish Commercial Code, Banking Law, Capital Market Law, other applicable legislation and its Articles of Association.

The profit distribution policy is laid out by the Board of Directors and later submitted for approval to the General Assembly, before being disclosed to the public and issued on the corporate website.

The Bank shall distribute at least 5% of its distributable net profit for the period to shareholders in the form of cash and/or bonus shares. The profit share to be given to those individuals other than the shareholders is disclosed in the Board of Directors' profit distribution proposal.

The Board of Directors determines the most appropriate profit distribution policy by taking into consideration its capital adequacy ratio, equity capital, lending plans, market developments, and investor requests. The Bank drafts its profit distribution proposal in accordance with the profit distribution policy and in line with the provisions of the Articles of Association and subsequently presents this proposal to the General Assembly for approval.

The profit distribution date is set by the General Assembly upon the recommendation of the Board of Directors. The General Assembly may accept the date recommended by the Board of Directors or set another date within the legal deadline.

The Bank does not pay any dividend advance.

CORPORATE GOVERNANCE PRINCIPLES

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Türkiye Halk Bankası A.Ş. is subject to the corporate governance structure, process and principles set forth in the Banking and Capital Markets legislations and carries out its activities in line with the compulsory principles under the Corporate Governance Communiqué.

Halkbank receives services from SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. regarding compliance with Corporate Governance. In 2019, the Bank has increased its Corporate Governance Rating, which was determined as 9.40 out of 10 in 2018, to 9.43.

In line with the decision dated January 10, 2019 No. 2/49 of the Capital Markets Board, our practices regarding voluntary principles and our current corporate governance process within the scope of the Corporate Governance Communiqué numbered II-171 have been specified in our Corporate Governance Compliance Report (URF) and the Corporate Governance Information Form (KYBF).

CORPORATE GOVERNANCE COMPLIANCE REPORT

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.1. Facilitating The Exercise Of Shareholder Rights						
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					
1.2. Right To Obtain And Review Information						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. General Assembly						
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			There is no related provision in the Articles of Association.

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
1.4. Voting Rights						
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	
1.5. Minority Rights						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
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			Since there is no legal obligation, no action has been taken in this direction.
1.6. Dividend Right						
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					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
1.7. Transfer Of Shares						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. Corporate Website						
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					

CORPORATE GOVERNANCE PRINCIPLES

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
2.2. Annual Report						
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					
3.1. Corporation's Policy On Stakeholders						
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 programme 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					
3.2. Supporting The Participation Of The Stakeholders In The Corporation's Management						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.			X			The Bank has not established such regulation.
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			In 2019, it was not deemed that a significant decision was taken against the interests of the beneficiaries. Hence, a survey / consultation study was not conducted.
3.3. Human Resources Policy						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.		X				The Bank has a career structure that provides equal opportunity. In particular, a manager pool is created for the managers to be formed in managerial positions.
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organises trainings for employees.	X					

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
3.3.4 - Meetings have been organised 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					
3.3.6 - Job descriptions and performance criteria have been prepared 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, mental, 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					
3.4. Relations With Customers And Suppliers						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect 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					
3.5. Ethical Rules And Social Responsibility						
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					
4.1. Role Of The Board Of Directors						
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 resources were adequately allocated, and monitored company and management performance.	X					

CORPORATE GOVERNANCE PRINCIPLES

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.2. Activities Of The Board Of Directors						
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					
4.3. Structure Of The Board Of Directors						
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				Although not included in the Bank's policies, we have one female member among the members of the Board of Directors.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. Board Meeting Procedures						
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					

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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					
4.5. Board Committes						
4.5.5 - Board members serve in only one of the Board's committees.		X				Considering the number of members of the Board of Directors, one member of the Board of Directors may serve on more than one committee.
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	
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. Financial Rights						
4.6.1 - The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			By 2020, KPI's set for executives including General Manager, Deputy General Managers, Group Managers and Head of Departments are going to be monitored. But we don't have a performance measurement for board of directors.
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 favour of them.			X			Such credit facilities are allowed within the limits of the Banking Law no 5411
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			The remuneration is included in the total amount.

CORPORATE GOVERNANCE PRINCIPLES

CORPORATE GOVERNANCE INFORMATION FORM

Shareholders	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/ etc.) organised by the company during the year	137
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	0
The number of special audit requests that were accepted at the General Shareholders' Meeting	0
1.3. General Assembly	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	https://www.kap.org.tr/en/Bildirim/758729
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Materials for the General Shareholders' Meeting in English and Turkish is provided at the same time.
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	None
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	None
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	None
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations/Corporate Governance/Policies
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/270323
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	There is not the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting.
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	There is not stakeholder groups that participated in the General Shareholders' Meeting.
1.4. Voting Rights	
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.	None
The percentage of ownership of the largest shareholder	51.11%

1.5. Minority Rights	
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.	The scope of minority rights have not been enlarged.
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations/Corporate Governance/Policies
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.	https://www.halkbank.com.tr/images/channels/English/investor_relations/Corporate_Governance/General_Assembly/2019/2019.%20May%2027-Summary%20of%20the%20General%20Shareholders%20Assembly.pdf and https://www.kap.org.tr/en/Bildirim/758755
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	https://www.kap.org.tr/en/Bildirim/765921

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
27.05.19	0	62,88325448	0,00002752	62,88322696	https://www.halkbank.com.tr/images/channels/English/investor_relations/Corporate_Governance/General_Assembly/2019/2019.%20May%2027-Summary%20of%20the%20General%20Shareholders%20Assembly.pdf	There is not questions asked in the general assembly meeting.	None	53	https://www.kap.org.tr/en/Bildirim/758729

Disclosure and Transparency	
2.1. Corporate Website	
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	https://www.halkbank.com.tr/en
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.	None
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
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	2019 Annual Report/Management and Corporate Governance/Board of Directors and the Supervisory Board-Executive Management-Corporate Governance Principles/ Other Explanations About Corporate Governance Principles

CORPORATE GOVERNANCE PRINCIPLES

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	2019 Annual Report/Management and Corporate Governance/Committees
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	2019 Annual Report/Management and Corporate Governance/Committees
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	There is not amendments in the legislation which may significantly affect the activities of the corporation.
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	2019 Annual Report/Review of Operations in 2019
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	-
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%	There is not the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%.
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	2019 Annual Report/Review of Operations in 2019/ Corporate Communication Activities
Stakeholders	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	https://www.halkbank.com.tr/images/channels/English/investor_relations/Corporate_Governance/General_Assembly/2013/Policies/Policy_on_Indemnities.pdf
The number of definitive convictions the company was subject to in relation to breach of employee rights	0
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	The position of the person responsible for the alert mechanism is Manager of Ethical Practices and Discipline Team. The alerts are evaluated by Head of Department of Human Resources.
The contact detail of the company alert mechanism	The contact detail of the company alert mechanism: etik@halkbank.com.tr and 0216 503 50 50.
3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	-
Corporate bodies where employees are actually represented	-

3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Under the heading of the General Manager's Duties and Authorize in the Internal Directive, "Manages the Bank's human resources in line with the policies determined by the Board of Directors and the total norm staff." and "Assigns other personnel except the personnel in the title of The Bank's Deputy General Manager, Consumer Relations Coordination Officer, Head of the Board of Inspectors, Heads of the Internal Systems Group and the staff of the Head of Department/Compliance Officer in the Head of the Internal Systems Group, terminates the service contract with the Bank when necessary, gives signature authority according to the task group, determines the degree of this authority and cancels the signing authority when necessary, and can transfer what he deems appropriate from these authority to the Deputy General Manager, the Head of the Group, the Head of the Department and/or the lower level officials. " In line with the provisions, the Board of Directors, assigns the personnel in the title of the Bank's Deputy General Manager, Consumer Relations Coordination Officer, Head of the Inspection Board, Head of Internal Systems and Head of Department/Head of Compliance Officer in Internal Systems Group, and determines policies and total norm staff in other matters.
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.	https://www.halkbank.com.tr/images/channels/English/investor_relations/Corporate_Governance/General_Assembly/2017/Human_Rights_and_Human_Resources_Policy.pdf
Whether the company provides an employee stock ownership programme	There isn't an employee stock ownership programme
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.	www.halkbank.com.tr/About Halkbank/Halkbank In Brief/Policies/Human Resources Policy
The number of definitive convictions the company is subject to in relation to health and safety measures	There is no judicial situation in our Bank related to work accidents.
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	www.halkbank.com.tr/About Halkbank/Halkbank In Brief/Ethics/Turkish Halkbank Inc Ethical Principles
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.	www.halkbank.com.tr/About Halkbank/Halkbank In Brief/Policies/Social Responsibility and Public Relations Policies

CORPORATE GOVERNANCE PRINCIPLES

Any measures combating any kind of corruption including embezzlement and bribery

Halkbank's legislation encompasses Anti-Corruption Policy and Code of Ethics to combat any breaches concerned with corruption including embezzlement and bribery. Within the frame work of these regulations; The Bank's employees must comply with the Code of Ethics, the governance of which is rooted in the notions of fairness, integrity, honesty and social responsibility. The Department of Human Resources that contains the Ethical Practices Team is in charge of the implementation of The Code of Ethics. The Code of Ethics also comprises the obligation to complying with the Anti-Corruption Policy. Namely, all of the Bank's employees are liable for complying with the Anti-Corruption Policy, too. According to these regulations; Every employee who becomes aware of any violation of these policies must notify; their immediate supervisor, unless they are certain that is not an appropriate respondent, in which case The Ethical Practices Team, unless they are certain that is not an appropriate respondent, in which case The Bank's Corporate Governance Committee. Both the conduct of the Bank's activities in accordance with the requirements of the Bank's Code of Ethics and with the Anti-Corruption Policy, which is an integral part of that code and the ethical behavior of Bank employees in the fulfillment of their duties are subject to the oversight of the Corporate Governance Committee. The circumstances of any employee who is ascertained to have violated the Code of Ethics will be considered within the framework of the Bank's Internal Control System and action will be taken accordingly. If any Bank employee breaches any of these policies, serious disciplinary actions or criminal prosecution may be come up. In practice, The Ethical Practices Team which is a part of the Department of Human Resources is available to manage all violations concerned with corruption. If any feedback comes to The Ethical Practices Team as a inquiry report, the team reports the issue to the Halkbank's Disciplinary Committee with all the information and documents to be assessed in accordance with the Bank's disciplinary regulations. An e-announcement concerning the Code of Ethics is sent out annual to the entire organizations. E-training resources concerning the Code of Ethics and related issues are available for all Bank employees. Such training is mandatory for newly-hired personnel and for personnel seeking a promotions. In addition, Anti Corruption Policy is publicly disclosed to the Bank's internal and external stakeholders through its corporate website. The Bank employees are regularly provided with classroom and online training on issues pertaining both to the Anti-Corruption Policy and to other Bank-approved policies. When deemed to be necessary, employees' knowledge of these issues is tested to determine the effectiveness of such training.

Board Of Directors-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	None
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 Board of Directors authorizes the Corporate Governance Committee in activities related to Corporate Governance Principles, the Credit Committee and General Manager in lending activities, the Audit Committee in audit activities and the Remuneration Committee in remuneration activities. The said activities are carried out by the aforementioned Committees/General Manager within the scope of procedures and principles manifested in Internal Directive and other related directives and authorities delegated by the Board of Directors.
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	-
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	2019 Annual Report/Financial Information and Risk Management/Audit Committee's Assessment on the Operation of the Internal Control, Compliance, Internal Audit and Risk Management Systems and Information about its Activities in 2019
Name of the Chairman	Recep Süleyman ÖZDİL
Name of the CEO	Osman ARSLAN
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
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	-
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	-
The number and ratio of female directors within the Board of Directors	1, (1/9)

CORPORATE GOVERNANCE PRINCIPLES

Composition of The Board of Directors							
Name, Surname of Board Member	Whether Executive Director or Not	Whether Independent Director or Not	The First Election Date to Board	Link to PDP Notification That Includes The Independence Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Whether The Director Has At Least 5 Years' Experience On Audit Accounting And/Or Finance Or Not
Recep Süleyman ÖZDİL	Non-executive	Not Independent director	28.08.2015	-			Yes
Himmet KARADAĞ	Non-executive	Independent director	13.08.2018	https://www.kap.org.tr/en/Bildirim/770443	Considered	No	Yes
Osman ARSLAN	Executive	Not Independent director	08.06.2017	-			Yes
Meltem TAYLAN AYDIN	Non-executive	Not Independent director	08.06.2017	-			Yes
Mehmet Emin ÖZCAN	Non-executive	Independent director	27.05.2019	-		No	Yes
Maksut SERİM	Non-executive	Not Independent director	08.06.2017	-			Yes
Sadık TILTAK	Non-executive	Independent director	01.04.2014	-		No	Yes
Sezai UÇARMAK	Non-executive	Not Independent director	27.02.2019	-			Yes
Mevlüt UYSAL	Non-executive	Not Independent director	27.05.2019	-			No

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)	53
Director average attendance rate at board meetings	98
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	3
The name of the section on the corporate website that demonstrates information about the board charter	Article 22 https://www.halkbank.com.tr/images/channels/English/investor_relations/Corporate_Governance/General_Assembly/2015/art_ass_march_2014.pdf
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	-

4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented	2019 Annual Report/Management and Corporate Governance/Committees
Link(s) to the PDP announcement(s) with the board committee charters	-

Composition of Board Committees-I				
Names of The Board Committees	Name Of Committes Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committe Chair or Not	Whether Board Member or Not
Audit Committee		Sadık TILTAK	Yes	Board Member
Audit Committee		Mehmet Emin ÖZCAN	No	Board Member
Corporate Governance Committee		Himmet KARADAĞ	Yes	Board Member
Corporate Governance Committee		Sezai UÇARMAK	No	Board Member
Corporate Governance Committee		Yusuf Duran OCAK	No	Not Board Member
Corporate Governance Committee		Serdar SÜRER	No	Not Board Member
Corporate Governance Committee		Olca DOĞAN	No	Not Board Member
Corporate Governance Committee		Osman BEKTAŞ	No	Not Board Member
Remuneration Committee		Mehmet Emin ÖZCAN	Yes	Board Member
Remuneration Committee		Meltem TAYLAN AYDIN	No	Board Member
Other	Credit Committee	Osman ARSLAN	Yes	Board Member
Other	Credit Committee	Sadık TILTAK	No	Board Member
Other	Credit Committee	Mehmet Emin ÖZCAN	No	Board Member
Other	Credit Committee (Substitute Member)	Sezai UÇARMAK	No	Board Member
Other	Credit Committee (Substitute Member)	Mevlüt UYSAL	No	Board Member
Other	Sustainability Committee	Sadık TILTAK	Yes	Board Member
Other	Sustainability Committee	Mevlüt UYSAL	No	Board Member
Other	Sustainability Committee	Nazmi BAĞDINLI (a.)	No	Not Board Member
Other	Sustainability Committee	Yusuf Duran OCAK	No	Not Board Member
Other	Sustainability Committee	Ergin KAYA	No	Not Board Member
Other	Sustainability Committee	Ergin KAYA (a.)	No	Not Board Member
Other	Sustainability Committee	Olca DOĞAN	No	Not Board Member
Other	Sustainability Committee	Mehmet Zihni GÜVENER	No	Not Board Member
Other	Sustainability Committee	Özgür BOZKURT	No	Not Board Member
Other	Sustainability Committee	Semih TUFAN (a.)	No	Not Board Member
Other	Sustainability Committee	Onur BİLGİN	No	Not Board Member
Other	Sustainability Committee	Süleyman Baran KOYUNCU (a.)	No	Not Board Member
Other	Sustainability Committee	Fatih ŞAHBAZ (a.)	No	Not Board Member
Other	Sustainability Committee	Mehmet TANRIVERDİ	No	Not Board Member
Other	Sustainability Committee	İbrahim Okan ÇAĞLAR	No	Not Board Member
Other	Sustainability Committee	Hüseyin ZEYBEK	No	Not Board Member
Other	Sustainability Committee	Mehmet Hakan TERCAN (a.)	No	Not Board Member
Other	Sustainability Committee	Erdem ÖZDEMİR	No	Not Board Member
Other	Sustainability Committee	Yalçın KAYA	No	Not Board Member

CORPORATE GOVERNANCE PRINCIPLES

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)	2019 Annual Report/Management and Corporate Governance/Committees
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)	2019 Annual Report/Management and Corporate Governance/Committees
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)	2019 Annual Report/Management and 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)	2019 Annual Report/Management and Corporate Governance/Committees
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)	2019 Annual Report/Management and Corporate Governance/Committees
4.6. Financial Rights	
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)	2019 Annual Report/Review of Operations in 2019
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	https://www.halkbank.com.tr/images/channels/English/investor_relations/Corporate_Governance/General_Assembly/2013/Policies/Policy_on_Renumeration.pdf
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)	2019 Annual Report/Management and Corporate Governance/Board of Directors and the Supervisory Board-Executive Management-Corporate Governance Principles/Other Explanations About Corporate Governance Principles

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%	12	0
Corporate Governance Committee		33.3%	16.7%	4	0
Remuneration Committee		100%	50%	1	1
Other	Credit Committee	80%	40%	50	0
Other	Sustainability Committee	10.5%	5.3%	4	0

OTHER ISSUES WITHIN THE SCOPE OF CORPORATE GOVERNANCE PRINCIPLES

Statement of Independence of the Independent Board Member

The following is the statement of independence by Himmet KARADAĞ, who was elected an Independent Board Member at the Ordinary General Assembly in May 27, 2019:

“To: The Corporate Governance Committee of T. Halk Bankası A.Ş.,

I am a candidate to serve as an independent member for the Board of Directors of T. Halk Bankası A.Ş., and I hereby state the following;

- a) Within the last five years, neither me, nor my wife and my blood relatives and relatives by marriage up to the second degree; have not entered into a significant relationship, meaning, i) employment relationship of important duties and responsibilities, ii) shareholding relationship which is above 5% of equity or voting rights or privileged shares, iii) an otherwise significant business relationship; with: i) the Bank, ii) the companies that the Bank controls or affects significantly, iii) shareholders who have a significant impact on the Bank, iv) legal persons who are being controlled by these shareholders,
- b) Within the last five years, I have not been a shareholder (5% and above), a board member, or an executive in charge of significant duties and responsibilities, at: i) the companies that are providing audit services to the Bank, including tax audit, regulatory audit and internal audit, ii) the companies that are providing rating and advisory services to the Bank, iii) the companies that the Bank is purchasing from/selling to products or services in significant amounts; during the term in which such services and products are being provided,
- c) I possess the professional education, knowledge and experience that are required to fulfill my duties as an independent board member,
- d) I will not work as a full time employee for governmental entities and institutions if I am elected as a Member,
- e) I am a Turkish resident according to the Income Tax Law dated 31.12.1960 and numbered 193,
- f) I possess strong ethical standards, professional reputation and experience that will enable me to contribute positively to the Bank, to maintain my independence in case of conflicts of interest between the Bank and its shareholders, and to freely decide, considering the rights of the stakeholders,
- g) I will be able to allocate the necessary time to Bank’s business, to the extent to watch the functioning of the Bank’s activities and to fulfill the requirements of my duties,
- h) Within the last 10 years, I have not been a Board Member of the Bank for more than 6 years,
- i) I am not an independent board member at; i) more than three of the companies managerially controlled by the Bank of the shareholders who are also managerially controlling the Bank, ii) more than five of the companies that are listed on the stock exchange,
- j) I have not been registered and announced on behalf of a legal person that is elected as a Board Member.”

Financial Benefits

In accordance with Article 23 of the Bank’s Articles of Association, the Bank pays a monthly salary to the Members of the Board of Directors. The amount of such monthly salary is determined by the General Assembly. In 2019, gross TRY 10.3 million payment was made to the Members of the Board of Directors and to the Senior Executive Managers of the Bank. On the other hand, taking the banking sector practices into account; remuneration and all other benefits granted to the Members of the Board of Directors and to the managers who have administrative responsibilities are not announced on individual basis.

TÜRKİYE HALK BANKASI A.Ş.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board has determined the following points upon review of the activities of the Bank for 2019.

- As of the end of 2018, total assets of the banking sector increased by 16.1 percent year-on-year to 4,491,090 million Turkish lira from 3,867,426 million Turkish lira. Total portfolio of securities rose by 38.3 percent to 660,917 million Turkish lira, while total deposits grew by 24.7 percent year-on-year to 2,678,010 million Turkish lira from 2,148,410 million Turkish lira. Cash loans rose to 2,656,132 million Turkish lira from 2,394,425 million Turkish lira, up 10.9 percent year-on-year. The non-performing loans/total cash loans ratio amounted to 5.37 percent.
- With such sector developments in the backdrop, by the end of 2019, the Bank's total assets soared to 457,045 million Turkish lira, an increase of 20.8 percent year-on-year. Cash loans went up by 16.7 percent, reaching 287,703 million Turkish lira from 246,447 million Turkish lira. The Bank's SME loans, aimed at financing the driving force behind our country's growth, rose to 113,757 million Turkish lira from 97,153 million Turkish lira, up 17.1 percent year-on-year. The Bank also sustained the lead in the sector with 18.5 percent market share in SME loans in 2019. The IVME Financing loan was recorded at 8,473 million Turkish lira to 3,269 clients and Employment-Oriented Working Capital Loan (ISTOD) was provided to 1,597 clients, amounting to 2,476 million Turkish lira in total. As a result, an employment commitment for 21,032 people was created in ISTOD. Loan disbursement for artisan loans was recorded at 25,278 million Turkish lira, rose by 31.9 percent year-on-year to 41,043 million Turkish lira from 31,124 million Turkish lira, while the total portfolio of securities grew by 37.6 percent to 91,757 million Turkish lira from 66,687 million Turkish lira. Additionally, total deposits increased by 19.9 percent to 296,085 million Turkish lira from 246,893 million Turkish lira. The Bank's ratio of non-performing loans/total cash loans amounted to 4.62 percent.
- In 2019, the Bank issued bonds/bills with a total nominal value of 17.2 billion Turkish lira,
- As a historical mission, the Bank grants loans to small- and medium-sized enterprises, artisans and tradespeople, as well as corporate, commercial and retail customers. Accordingly, as of year-end 2019, the ratio of cash loans/total assets, an indicator of asset quality, amounted to 62.9 percent (sector average: 59.1 percent), while the ratio of loans/deposits reached 97.2 percent (sector average: 99.2 percent).
- The Bank's authorized capital is 7,500 million Turkish lira, while its paid-in capital is 1,250 million Turkish lira. Furthermore, the Bank's shareholder's equity rose by 10.9 percent year-on-year to 32,197 million Turkish lira from 29,021 million Turkish lira.
- The Bank's net profit for the period amounted to 1,720 million Turkish lira at the end of 2019.
- Total number of credit cards issued increased to 4.4 million, total number of POS devices installed to 344 thousand, and the number of member merchants who signed on to 254 thousand.

- The Bank's bookkeeping order in the January 1-December 31, 2019 fiscal year complied with the TCC, the BRSA and the provisions of the Bank's Articles of Association on accounting and financial reporting and other relevant legislation. All notebooks and records that the bank is obligated to keep were kept according to the legal requirements, with records and documents that serve as evidence kept suitably, and the financing and reporting systems managed efficiently and in due form.
- The Board of Directors' resolutions with respect to the management of the Bank are duly recorded in the board of directors' minute book and are duly maintained.
- The Bank's internal control, risk management, and internal auditing systems are managed duly and effectively based on the findings of audits performed both at the head office and on site.
- The Bank's growth continued thanks to the opening of 18 new branches in 2019, increasing the total number of branches to 1,006. It currently operates with 1,000 domestic branches and 6 foreign branches: 5 in the Turkish Republic of Northern Cyprus and 1 in Bahrain. Furthermore, the Bank has representative offices in Tehran, London and Singapore, one for each country.
- In 2019, 512 employees left the Bank due to retirement or for other reasons. The Bank hired 698 new employees to meet its personnel needs, increasing the total number of employees to 18,967. The share of personnel expenses in total revenues increased to 22 percent in 2019, up from 21.2 percent in 2018.
- In 2019, university/college graduates accounted for 85.8 percent of the total headcount, up 20 basis points year-on-year.
- The Bank continued to provide service training in line with the objective of developing bank employees, and reported a training rate of 17.1 employees per day, or 18,744 participants. This included instructor-led, on-the-job, and e-learning training programs in 2019.

In conclusion, we respectfully submit to the General Assembly the Supervisory Board's Report, prepared pursuant to Article 31 of the Articles of Association of the Bank.

Best regards

Prof. Dr. Yılmaz ÇOLAK

Member of the Supervisory Board

Faruk ÖZÇELİK

Member of the Supervisory Board

* Excluding rediscount.

AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL, COMPLIANCE, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2019

Board of Inspectors

Türkiye Halk Bankası A.Ş. Board of Inspectors carry out its activities on behalf of the Board of Directors through the Audit Committee.

Board of Inspectors aims to carry out banking activities covering all units, subsidiaries and branches at home and abroad to be conducted in accordance with the Law and other relevant legislations, Bank's internal strategies, policies, principles and objectives, to determine the effectiveness and adequacy of the internal control, compliance and risk management systems, to prevent the recurrence determined deficiencies, errors and misuses and to ensure the effective and productive usage of the banking system and resources.

Acting within the framework of the international audit norms and the ISO 9001:2015 Quality Management System Standards, the Board of Inspectors carry out their inspections under the coordination of the Head of the Board of Inspectors, (4) Deputy Head of the Board of Inspectors and (1) IT team leader, with a risk-oriented approach and with three different paths methods that complement each other: On-site Audit, Central Audit and Information Technology Audit. In this regard, within the scope of the internal audit activities in 2019, the efficiency and effectiveness of the business steps were evaluated in addition to the compliance of the Bank's activities with the business processes.

The internal audit activities have been carried out by the On-site Audit team in the units, subsidiaries and branches determined in the annual audit plan by considering the working program prepared in accordance with the relevant legislation; during the audit activities the Bank's reporting system has been used in addition to the exception reports such as Loan Report Package, Operations Report Package created by the Central Audit team. In order to take actions for the findings detected in the works carried out without delay, the relevant units have been informed with the reports written as well as the letters sent.

Activities for the proactive and effective determination of the potential irregularities have been carried out by the Central Audit Team and with the Risky Personnel Determination Model designed in this context, the characteristic features of the personnel subject to investigation due to various actions, which distinguish them from other personnel have been determined. The rating model has been established through the distinctive characteristics determined as well as the other criteria, the risk level of the personnel has been determined by implementing such rating model on the Halkbank personnel and spot reports have been issued in this context. All kinds of software and technological facilities have been used in the preparation process of these reports and the efficiency and effectiveness have been tried to be improved with the significant results after the processing of Bank data within the framework of artificial neural networks model.

Internal audit activities regarding the efficiency, adequacy and compliance of the information systems used by the Information Technologies Audit team in the Bank units and subsidiaries subject to consolidation have been performed, the processes specified in the regulations regarding the information systems and banking processes published by the BRSA were also audited within the framework of the Bank's practices.

Examination and investigation works have been carried out regarding the transactions that are in contradiction of the legislation which are determined as a result of central audit and on-site audit activities and/or arising from notifications and complaints. Within the scope of the relevant works, the causes of the arising actions have been examined, control points were created in order to prevent these from recurring, and it was ensured that inspections to cover these areas as well. In order to resolve the customer complaints as soon as possible, the specified requests were prioritized and contribution was made to maintaining the reputation of Halkbank and to increase customer satisfaction.

The recommendations of the inspectors in the examination and investigation reports or regarding any banking application have been shared with the relevant business units and the actions taken pursuant to these recommendations have been monitored. With the audits and development recommendations regarding business processes, activities to improve the profitability and efficiency of the Bank have been carried out.

Through the Finding Monitoring System, the current risk situations related to the findings determined during the audit and the studies carried out by the relevant units in order to eliminate the mentioned findings have been reported and it was ensured that the actions taken to be monitored within the scope of automation. Thus, the faults have been determined and actions have been taken for minimizing the risks by tracking them.

Management declaration studies have been carried out regarding the business processes executed by the Head Office, the data specified in the Internal Capital Adequacy Evaluation Process (ISEDES) report have been validated, and the statistical models and econometric data used in the report have been effectively assessed through validation efforts. Therefore, it was checked whether the Bank complies with all kinds of requirements foreseen by the legal and administrative legislation.

By providing internal and external trainings to the Members of the Board of Inspectors who have the opportunity to gain experience in every field of banking by carrying out audits in various units of the Bank, their professional and personal developments have been supported and by transferring these persons to administrative positions, the Bank continued to provide qualified human resources to the Bank's administrative staff.

The Board of Inspectors will continue to carry out audits with responsibility and awareness of duty, in line with the targets and policies to be determined by the senior management of the Bank, within the framework of the internal audit plan to be prepared pursuant to the international audit standards.

Internal Control

The Bank's Internal Control Department performs the tasks of monitoring and making evaluations through financial, operational and other control points and reporting its findings to the management levels simultaneously, impartially and objectively under the oversight of the Group Head, the Audit Committee and the Board of Directors within the framework of the provisions of the Banking Law No: 5411 and the Banking Regulation and Supervision Agency of Turkey's Regulation on the Internal Systems of Banks in accordance with generally-accepted professional standards and rules of business ethics with a proactive and preventative approach with the purpose of protecting the Bank's assets; ensuring that the Bank's operations are conducted in an effective and efficient manner in compliance with the law and other relevant legislation, the Bank's internal policies and rules and banking best practices; and ensuring the reliability and integrity of the accounting and reporting systems and prompt access to the data.

Risk-oriented control activities carried out at the Head Office Units, regional coordinator's offices, all domestic and overseas branches, domestic and overseas subsidiaries, and cash operations centers, supported by reports generated from the central system database and cross checks, create an effective internal control infrastructure.

Laws, regulations, Banking Regulation and Supervision Agency ("BRSA") regulations and up to date Bank legislation is tracked while changes are incorporated into control guidelines and control points simultaneously. As a result, control guidelines which determine the scope of on-site control tasks, and the control points are kept up-to-date on a continuous basis as per the regulatory framework and the Bank's goals.

AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL, COMPLIANCE, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2019

Business processes are analyzed and opinions and recommendations for increasing efficiency and productivity are communicated to the related departments. Internal Control activities' results are periodically analyzed, and service points and topic based risk assessments are regularly presented to the top management.

The application called İKSİR (Internal Control Management Examination and Reporting) is being used since the beginning of 2017. With this application, internal control reporting can be handled on a web based platform, findings can be monitored real time, leading to immediate action. The application replaces paperwork with electronic documentation and messaging, brings an effective monitoring mechanism for findings and the actions taken on findings, produces analytical data and provides analysis tools for such data.

In addition to the controls performed on-site, the scope of the centralized audit is expanded. Furthermore, it will be possible to enter the findings in the database in a retrospective manner to create region- and branch-based risk maps and conduct analyses in different subject areas. Scenarios are created for the risk elements which are not possible to prevent systematically, or which require a long time span to prevent, and these scenarios are updated continuously. The results of these scenarios are checked centrally, or relayed to the internal controller for on-site checks. Additionally, regional coordination offices are checked directly at the center.

Continuous controls have been initiated in 2018 in order to realize the instantaneous control of the business processes executed in the Bank units and the interactive and multilateral systems in interaction with each other. The continuous control activities are carried out in eight departments reporting to three deputy general managers.

IT control group, organized at the level of Directorate, Information Systems, Process and Financial Reporting Controls team actively checks the communication channels and information systems, carries out activities with a team to make sure that data obtained within the Bank is reliable, complete, traceable, consistent and suitable (to meet the needs), and that relevant units and staff members can promptly access the data. In addition to these activities, financial system controls were included within the scope of continuous controls in the Department.

Upon the requests of the Bank's top management, the Board of Inspectors, Headquarters Units and Regional Coordination Offices in various topics, Internal Controllers investigate the particular issues detected during the controls and report the results. During the investigation, information and documents about the investigated issue are evaluated in detail while issues that need to be investigated by an auditor are submitted to the Board of Inspectors, and issues that can be resolved with administrative measures are submitted to the relevant units of the Headquarters.

As of 12/31/2019, the Internal Control Department comprehensively carries out its control activities with a staff of 147 people. There are one Director (Head), three Department Managers, 36 Senior Internal Controllers, 48 Internal Controllers, 57 Assistant Internal Controllers as well as two office personnel.

The Training Guidebook and Catalog sets forth the processes and implementation procedures for training programs required for professional and personal development of internal controllers throughout their career. 2019 training activities were carried out according to this Guidebook. Training programs can be delivered in-house, or by an external provider. The personnel's professional and personal development is supported as they are encouraged to get certification in various fields.

Compliance

A Compliance Department was established pursuant to the Board of Directors resolution numbered 39 dated November 14, 2017 in order to carry out the Bank's obligations in accordance with the Prevention of Laundering of Crime Revenues legislation more effectively, and to oversee the Bank's legal and regulatory compliance activities.

The Bank Compliance Program was issued in order to fulfill the Bank's responsibilities within the scope of Law no. 5549 on Prevention of Laundering of Crime Revenues. Under the Compliance Program, the risk management, monitoring and control activities, and activities for complying with national and international legislation regarding the prevention of laundering of crime revenues and financing of terrorism are performed by the Compliance Department which reports to the Audit Committee.

Within the scope of the controls made to check the compliance with the legislation, compliance controls are made to see if the Bank's existing and future activities and new transactions and products comply with the Law and other relevant legislation, the internal policies and rules of the Bank, and banking trends. Bank employees are informed as soon as possible of any changes in the law and other applicable legislation.

Risk Management

Pursuant to the provisions of the Regulation by the BRSA on "the Banks' Internal Systems and Evaluation Process of Internal Capital Adequacy" which was published in the Official Gazette dated 07/11/2014 and numbered 29057, Risk Management Department operates under the Group Head in charge of Internal Systems, but reports to the Board of Directors, through the Audit Committee.

The Audit Committee has examined the reports on credit, counterparty credit, market and operational risk elements generated by the Risk Management Department as well as the results of the scenario analyses and stress tests.

The corporate social responsibility projects the Bank undertook during the year include:

- The Bank's capital adequacy ratios are above the legal limits, including the capital cushions. The rates are also above the legal limits with respect to liquidity coverage ratio,
- As a result of the validation efforts performed in order to measure the effectiveness of the Bank's internal rating systems, the results generated by the Bank's rating systems are at acceptable levels,
- Loan default rates are at reasonable levels,
- Credit ratings of legal entity credit customers are considered and a balance of risk and collateral is maintained, based on the riskiness of the customer,
- Within the framework of Internal Capital Adequacy Evaluation Process (iSEDES), gap analyses are carried out to determine the compliance levels with the best practice guidelines issued by the BRSA. Activities to close these gaps are continuing,
- As a result of the structural interest rate risk analyses conducted to measure the interest rate risk inherent in banking calculations, the impact of changes in interest rates on the Bank's economic value is below the upper limits stipulated by the Banking Regulation and Supervision Agency,
- Based on the results of the Value at Risk Analysis conducted by the Bank with an internal model to measure market risk, the market risk the Bank is exposed to is at levels that can be covered by the Bank's equity and under the determined limits,
- The Bank is fully compliant with the liquidity ratios mandated by the Banking Regulation and Supervision Agency.
- Works are continuing to build a new Asset - Liability Management Module, which will produce the Bank's legal reporting, and static and dynamic risk management reporting. The module will also include budget simulations, deposit customer behavior, stress tests for liquidity and other risk components, scenario analysis and an administrative fund transfer pricing,
- Necessary modules to calculate the Expected Credit Loss Provision (BKZK) under IFRS-9 were developed and implemented. Ratings are produced monthly, and used in BKZK calculation,
- Probability of Default, Loss in Case of Default, and Default Amount models developed pursuant to the Communiqué on "Calculation of the Amount Subject to Credit Risk with an Internal Rating Approach are validated on a regular basis and revised where necessary,

AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL, COMPLIANCE, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2019

- The Probability of Default model developed for retail and commercial customers are used in allocation decisions as a decision support system,
- The infrastructure regarding the use of model outputs in allocation, pricing, monitoring etc. important business processes has been established and used,
- Necessary studies have been carried out in order to ensure that the Amount Subject to Credit Risk be calculated with Internal Rating Based Approaches,
- Information technology infrastructure improvements are continuing, to calculate the capital with respect to credit, market and operational risks, according to both standard and internal methods. Reporting tools and automation applications are being renewed in this scope,
- The Risk Management Report prepared within the scope of the Regulation Regarding Banks' Procurement of Support Services has been presented to the Board of Directors,
- The Policy on Operational Risk Management and the Operational Risk Committee Guidance documents prepared in order to establish the principles regarding an effective and adequate operational risk management system and to determine the duties and operating principles of the Operational Risk Committee have been adopted and put into force with the decision letter of the Board of Directors of the Bank,
- The Implementing Instruction on Internal Loss Data Management regarding Operational Risk and Operational Risk Loss Incidents Application User Manual that are prepared for the explanation of the Operational Risk Losses application which is prepared in the Kanuni Platform in order to satisfy the needs and which aims to ensure that a permanent risk culture is established throughout the bank, that a common terminology is established in the management of the operational risks of the Bank as well as the application areas in detail, to prepare a comprehensive user support manual for data entry using a common terminology have been put into force with the approval of the Audit Committee,
- The training video named "What is Operational Risk?" has been prepared with the Department of Halk Academy for the Bank personnel in order to establish a permanent risk culture throughout the Bank and that the video has been assigned to the personnel as a mandatory training,
- The "Operational Risk Losses Application Introduction and Data Entry" and "Operational Risk Losses Application Record Approval and Reporting" trainings in which the Operational Risk Losses application is explained in detail and which is prepared on the Kanuni Platform together with the Department of Halk Academy and have been assigned to the personnel with the authority to use the application as a mandatory training.

Mehmet Emin ÖZCAN
Independent Board Member
Member of the Audit Committee

Sadık TILTAK
Independent Board Member
Chairman of the Audit Committee

EXECUTIVES OF THE INTERNAL SYSTEMS UNITS

Chairman of Board of Inspectors: Ali CEBECİ

Tenure in Current Position	10 months
Professional Experience	24 years 5 months
Education	Bachelor's Degree in Turkey

Head of Internal Control Department: Erol ÇELİK

Tenure in Current Position	10 months
Professional Experience	22 years 6 months
Education	Bachelor's Degree in Turkey

Head of Risk Management Department: Erdem ÖZDEMİR

Tenure in Current Position	5 years 6 months
Professional Experience	20 years 6 months
Education	Bachelor's Degree in Turkey

Head of Compliance Department: Elvan ÖZTABAK

Tenure in Current Position	2 years 1 month
Professional Experience	26 years 5 months
Education	Bachelor's Degree in Turkey

RISK MANAGEMENT POLICIES BY RISK TYPES AND RISK MANAGEMENT INFORMATION

The Bank developed its risk policies and implementation principles in accordance with the provisions of Article 36 of the Regulation on Internal Systems of Banks and Their Internal Capital Adequacy Evaluation Process published in the Official Gazette No. 29057 dated July 11, 2014.

Halkbank's risk policies aim to ensure that the Bank conducts its operations in accordance with the procedures and principles stipulated in the Banking Law and in line with its mission and goals of profitability and productivity while safeguarding the interests of the Bank's depositors and the shareholders to the maximum extent possible.

Within the scope of the policy documents on the management of each type of risk put into practice with the Decision of the Board of Directors of the Bank and the Liquidity Emergency Action Plan;

- Risk appetite limit levels, the sub-limits and trigger levels in order for these limits to be managed in a healthy manner,
- Principles of risk analyses to be conducted in relation to the rating systems used in the Bank's lending process and the validation of these systems,
- Treasury operations stop-loss limits for capital markets positions and foreign currency positions, and limits for capital markets and foreign currency and money market transactions,
- Limits on the Bank's foreign exchange position and counterparty risk in transactions with correspondent banks,
- Limits regarding structural interest rate risk,
- Limits to contain the impact of interest rate shocks on the Bank's economic value,
- Metrics for the prediction of stress and crisis situations regarding liquidity,
- Limits regarding the management of the liquidity risk

have been determined and the course of the mentioned metrics and the levels of compliance with the limits are being periodically monitored.

Credit Risk Policy

Objectives of the Bank's credit policies are;

- To create reliable lending standards,
- To monitor the credit relationship accurately and timely,
- To define credit risks and to manage the portfolio,
- To ensure the repayment of credits.

To accomplish the above mentioned objectives, all units of the Bank must comply with the rules and procedures related to the credit policies. Any exception to the credit policies is submitted to the Board of Directors for approval, together with the justifications.

The authority to grant a credit line rests with the Board of Directors. The Board of Directors can delegate this authority to the Credit Committee, Head Office, Regional Coordination Offices and Branches, defining the limits of the delegation.

There are certain report templates specified by the Board of Directors, which help to assess the company or the group in question. These should be used during lending processes. These processes cover both the proposal stage and the credit extension stage. Factors considered at the stage of evaluation include; product type, credit line, maturity and collateral. Credit line limits are specified considering the Bank's strategic objectives, and the historical risk records.

For credits that are extended within the authorization limits of the Regions and Branches, the Head Office is authorized to request additional collateral, in addition to existing margin rates relative to collaterals. Branches monitor credit collateral status continuously, and they take the necessary precautions in case of an impairment in value.

Risk Management Department prepares scenario analyses and stress tests to evaluate the impact of unexpected market conditions on the main business lines.

Liquidity Risk Policies

Within the scope of Policies on Management of Liquidity Risk approved by the Board of Directors, the liquidity risk analyses (gap analyses) made according to the maturity structures of the balance sheet and off-balance sheet items of the Bank as well as the Bank-specific risk that may impact the liquidity of the Bank are being closely monitored.

Liquidity risks are managed within the scope of the approved risk and transaction limits by the Board of Directors. In this regard, the determined limits are being followed for the gap values between the maturity sections regarding liquidity risks. Additionally, the treasury transaction limits approved by the Board of Directors is also an element of the liquidity risk.

The early warning levels and limits regarding the Bank-specific metrics and systemic metrics that are determined with the "Liquidity Emergency Action Plan" (LAEP) which is a part of the liquidity risk management and approved by the Board of Directors are being tracked on a daily basis. Within the scope of LAEP, the actions to be taken against liquidity stress/crisis and their priority order have been determined in writing and the "Liquidity Risk Committee" has been established to be responsible for the management of the process.

The analysis results regarding liquidity risk is reported to the Senior Management of the Bank.

Interest Rate Risk Policies

The Policies Regarding the Management of the Interest Rate Risk, approved by the Board of Directors of the Bank cover the management of interest rate risks that the Bank is exposed to due to its balance sheet and off-balance sheet positions.

Value approach which measures the impact of the change in the interest rates on the economic value of the Bank position and the incomes approach which measures the impact of the change in the interest rates on the Bank's net interest income form the basis of the interest rate risk analyses.

The risk appetite and warning levels approved by the Board of Directors in which the changes in economic value positions in the banking accounts are associated with the legal equity are monitored, and reported to the Senior Management of the Bank.

Market Risk Policies

The Policies of the Bank Regarding the Market Risk cover the management of market risks of the trading accounts and the measurement, reporting and management of the risk arising from balance sheet and off-balance sheet exchange position other than the trading accounts.

The market risks the Bank positions are exposed to due to the fluctuations in risk factors, especially the interest rates, exchange rates, stock and commodity prices are being closely monitored. The risk appetite and warning levels are monitored by associating the Value at Risk calculated for the Bank's positions with the legal equity and are reported to the Senior Management of the Bank.

RISK MANAGEMENT POLICIES BY RISK TYPES AND RISK MANAGEMENT INFORMATION

In addition to standardized scenario analyses and stress tests, customizable stress test results are also presented to the Bank's Senior Management.

Operational Risk Policy

The Bank has created its operational risk policy through a policy document approved by the Board of Directors. This document sets the framework for definition, analysis, measurement, monitoring and Senior Management supervision of operational risk.

Operational Risk Committee examines and assesses operational risk on a single and consolidated basis, and decides on the precautions that should be taken. The Committee ensures that the operational risk loss database is up to date, considering the regulatory and non-regulatory changes, both at the national and international level. In this context, the Operational Risk Committee Guidance has been prepared and put into force with the decision of the Board of Directors of the Bank in order to determine the duties and operating principles of the Operational Risk Committee.

A loss database is created, which also includes data from affiliates. The purposes of this database are; to specify risky business processes and activities, to run frequency/severity analysis of risk levels, to monitor operational risk both on a single and on a consolidated basis, to use loss data as input when applying advanced measurement techniques, to specify the collections made for transactions resulting with operational losses and to specify the sources of these collections, and to monitor the historical change in operational risk.

Operational Risk Management Policy approved by the Board of Directors specifies the operational risk appetite, and the limits to prevent that the Bank's operations exceed this appetite. The Policy also has operational procedures to ensure proper practices with respect to operational risk. Operational risk limits are set in connection with the risk appetite, gross loss amounts and allocated capital. These connections are clearly defined.

Compliance with these limits is monitored, and procedures are reviewed regularly.

The Implementing Instruction on Internal Loss Data Management regarding Operational Risk has been prepared in order to determine the principles for an effective and adequate operational risk management system and to establish a permanent risk culture throughout the Bank, and has been put into practice with the approval of the Audit Committee of the Bank.

The Operational Risk Loss Incidents Application User Manual has been prepared for the explanation of the Operational Risk Losses application which is prepared in the Kanuni Platform as well as its areas in detail, in order to satisfy the needs regarding the management of the Bank's operational risks, to prepare a comprehensive user support manual for data entry using a common terminology have been put into force with the approval of the Audit Committee.

Best Practices Guidelines and Policy Documents Specific to Risk Types

The Bank carries out gap analyses under the scope of each best practice guideline issued by the BRSA, pursuing various activities to comply with regulations.

These activities especially include the establishment of internal risk management documents required according to the relevant legal regulations. In this context; studies on "Stress Test Framework," "Risk Appetite Framework," "Capital Emergency Action Plan," "ISEDES Policies and Implementation Principles," "Policies on the Management of Concentration Risk" and the "Policies on the Management of Reputation Risk" documents are ongoing.

RATING NOTES

Fitch Ratings	
Foreign Currency Long Term	B+
Outlook	Negative
Foreign Currency Short Term	B
Local Currency Long Term	BB-
Outlook	Negative
Local Currency Short Term	B
National Long Term	AA (tur)
Senior Unsecured Debt Issues	B+
Support	4
Support Rating Floor	B+
Viability Rating	b-
JCR Eurasia	
Long Term International Foreign Currency	BBB-(Negative Outlook)
Long Term International Local Currency	BBB-(Negative Outlook)
Long Term National Local Rating	AAA(Trk)(Stable Outlook)
Short Term International Foreign Currency	A-3(Negative Outlook)
Short Term International Local Currency	A-3(Negative Outlook)
Short Term National Local Rating	A-1+(Trk)(Stable Outlook)
Sponsored Support	1
Stand-Alone	A

FINANCIAL STANDING, PROFITABILITY AND DEBT-SERVICING CAPABILITY

Composition of Assets

As a result of its activities in 2019, the Bank's total assets grew by 20.8% to reach TRY 457,045 million.

The Bank's major placement categories consist of credits (TRY 309,208 million; 67.7% of assets), securities portfolio (TRY 102,734 million; 22.5% of assets) and liquid assets (TRY 38,229 million; 8.4% of assets) while the share of other placements stands at 1.4%.

As of the end of 2019, an important increase of TRY 50,134 million in cash loans and TRY 28,177 million in securities have been realized.

The Bank increased its cash loans by 19.4% as of the end of 2019. The credit-deposit ratio was 103.9%.

The Bank's non-performing loans amounted to TRY 15,920 million as of year-end 2019 and non-performing loans/ total cash credits ratio stood at 5.15%.

Composition of Liabilities

The Bank's resources consist primarily of deposits (TRY 297,734 million; 65.1% of liabilities), non-deposit resources (TRY 85,018 million; 18.6% of liabilities) and shareholders' equity (TRY 32,197 million; 7.0% of liabilities) while the share of other liabilities stands at 9.3%.

The major increases as of year-end 2019 compared to the previous year were registered in Turkish lira deposits (TRY 48,879 million).

Deposits are the Bank's most important funding source. Different types of deposits fared as follows: Foreign currency exchange deposit accounts, which comprise 37.0% of the total, rose by TRY 19,864 million; savings deposits, which comprise 22.9%, went up TRY 6,624 million; commercial deposits, which comprise 19.3%, increased TRY 18,030 million; and the bank's deposits, which comprise 9.3%, decreased by TRY 3,345 million; official agencies' deposits, which comprise 3.5%, decreased TRY 1,006 million.

TRY accounts, with a share of 55.9%, constituted the majority of the Bank's deposits while foreign currency accounts made up the remaining 44.1% of deposits. The share of demand deposits in total deposits stands at 17.6%.

Composition of Profits

The Bank closed 2019 operating period with a net profit of TRY 1,720 million. The major income and expense items that constituted the profit for the period are discussed below.

Interest income from placements is the Bank's most important source of income. It was recorded as TRY 46,730 million at the end of the year.

79.3% of interest revenues, being TRY 37,070 million was derived from credits, and 19.6% being TRY 9,161 million was derived from securities. The most significant increase compared to the previous period was realized in the interest revenue from credits, as TRY 8,259 million.

The largest item comprising the Bank's interest expenses was interest paid to deposits with TRY 23,537 million and 65.2% share of the total. The interest paid to deposits, was the primary expense item for the Bank in 2019. Total interest expenses with the TRY 12,581 million categorized as other interest expense added up to TRY 36,118 million for the year.

The Bank's net interest income as of the end of the year was TRY 10,612 million.

Net fee and commission income increased by 42.5% compared to the previous year and was realized as TRY 2,778 million.

The Bank allocated provisions for expected losses in the amount of TRY 4,552 million for its activities in 2019.

Personnel expenses, which constitute a major portion of operating expenses increased by 19.2% compared to the previous year, and reached TRY 2,854 million.

As a result of its activities in 2019, the Bank earned a pre-tax profit of TRY 1,968 million and, after provisioning TRY 248 million for taxes, a net profit of TRY 1,720 million. The Bank maintained its sustainable profitability in 2019.

Solvency

The widespread and strong deposit base which is the most important resource for the Bank acted as an efficient instrument for covering short-term debts. The existing customer base is the most important factor the Bank relies on for the procurement of the necessary resources. The Bank's core deposit rate is around 96%; this ratio makes a large contribution to the Bank's liquidity.

The 2019 year end capital adequacy ratio of the Bank was 14.33%, above the minimum legal ratio. The strong equity structure is at a level to compensate for increases in the loan exposure amounts.

Halkbank is a Turkish government debt securities market maker and with the help of its strong capital and financial structure, it has a special position in the sector with regard to borrowing and fund procurement.

With many years of banking experience, Halkbank has a respectable position both in Turkey and in international markets. The Bank's relations with nearly one thousand correspondent banks, presence abroad and extensive branch network across Turkey show the strength of its strong organizational structure in terms of fund procurement.

In 2019, Halkbank continued its efforts to increase the quality of its assets while diversifying its existing and alternative funding sources.

5-YEAR SUMMARY FINANCIAL INFORMATION

ASSETS (TRY million)	2015	2016	2017	2018	2019
Liquid Assets	25,838	31,660	43,726	40,084	38,229
Securities	27,908	33,216	48,903	74,557	102,734
Cash Loans	125,799	157,178	202,137	259,074	309,208
Equity Investments	2,913	3,146	3,960	4,771	3,750
Fixed Assets	2,542	2,767	3,008	3,645	8,055
Other	2,729	3,474	3,617	4,750	6,481
Total Assets	187,729	231,441	305,351	378,422	457,045
LIABILITIES (TRY million)	2015	2016	2017	2018	2019
Deposits	122,146	150,263	193,227	248,855	297,734
Payable to Money Markets	8,410	17,847	34,608	38,162	53,201
Loans Received	20,262	18,968	17,018	11,916	11,017
Funds	1,964	2,340	2,725	2,874	3,209
Securities Issued	8,905	12,434	11,355	15,048	17,591
Other	6,619	8,272	21,041	32,546	42,096
Shareholders' Equity	19,424	21,317	25,377	29,021	32,197
Net Period Profit/Loss	2,315	2,558	3,725	2,522	1,720
Total Liabilities	187,729	231,441	305,351	378,422	457,045

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ

**UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019
WITH AUDITORS' REPORT THEREON**

*(CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)*

Deloitte.

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(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Türkiye Halk Bankası A.Ş.

A) Report on the Audit of the Financial Statements

1) Qualified Opinion

We have audited the financial statements of Türkiye Halk Bankası A.Ş. ("the Bank"), which comprise the balance sheet as at 31 December 2019, and the statement of income, statement of income and expense items accounted for under shareholders' equity, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters on the unconsolidated financial statements described in the basis for the qualified opinion paragraphs, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

2) Basis for Qualified Opinion

During the current period, the Bank reversed the total amount of general reserve amounting to TRY 414.000 thousand which was booked as of 31 December 2018. If the mentioned general provision had not been made in the prior period and not reversed in the current period, the prior periods' income would be higher by TRY 414.000 thousand and the net profit for the period would be lower by TRY 414.000 thousand as at 31 December 2019.

The Bank reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard ("TFRS") 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost as at 31 December 2019 amounted to TRY 17.116.550 thousand. If such classification were not made, total assets and shareholders' equity, excluding tax effect, would be lower by TRY 1.119.260 thousand as at 31 December 2019.

We conducted our audit in accordance with the regulation on “Independent Auditing of Banks” published in the Official Gazette dated 2 April 2015 with No. 29314 and Standards on Independent Auditing (“SIA”) which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the *Code of Ethics for Independent Auditors* (“Code of Ethics”) published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Emphasis of Matter

As detailed in Section Six Note One, we draw attention to the following:

On 15 October 2019, an indictment prepared by the New York Southern District Attorney General of the United States (“US”) Department of Justice for violation of Iranian sanctions and a lawsuit was filed against the Bank in the New York Southern District Court (“District Court”). This case and the Bank’s objections in the District Court and the appeal process in the US Second Circuit Court of Appeals are ongoing. On 31 January 2020, the US Second Circuit Court of Appeals, granted a temporary stay on the New York Southern District Court litigation.

In addition, the appeal process of the case which resulted in conviction for the defendant former executive of the Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

At this stage, the Bank’s Management stated that there were no penalty, sanction or measure arising from the ongoing case against the Bank in the appeal process. There is an uncertainty with respect to any decisions by the US authorities that may adversely affect the financial position of the Bank. No provision has been made in the accompanying unconsolidated financial statements related to these matters. Our opinion is not modified in respect of these matters.

4) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matter

Impairment of loans in accordance with TFRS 9

Impairment of loans is a key area of judgement for the management. The Bank has the total loans amounting to TRY 309.208.101 thousands, which comprise 68% of the Bank's total assets in its unconsolidated financial statements and the total provision for impairment amounting to TRY 11.401.664 as at 31 December 2019.

As of 1 January 2018, the Bank recognizes provisions for impairment in accordance with the 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 22 June 2016 numbered 29750. Applied accounting policies are explained in detail in the Section 3 Note VIII. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

The Bank exercises significant decisions using judgement, interpretation and assumptions over calculating loan impairments. These judgements, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans.

There is a potential risk of impairment losses/provisions provided/ will be provided may not meet the requirements of the TFRS 9. Failure in determining the loans that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter.

Related explanations relating to the impairment of loans are presented in Section 5 Note I.5.

How the matter was addressed in the audit

As part of our audit work, the following procedures were performed:

We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Bank with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.

We have read and analysed the relevant contract terms to assess management's accounting policy and classification of the instrument for selected samples.

We have performed loan review procedures on selected samples of loans with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant standard.

We have tested relevant inputs and assumptions used by the management in each stage of the expected credit loss calculation by considering whether those appear reasonable, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.

We have tested historical loss data to validate the completeness and accuracy of key parameters.

We have tested whether the model is applied to appropriate groupings of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets' exposure periods.

Key Audit Matter**How the matter was addressed in the audit****Valuation of Pension Fund Obligations**

Defined benefit pension plan that the Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı and T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı ("Plan") which were established by the 20th provisional article of the Social Security Law numbered 506 (the "Law").

As disclosed in the Section III Note XVII to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds' members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation deed.

As of 31 December 2019, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Plan liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in the Plan. Management uses expert opinion of the independent actuary in assessing uncertainties related to these underlying assumptions and estimates.

We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.

Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimations of impairments were reasonable.

Our specialists are involved in all procedures related to models and assumptions.

In addition, we have evaluated the appropriateness of specific impairment provision with supportable input for non-performing loans which are assessed on individual basis by the Bank. Based on our discussions with the Bank management, we have evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.

We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loans and receivables and related impairment provisions.

Our audit work included the following procedures:

We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates.

It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.

In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank's actuary.

We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable.



Key Audit Matter

As described in Section Five Note II.9.f considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this as a key audit matter.

How the matter was addressed in the audit

Information Technologies Audit

The Bank and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Bank and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Bank means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.

Procedures within the context of our information technology audit work:

We identified and tested the Banks' controls over information systems as part of our audit procedures.

Information generation comprise all layers of information systems including applications, networks, transmission systems and database. The information systems controls tested are categorized in the following areas:

- Manage security
- Manage changes
- Manage operations

We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner.

We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.

Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation.

We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components.

Finally, we understood and tested the controls over database, network, application and operating system layers of applications.

5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting Regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

6) Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 financial statements.

As part of an audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.)
- Obtain an understanding of 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.

Deloitte.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 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 financial statements, including the disclosures, and whether the 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 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) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2019 does not comply with the TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of the TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Hasan Kılıç.

Additional Paragraph for English Translation

The effect of the differences between the accounting principles summarized in Section III and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Hasan Kılıç
Partner

Istanbul, 14 February 2020

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

1. The Bank's Headquarter Address:
Barbaros Mahallesi Şebboy Sokak No: 4/1 Ataşehir/İstanbul
2. The Bank's Contact Phone and Facsimile:
Phone : 0216 503 70 70
Facsimile : 0212 340 93 99
3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr
E-mail Address: halkbank.ir@halkbank.com.tr

The unconsolidated year ended financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- **Section One** : GENERAL INFORMATION ABOUT THE BANK
- **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** : INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- **Section Five** : EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : OTHER EXPLANATIONS
- **Section Seven** : AUDITORS' REPORT

The unconsolidated financial statements for the year ended 31 December 2019 and related disclosures and footnotes that are subject to audit and are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira**.

Istanbul, 14 February 2020

R. Süleyman Özdil	Osman Arslan	Sadık Tiltak	Mehmet Emin Özcan	Yusuf Duran Ocak	Osman Bektaş
<i>Chairman of the Board of Directors</i>	<i>Member of the Board of Directors, Chief Executive Officer</i>	<i>Independent Member of the Board of Directors, Chairman of the Audit Committee</i>	<i>Independent Member of the Board of Directors, Member of the Audit Committee</i>	<i>Financial Management and Planning Vice Chief Executive Officer</i>	<i>Financial Accounting Department Head</i>

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title : Arman Acar / Director
Tel : 0216 503 57 59
Fax No : 0212 340 09 90

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TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK

I. ESTABLISHMENT DATE OF THE BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE BANK INCLUDING THE CHANGES OF THESE ARTICLES

Türkiye Halk Bankası Anonim Şirketi (the “Bank” or “Halkbank”) began its operations in accordance with the law no: 2284 in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Bank is controlled directly by the Türkiye Varlık Fonu.

As of 31 December 2019 the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2019	%	31 December 2018	%
Türkiye Varlık Fonu ⁽¹⁾	638.276	51,06	638.276	51,06
Public shares ⁽¹⁾	611.643	48,93	611.641	48,93
Other shareholders ⁽²⁾	81	0,01	83	0,01
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾The shares of the Türkiye Varlık Fonu amounting to TRY 550 have been included in Public shares. With these shares, the total shares amounting TRY 638.826 held by the Türkiye Varlık Fonu is 51,11% of the total shares.

⁽²⁾TRY 79 of the shares included in the “Other Shareholders” group belong to shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized in their own accounts) while TRY 2 of which belong to shareholders whose shares are monitored under the shares not registered under the custody of the Central Securities Depository of Turkey due to the ongoing legal action.

In accordance with the Law No: 6327 dated 13 June 2012 and 3rd sub-article added to the Article 2 of the Law No: 4603, as per the Turkish Commercial Code, the Public shares will be controlled and represented by the Minister the Bank is reporting to, until the sale procedures of the public shares are completed.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

III. EXPLANATIONS REGARDING THE BANK'S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE BANK, IF ANY

Name	Title
Recep Süleyman ÖZDİL	Chairman of the Board of Directors
Himmet KARADAĞ	Vice Chairman of the Board of Directors, Independent Member of the Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Meltem TAYLAN AYDIN	Member of the Board of Directors
Mehmet Emin ÖZCAN	Independent Member of the Board of Directors, Member of the Audit Committee
Maksut SERİM	Member of the Board of Directors
Sadık TILTAK	Independent Member of the Board of Director, Chairman of the Audit Committee
Sezai UÇARMAK	Member of the Board of Directors
Mevlüt UYSAL	Member of the Board of Directors
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
İlhan BÖLÜKBAŞ	Executive Vice President, Loan Allocation and Management
Ergin KAYA	Executive Vice President, Banking Operations and Support Services
Yalçın MADENCİ	Executive Vice President, Corporate and Commercial Marketing
Yusuf Duran OCAK	Executive Vice President, Financial Management and Planning
Serdar SÜRER	Executive Vice President, Treasury Management and International Banking
Hasan TUNCAY	Executive Vice President, Retail Banking
Nazmi BAĞDINLI	Executive Vice President (P.P), Credit Policies, Tracing and Legal Pursuit

People mentioned above do not own any shares in the Bank's capital.

a) The Bank's top management members who have assigned to their position in 2019 are listed with titles and dates of assignment.

Title	Name	Starting Date
Member of the Board of Directors	Sezai UÇARMAK	27 February 2019
Executive Vice President	Erkan KİLİMCİ	22 February 2019
Member of the Board of Directors	Mehmet Emin ÖZCAN	27 May 2019
Member of the Board of Directors	Mevlüt UYSAL	27 May 2019
Executive Vice President	Yalçın MADENCİ	11 June 2019
Executive Vice President	İlhan BÖLÜKBAŞ	11 June 2019
Executive Vice President (P.P)	Serdar SÜRER	8 July 2019
Executive Vice President (P.P)	Nazmi BAĞDINLI	9 August 2019
Executive Vice President	Serdar SÜRER	6 December 2019

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

b) The Bank's top management members who have left their position in 2019 are listed with titles and dates of leaving.

Title	Name and Surname	Leaving Date
Member of the Board of Directors	Mehmet Nihat ÖMEROĞLU	27 May 2019
Member of the Board of Directors	Ahmet YARIZ	27 May 2019
Executive Vice President	Selahattin SÜLEYMANOĞLU	31 May 2019
Executive Vice President	Mehmet Akif AYDEMİR	31 May 2019
Executive Vice President	Mustafa ÇÖDEK	31 May 2019
Executive Vice President	Metin KÖSTEK	31 May 2019
Executive Vice President	Mehmet Sebahattin BULUT	31 May 2019
Executive Vice President	Erkan KİLİMCİ	25 June 2019

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

Except for the Türkiye Varlık Fonu, no person or institute has any qualified shares attributable to the Bank.

V. EXPLANATIONS ON THE BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General information about the Bank:

Türkiye Halk Bankası Anonim Şirketi began its operations in 1938 in accordance with the Law No: 2284 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can both be reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 to TRY 1.250.000 in the extraordinary general assembly held on 14 April 2001. Within the scope of the restructuring process, the Bank received government bonds in settlement of the accumulated specific duty losses and the Bank's whole specific duty loss receivable was thus eliminated as at 30 April 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Bank were to be concluded under the provisions of Law No: 4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were going to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term "3 years" in Article 2.2 of Law numbered 4603 was previously amended to "5 years" and subsequently by Law No: 5572 dated 10 January 2007 the related term was amended to "10 years". As a result of these amendments, the privatization period of the Bank was extended. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended the half of that "10 years" period as published in the Official Gazette by the Decree numbered 2010/964 and dated 6 November 2010.

As per the Higher Council of Privatization decision numbered 2006/69 dated 11 August 2006, the public shares were transferred to the Privatization Administration and 99,9% of the Bank shares were decided to be sold before 25 May 2008 using the block sale method. 13th Department of Council of State with its decision numbered 2006/4258 dated 29 November 2006 to cease the execution of the High Council of Privatization's decision numbered 2006/69 dated 11 August 2006. Thereupon, as per the decision of the Higher Council of Privatization numbered 2007/8 dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24,98% was completed in the first week of May 2007 and Halkbank shares were started to trade on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decision of the Higher Council of Privatization numbered 2012/150 dated 4 October 2012; 23,92% of the public shares held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts" which came into force as published in the Official Gazette numbered 25539 dated 31 July 2004, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler limited partnership and more than 500 shareholders. Pamukbank started its private banking operations as an incorporation in accordance with the decision of the Council of Ministers numbered 4/4573 dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 dated 19 June 2002 including 3rd and 4th Sub-articles in the Article 14 of the Banking Law No: 4389, the shareholders rights, excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

e) The Bank's service activities and operating areas: The Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 31 December 2019, the Bank operates with a total of 1006 branches consisting of 1000 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 41 satellite branches. The Bank has also 3 representative office in England, Singapore and Iran.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

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

Due to the differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards (TAS), the non-financial subsidiary, Bileşim Alternatif Dağ. Kan. AŞ, is not accounted for under consolidation principles in the consolidated financial statements. In the financial statements prepared in accordance with International Financial Reporting Standards, Bileşim Alternatif Dağ. Kan. AŞ is included in the scope of consolidation by line-by-line method.

The Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Banka A.D. Skopje and its subsidiary Halk Osiguruvanje A.D. Skopje, Halk Faktoring AŞ, Halkbank A.D. Beograd and Halk Varlık Kiralama A.Ş. are included in the scope of consolidation by line-by-line method.

Demir-Halkbank NV ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Turk P ve I Sigorta A.Ş which are qualified as investments in associates, are included in the financial statements based on equity method of accounting. Associates are the domestic or foreign subsidiaries which the Bank participates to equity with significant influence but without controlling interest.

VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER'S EQUITY BETWEEN THE BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

Immediate transfer of the equity between the Bank and its subsidiaries is not in question. Dividend distribution from equity is made according to the related regulations.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries. The Bank charge or pay cost of the services according to the service agreements entered into between the Bank and its subsidiaries.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off-Balance Sheet Items
- III. Statement of Income
- IV. Statement of Profit or Loss and Other Comprehensive Income
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows
- VII. Statement of Profit Distribution

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS	Note	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		30.196.996	39.709.838	69.906.834	21.189.525	38.439.541	59.629.066
1.1 Cash and Cash Equivalents		2.970.056	35.259.174	38.229.230	4.149.691	35.934.002	40.083.693
1.1.1 Cash and Balances with Central Bank	(1)	2.472.458	32.016.123	34.488.581	3.982.876	30.974.174	34.957.050
1.1.2 Banks	(3)	507.416	3.243.051	3.750.467	180.915	4.959.828	5.140.743
1.1.3 Money Markets		-	-	-	-	-	-
1.1.4 Expected Loss Provision (-)		9.818	-	9.818	14.100	-	14.100
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	16.266.722	64	16.266.786	14.475.244	21.455	14.496.699
1.2.1 Government Debt Securities		16.104.564	64	16.104.628	14.409.039	21.455	14.430.494
1.2.2 Equity Instruments		145.601	-	145.601	-	-	-
1.2.3 Other Financial Assets		16.557	-	16.557	66.205	-	66.205
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	10.956.522	3.302.262	14.258.784	2.564.581	1.422.613	3.987.194
1.3.1 Government Debt Securities		10.275.808	3.170.818	13.446.626	2.389.866	1.339.997	3.729.863
1.3.2 Equity Instruments		100.631	131.444	232.075	58.724	82.616	141.340
1.3.3 Other Financial Assets		580.083	-	580.083	115.991	-	115.991
1.4 Derivative Financial Assets	(2)(11)	3.696	1.148.338	1.152.034	9	1.061.471	1.061.480
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		3.696	1.148.338	1.152.034	9	1.061.471	1.061.480
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)		265.772.751	104.232.298	370.005.049	210.751.960	95.936.717	306.688.677
2.1 Loans	(5)	223.887.121	85.320.980	309.208.101	174.099.895	84.974.331	259.074.226
2.1.1 Lease Receivables	(10)	-	-	-	-	-	-
2.1.2 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortised Cost	(6)	53.297.037	18.911.318	72.208.355	45.110.667	10.962.386	56.073.053
2.4.1 Government Debt Securities		53.246.524	18.911.318	72.157.842	45.060.153	10.962.386	56.022.539
2.4.2 Other Financial Assets		50.513	-	50.513	50.514	-	50.514
2.5 Expected Credit Loss (-)		11.411.407	-	11.411.407	8.458.602	-	8.458.602
III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(16)	2.576.996	-	2.576.996	39.377	-	39.377
3.1 Held for Sale		2.576.996	-	2.576.996	39.377	-	39.377
3.2 Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		1.837.784	1.911.883	3.749.667	3.367.602	1.403.197	4.770.799
4.1 Investments in Associates (Net)	(7)	25.115	482.671	507.786	22.490	415.828	438.318
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		25.115	482.671	507.786	22.490	415.828	438.318
4.2 Subsidiaries (Net)	(8)	1.812.669	1.429.212	3.241.881	3.345.112	987.369	4.332.481
4.2.1 Unconsolidated Financial Subsidiaries		1.728.669	1.429.212	3.157.881	3.287.966	987.369	4.275.335
4.2.2 Unconsolidated Non-Financial Subsidiaries		84.000	-	84.000	57.146	-	57.146
4.3 Joint Ventures (Net)	(9)	-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)	(12)	7.537.034	212	7.537.246	3.147.814	100	3.147.914
VI. INTANGIBLE ASSETS (Net)	(13)	162.053	-	162.053	140.250	-	140.250
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		162.053	-	162.053	140.250	-	140.250
VII. INVESTMENT PROPERTIES (Net)	(14)	356.027	-	356.027	356.848	-	356.848
VIII. CURRENT TAX ASSET	(15)	-	-	-	6.042	-	6.042
IX. DEFERRED TAX ASSET	(15)	-	-	-	-	-	-
X. OTHER ASSETS (Net)	(17)	2.514.640	236.889	2.751.529	2.742.059	901.023	3.643.082
TOTAL ASSETS		310.954.281	146.091.120	457.045.401	241.741.477	136.680.578	378.422.055

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Note	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. DEPOSITS	(1)	166.473.587	131.260.589	297.734.176	140.018.439	108.836.815	248.855.254
II. FUNDS BORROWED	(3)	530.197	10.486.644	11.016.841	372.398	11.543.629	11.916.027
III. MONEY MARKETS		50.249.750	2.951.294	53.201.044	32.759.788	5.402.273	38.162.061
IV. SECURITIES ISSUED (Net)	(4)	7.078.757	10.512.530	17.591.287	3.023.139	12.024.839	15.047.978
4.1 Bills		4.682.528	-	4.682.528	2.011.697	-	2.011.697
4.2 Assets Backed Securities		1.011.493	-	1.011.493	1.011.442	-	1.011.442
4.3 Bonds		1.384.736	10.512.530	11.897.266	-	12.024.839	12.024.839
V. FUNDS	(5)	3.209.004	-	3.209.004	2.874.121	-	2.874.121
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		3.209.004	-	3.209.004	2.874.121	-	2.874.121
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL ASSETS	(2) (8)	334	353.384	353.718	16	410.422	410.438
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		334	353.384	353.718	16	410.422	410.438
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(7)	525.530	54.395	579.925	-	-	-
X. PROVISIONS	(9)	1.663.354	-	1.663.354	1.853.914	-	1.853.914
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.105.771	-	1.105.771	887.228	-	887.228
10.3 Insurance for Technical Provision (Net)		-	-	-	-	-	-
10.4 Other Provisions		557.583	-	557.583	966.686	-	966.686
XI. CURRENT TAX LIABILITY	(10)	1.298.409	77	1,298,486	669.903	106	670.009
XII. DEFERRED TAX LIABILITIES	(10)	309.861	-	309.861	452.769	-	452.769
XIII. NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	6.037.858	6,146,988	12,184,846	6,182,084	-	6,182,084
14.1 Loans		-	6,146,988	6,146,988	-	-	-
14.2 Other Debt Instruments		6,037,858	-	6,037,858	6,182,084	-	6,182,084
XV. OTHER LIABILITIES	(6)	24,623,421	1,082,612	25,706,033	22,085,654	891,011	22,976,665
XVI. SHAREHOLDERS' EQUITY	(13)	31,744,821	452,005	32,196,826	28,896,436	124,299	29,020,735
16.1 Paid-in Capital		1,250,000	-	1,250,000	1,250,000	-	1,250,000
16.2 Capital Reserves		1,088,227	60,293	1,148,520	1,230,674	-	1,230,674
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1,088,227	60,293	1,148,520	1,230,674	-	1,230,674
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		3,641,906	512,845	4,154,751	2,738,739	291,471	3,030,210
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		342,755	(121,133)	221,622	(24,601)	(167,172)	(191,773)
16.5 Profit Reserves		23,701,624	-	23,701,624	20,475,295	-	20,475,295
16.5.1 Legal Reserves		2,252,739	-	2,252,739	1,864,266	-	1,864,266
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		21,401,704	-	21,401,704	18,563,848	-	18,563,848
16.5.4 Other Profit Reserves		47,181	-	47,181	47,181	-	47,181
16.6 Income or (Loss)		1,720,309	-	1,720,309	3,226,329	-	3,226,329
16.6.1 Prior Periods' Income or (Loss)		-	-	-	704,534	-	704,534
16.6.2 Current Period Income or (Loss)		1,720,309	-	1,720,309	2,521,795	-	2,521,795
16.7 Minority Shares		-	-	-	-	-	-
		293,744,883	163,300,518	457,045,401	239,188,661	139,233,394	378,422,055

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS AS OF 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

II.STATEMENT OF OFF BALANCE SHEET ITEMS

OFF-BALANCE SHEET	Note	Audited Current Period			Audited Prior Period		
		TRY	31 December 2019		TRY	31 December 2018	
			FC	TOTAL		FC	TOTAL
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		84.003.573	109.842.637	193.846.210	70.717.925	86.627.054	157.344.979
I. GUARANTEES AND WARRANTIES	(I)	40.671.074	49.246.594	89.917.668	37.167.935	45.871.890	83.039.825
11 Letters of guarantee		38.023.134	38.396.087	76.419.221	35.165.366	35.686.852	70.852.218
11.1 Guarantees subject to public procurement law		2.075.214	11.522.077	13.207.250	1.982.722	12.444.947	14.427.669
11.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
11.3 Other letters of guarantee		35.947.920	27.264.010	63.211.930	33.182.644	23.241.905	56.424.549
12 Bank loans		8.260	6.953.758	6.961.998	11.845	7038.415	7050.260
12.1 Import acceptances		-	277.04	-	-	94.572	94.572
12.2 Other bank acceptances		8.260	6.926.034	6.934.294	11.845	6.943.843	6.955.688
13 Letters of credit		16.891	3.806.338	3.823.229	119.895	3.016.499	3.136.394
13.1 Documentary letters of credit		16.891	3.806.338	3.823.229	119.895	3.016.499	3.136.394
13.2 Other letters of credit		-	-	-	-	-	-
14 Guaranteed refinancing		-	-	-	-	-	-
15 Endorsements		-	-	-	-	-	-
15.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-	-	-	-
15.2 Other Endorsements		-	-	-	-	-	-
16 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
17 Factoring guarantees		-	-	-	-	-	-
18 Other guarantees		2.622.789	90.431	2.713.220	1.870.829	130.124	2.000.953
19 Other sureties		-	-	-	-	-	-
II. COMMITMENTS	(II)	28.067.633	2.567.647	30.625.280	24.243.824	1.853.816	26.097.640
21 Irrevocable commitments		27.742.136	1.761.667	29.503.803	24.091.686	1.680.920	25.772.606
21.1 Forward asset purchase commitments		967.531	1.265.092	2.232.623	807.737	1.228.932	2.036.669
21.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
21.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
21.4 Loan granting commitments		2.564.640	496.575	3.061.215	4.159.896	451.988	4.611.884
21.5 Securities underwriting commitments		-	-	-	-	-	-
21.6 Payment commitments for reserve deposits		-	-	-	-	-	-
21.7 Payment commitments for Cheques		3.219.679	-	3.219.679	2.661.413	-	2.661.413
21.8 Tax and fund liabilities from export commitments		83.156	-	83.156	65.280	-	65.280
21.9 Commitments for credit card expenditure limits		16.709.743	-	16.709.743	12.674.648	-	12.674.648
21.10 Commitments for credit cards and banking services promotions		24.943	-	24.943	31.409	-	31.409
21.11 Receivables from short sale commitments		-	-	-	-	-	-
21.12 Payables for short sale commitments		4172.444	-	4172.444	3.691.303	-	3.691.303
21.13 Other irrevocable commitments		315.497	805.980	1.121.477	152.138	172.896	325.034
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		315.497	805.980	1.121.477	152.138	172.896	325.034
III. DERIVATIVE FINANCIAL INSTRUMENTS		15.274.866	58.028.396	73.303.262	9.306.166	38.901.348	48.207.514
31 Derivative financial instruments held for risk management		-	-	-	-	-	-
31.1 Fair value risk hedging transactions		-	-	-	-	-	-
31.2 Cash flow risk hedging transactions		-	-	-	-	-	-
31.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		15.274.866	58.028.396	73.303.262	9.306.166	38.901.348	48.207.514
3.2.1 Forward foreign currency buy/sell transactions		1.508.923	3.822.829	5.331.751	1.806.188	5.243.125	7049.313
3.2.1.1 Forward foreign currency transactions-buy		779.407	1.489.169	2.268.576	1.553.375	3.068.338	4.621.713
3.2.1.2 Forward foreign currency transactions-sell		729.515	2.333.660	3.063.175	252.813	2.174.787	2.427.600
3.2.2 Currency and interest rate swaps		12.849.494	48.364.708	61.214.202	5.202.187	27.857.299	33.059.486
3.2.2.1 Currency swap-buy		432.526	15.601.222	16.033.748	1.072.983	6.972.576	7.986.559
3.2.2.2 Currency swap-sell		11.996.968	5.475.984	17.472.952	4.189.204	3.490.839	7.680.043
3.2.2.3 Interest rate swap-buy		210.000	13.643.751	13.853.751	-	8.696.442	8.696.442
3.2.2.4 Interest rate swap-sell		210.000	13.643.751	13.853.751	-	8.696.442	8.696.442
3.2.3 Currency, interest rate and marketable securities options		916.450	2.604.064	3.520.514	2.297.791	3.561.455	5.859.246
3.2.3.1 Currency call options		457.977	1.302.773	1.760.250	1148.905	1.780.728	2.929.633
3.2.3.2 Currency put options		458.473	1.301.791	1.760.264	1148.886	1.780.727	2.929.613
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	3.236.795	3.236.795	-	2.239.469	2.239.469
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		1.206.385.046	359.967.108	1.566.352.154	954.219.496	310.868.814	1.265.088.210
IV. CUSTODIES		567.016.912	50.583.195	617.600.107	432.711.289	42.627.039	475.338.328
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		203.825.309	1.420.996	2.05.246.305	161.920.322	107.194	162.937.516
4.3 Cheques in collection process		15.390.122	31.703.135	47.093.257	15.226.267	26.439.655	41.665.922
4.4 Commercial notes in collection process		289.691.963	7.019.429	296.705.392	239.240.554	5.575.684	244.816.238
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		4.005.722	810.205	4.815.927	4.280.917	486.438	4.767.355
4.8 Custodians		54.033.796	9.635.430	63.669.226	10.043.229	9.103.068	21.511.297
V. PLEDGED ASSETS		639.368.134	309.383.913	948.752.047	521.508.207	268.241.775	787.749.982
5.1 Marketable securities		5.413.902	1.067.288	6.481.190	5.608.542	733.250	6.341.792
5.2 Collateral notes		7199.337	1.207.048	8.406.385	7.595.289	1.024.577	8.619.866
5.3 Commodity		25.813	-	25.813	-	-	25.812
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		500.360.484	251.445.308	752.405.792	384.287.726	224.420.877	608.708.563
5.6 Other pledged assets		120.638.529	42.752.313	163.390.742	15.477.074	39.644.525	115.092.229
5.7 Pledges		5.190.069	12.912.056	18.042.125	47.513.134	2.448.786	49.961.920
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1.290.388.619	469.809.745	1.760.198.364	1.024.937.421	397.495.868	1.422.433.289

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME AS OF 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

III. STATEMENT OF INCOME

INCOME AND EXPENSES	Note	Audited	Audited
		Current Period 1 January-31 December 2019	Prior Period 1 January- 31 December 2018
I. INTEREST INCOME	(1)	46.730.182	36.670.838
11 Interest on Loans		37.070.330	28.811.827
12 Interest on Reserve Requirements		95.508	96.272
13 Interest on Banks		341.253	630.175
14 Interest on Money Market Transactions		-	57.377
15 Interest on Marketable Securities Portfolio		9.160.898	7.044.654
15.1 Fair Value Through Profit or Loss		10.163	15.305
15.2 Fair Value Through Other Comprehensive Income		1.497.658	288.106
15.3 Measured at Amortized Cost		7.653.077	6.741.243
16 Financial Lease Interest Income		-	-
17 Other Interest Income		62.193	30.533
II. INTEREST EXPENSE (-)	(2)	36.118.146	28.591.260
2.1 Interest on Deposits		23.537.115	20.719.577
2.2 Interest on Funds Borrowed		301.477	462.119
2.3 Interest Expense on Money Market Transactions		9.343.201	5.695.982
2.4 Interest on Securities Issued		2.582.362	1.463.544
2.5 Interest on Leases		94.269	-
2.6 Other Interest Expenses		259.722	250.038
III. NET INTEREST INCOME (I - II)		10.612.036	8.079.578
IV. NET FEES AND COMMISSIONS INCOME		2.778.218	1.949.657
4.1 Fees and Commissions Received		3.879.937	2.725.776
4.1.1 Non – cash Loans		925.901	617.730
4.1.2 Other		-	-
4.2 Fees and Commissions Paid (-)	(12)	2.954.036	2.108.046
4.2.1 Non – cash Loans		110.719	776.119
4.2.2 Other	(12)	151	125
4.2.2.1 Other	(12)	1.101.568	775.994
V. DIVIDEND INCOME	(3)	421.825	510.357
VI. TRADING INCOME / LOSS (Net)	(4)	(3.267.096)	149.255
6.1 Trading Gains / (Losses) on Securities		293.392	29.870
6.2 Gains / (Losses) on Derivate Financial Transactions		(1.499.435)	1.934.763
6.3 Foreign Exchange Gains / (Losses)		(2.061.053)	(1.815.378)
VII. OTHER OPERATING INCOME	(5)	2.407.440	624.474
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		12.952.423	11.313.321
IX. EXPECTED LOSS PROVISIONS (-)	(6)	4.551.745	2.354.618
X. OTHER PROVISION EXPENSES (-)	(6)	146.153	780.455
XI. PERSONNEL EXPENSE (-)		2.854.246	2.393.536
XII. OTHER OPERATING EXPENSES (-)		3.432.022	3.066.894
XIII. NET OPERATING INCOME /LOSS (IX-X-XI)	(7)	1.968.257	2.717.818
XIV. INCOME AFTER MERGER		-	-
XV. INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XVI. INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XVII. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(8)	1.968.257	2.717.818
XVIII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(9)	(247.948)	(196.023)
18.1 Current Tax Provision		435.511	9.840
18.2 Deferred Tax Income Effect (+)		1.200.560	1.144.825
18.3 Deferred Tax Expense Effect (-)		1.388.123	958.642
XIX. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(10)	1.720.309	2.521.795
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1 Income from Non-Current Assets Held for Sale		-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3 Income from Other Discontinued Operations		-	-
XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-
21.1 Expenses for Non-current Assets Held for Sale		-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3 Expenses for Other Discontinued Operations		-	-
XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (IXX-XX)		-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1 Current Tax Provision		-	-
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		-	-
XXIV. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)		-	-
XXV. NET PROFIT/(LOSS) (XVIII±XXIII)	(11)	1.720.309	2.521.795
25.1 Profit / (Loss) of Group		1.720.309	2.521.795
25.2 Profit / (Loss) of Minority Shares (-)		-	-
Profit / (Loss) Per Share (full TRY)		1,3762472	2,017436

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited Current Period	Audited Prior Period
	1 January - 31 December 2019	1 January - 31 December 2018
STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I. CURRENT PERIOD INCOME/LOSS	1.720.309	2.521.795
II. OTHER COMPREHENSIVE INCOME	1.537.936	549.856
2.1 Not Reclassified Through Profit or Loss	1.124.541	106.500
2.1.1 Property and Equipment Revaluation Increase/Decrease	44.359	57.207
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	(86.753)	24.758
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	1.154.020	35.207
2.1.5 Tax on Other Comprehensive Income Items Not Reclassified Through Profit or Loss	12.915	(10.672)
2.2 Reclassified Through Profit or Loss	413.395	443.356
2.2.1 Foreign Currency Translation Differences	(4.392)	(54.085)
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	475.357	595.796
2.2.3 Cash Flow Hedge Income/Loss	-	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Loss	-	-
2.2.6 Tax on Other Comprehensive Income Items Reclassified Through Profit or Loss	(57.570)	(98.355)
III. TOTAL COMPREHENSIVE INCOME (I+II)	3.258.245	3.071.651

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

VI. STATEMENT OF CASH FLOWS

	Audited Current Period 1 January- 31 December 2019	Audited Prior Period 1 January- 31 December 2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	(2.145.713)	(7.315.716)
1.1.1 Interest received	41.515.749	30.747.266
1.1.2 Interest paid	(36.317.492)	(26.502.886)
1.1.3 Dividend received	421.825	233.086
1.1.4 Fees and commissions received	3.860.772	2.752.996
1.1.5 Other income	1.028.267	313.165
1.1.6 Collections from previously written off loans	1.724.309	1.144.167
1.1.7 Cash payments to personnel and service suppliers	(2.897.048)	(2.428.922)
1.1.8 Taxes paid	(328.962)	(596.308)
1.1.9 Other	(1)	(12.978.280)
1.2 Changes in Assets and Liabilities Subject to Banking Operations	14.067.152	8.484.868
1.2.1 Net increase / decrease in financial assets at fair value through profit or loss	(1.770.628)	(35.210)
1.2.2 Net (increase) / decrease in due from banks	4.310	(212)
1.2.3 Net (increase) / decrease in loans	(53.305.408)	(49.399.681)
1.2.4 Net (increase) / decrease in other assets	3.092.729	(1.332.466)
1.2.5 Net increase / (decrease) in bank deposits	(3.440.223)	11.876.374
1.2.6 Net increase / (decrease) in other deposits	52.512.213	42.146.993
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	(1.061.618)	(5.074.110)
1.2.9 Net increase / (decrease) in matured payables	-	-
1.2.10 Net increase / (decrease) in other liabilities	(1)	10.303.180
I. Net cash provided from banking operations	11.921.439	1.169.152
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/ (used in) investing activities	(21.001.315)	(14.916.767)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	(91.724)	(310.473)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	39.375	-
2.3 Fixed assets purchases	(312.283)	(925.381)
2.4 Fixed assets sales	703.331	367.994
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income	(20.221.954)	(10.680.798)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income	11.491.552	5.765.227
2.7 Cash paid for purchase of investment securities	(16.370.108)	(12.918.165)
2.8 Cash obtained from sale of investment securities	3.823.785	3.785.416
2.9 Other	(63.289)	(587)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	7.174.667	5.044.485
3.1 Cash obtained from loans borrowed and securities issued	11.916.250	7.993.795
3.2 Cash used for repayment of loans borrowed and securities issued	(4.478.815)	(2.763.036)
3.3 Bonds issued	-	-
3.4 Dividends paid	-	(186.274)
3.5 Payments for leases	(262.768)	-
3.6 Other	-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	5.212.885
V. Net increase / (decrease) in cash and cash equivalents	490.735	(3.490.245)
VI. Cash and cash equivalents at beginning of the period	(4)	27.121.864
VII. Cash and cash equivalents at end of the period	(5)	24.122.354

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited Current Period 31 December 2019	Audited Prior Period 31 December 2018
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
11. Current Period Profit	1.968.257	2.717.818
12. Taxes and Legal Duties Payables (-)	(247.948)	(196.023)
12.1. Corporate Tax (Income Tax)	(435.511)	(9.840)
12.2. Withholding Tax	-	-
12.3. Other Taxes and Duties	187.563	(186.183)
A. Net Profit For The Period (1.1-1.2)	1.720.309	2.521.795
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	126.090
1.5. Other Statutory Reserves (-)	-	-
B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]	-	2.395.705
16. First Dividend to shareholders (-)	-	-
16.1. To Owners of Ordinary Shares	-	-
16.2. To Owners of Privileged Shares	-	-
16.3. To Owners of Redeemed Shares	-	-
16.4. To Profit Sharing Bonds	-	-
16.5. To Holders of Profit and Loss Sharing Certificates	-	-
17. Dividends to personnel (-)	-	-
18. Dividends to Board of Directors (-)	-	-
19. Second Dividend to Shareholders (-)	-	-
19.1. To Owners of Ordinary Shares	-	-
19.2. To Owners of Privileged Shares	-	-
19.3. To Owners of Redeemed Shares	-	-
19.4. To Profit Sharing Bonds	-	-
19.5. To Holders Of Profit And Loss Sharing Certificates	-	-
110. Second Legal Reserves (-)	-	-
111. Status Reserves (-)	-	-
112. Extraordinary Reserves*	-	3.100.239
113. Other Reserves	-	-
114. Special Funds	-	-
II. Distribution of Reserves		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	-
2.3.1. To Owners of Ordinary Shares	-	-
2.3.2. To Owners of Privileged Shares	-	-
2.3.3. To Owners of Redeemed Shares	-	-
2.3.4. To Profit Sharing Bonds	-	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.4. Dividends to Personnel (-)	-	-
2.5. Dividends to Board of Directors (-)	-	-
III. Earnings per Share		
3.1. To Owners of Ordinary Shares	1.3762	2.0174
3.2. To Owners of Ordinary Shares (%)	13762%	20174%
3.3. To Owners of Privileged Shares	-	-
3.4. To Owners of Privileged Shares (%)	-	-
IV. Dividend per Share		
4.1. To Owners of Ordinary Shares	-	-
4.2. To Owners of Ordinary Shares (%)	-	-
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

* The balance amounting to TRY 704.534, composed as a result of the transition to TFRS 9 on 1 January 2018, and accounted for under retained earnings, has been transferred to extraordinary reserves.

** Board of Directors meeting was not held as of 31 December 2019 financial reporting date.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

The Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board (“BRSA”) and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards published by the Public Oversight Accounting (“POA”) and Auditing Standards Authority (“POA”) for the matters not regulated by the aforementioned legislations.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities carried at fair value. Amounts expressed in thousand Turkish Lira (“TRY”) unless otherwise stated.

Accounting policies and valuation principles used in the preparation of financial statements, have been determined and implemented in accordance with accounting and financial reporting principles in scope of the regulations, communiqués, explanations and circulars issued by the BRSA and for the matters not legislated by the aforementioned regulations, in accordance with TAS / TFRS principles (all together referred to as “BRSA Accounting and Financial Reporting Regulations”) issued by the POA.

In accordance with the “Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 with No. 30673, the accompanying previous period financial statements were presented in compliance with the new financial statement formats.

Additional paragraph for convenience translation to English

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

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

a) The Bank's strategy on financial instruments:

Due to its historical mission, the Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Bank can raise funds from money markets and borrowings abroad.

The Bank follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Bank are evaluated in the weekly Asset and Liability Committee meetings.

b) The Bank's explanations on foreign currency transactions:

In the statutory records of the Bank, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and settlements of foreign currency transactions are reflected to the statement of profit or loss.

The financial statements of the foreign branches of the Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TRY which is the functional currency of the Bank and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches of the Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by at exchange rates at the dates of the transactions.

The Bank started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Halkbank A.D. Beograd (subsidiary), Halk Banka A.D. Skopje (subsidiary), Demirhalkbank NV (associate), foreign investments that are recognized under fair value accounting as hedged item, in compliance with TAS 39 standard. Accordingly, the effective portion of the foreign exchange differences is recorded under statement of profit or loss in the current period.

III. EXPLANATIONS ON ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

Associates and subsidiaries are accounted for the "Turkish Accounting Standard on Separate Financial Statements Standard" (TAS 27), "Turkish Accounting Standard for Investments in Associates and Joint Ventures" (TAS 28) and IFRS 9 "Financial instruments: Turkish Financial Reporting Standards" in unconsolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

Derivative transactions of the Bank consist of foreign currency and interest rate swaps, cross currency swaps, options and forwards. The bank uses derivatives to avoid economical risks and account for as trading under TFRS 9 Standard as “Changes in Fair Value through Profit or Loss”.

Pledges arising from derivative transactions recorded in off-balance sheet accounts with their agreement amounts. Derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under “derivative financial assets” or “derivative financial liabilities”, respectively depending on the fair values being positive or negative. Fair value changes of derivative instruments are recorded under statement of profit or loss in the gains and losses on derivative financial transactions line. Fair values of derivatives are calculated using discounted cash flow model or market value.

Explanations related to credit derivatives and its risk exposures:

The Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic’s credit risk. As of 31 December 2019, the bank has credit default conditioned cross currency swap transaction amounting to USD 310 million with 5 year maturity. In this transactions the Bank sells protection.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TFRS 9 Standard.

Starting from 1 January 2018, the Bank has started to accrue interest on non-performing loans. Gross book value of the non-performing loans are discounted with effective interest rate.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

Banking service income is recorded in the income in the period when they are collected. Prepaid fees and commission income obtained from cash and non-cash loans are recorded in the related period by using discounting method with internal rate of return according to the loan maturity within the matching principle.

Fee and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. These fee and commission expenses are booked under prepaid expenses and transferred to expense accounts in the related periods by using the straight accrual method according to the financial borrowing maturity within the matching principle.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Bank, if the Bank is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Bank. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an arm's length transaction. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists.

The estimated fair values of financial assets have been determined by the Bank using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

Classification of the category of a financial instrument at initial recognition depends on both the business model for managing the financial assets and their contractual cash flow characteristics.

Assessment of Business Model

The Bank classifies its financial assets in accordance with TFRS 9 through its business model which is used for financial assets management.

The Bank's business model is related with how the Bank manages its financial assets to generate cash flows. In other terms, the source of cash flows depends on the Bank's business model whether the cash flow is generated from contractual terms or through sale of financial asset or both. Classification of financial assets is made at initial recognition considering the aim of purchase of the financial asset. The Bank's business models are classified in three main categories in accordance with TFRS 9.

1. A business model whose objective is to hold assets in order to collect contractual cash flows:

A business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The purpose of the business model does not require to hold to collect the contractual cash flows of the instruments over their life, even the aim of the business model is to hold the instruments up to maturity for the contractual cash flows. Therefore, even when financial asset sales are anticipated or expected to occur in the future, the business model may still be a model that aims to retain financial assets in order to collect contractual cash flows.

The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

2. A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:

The Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value changes of the financial assets that are held within the scope of this business model are accounted for under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Other Business Models:

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Bank makes its decisions on the basis of business model, which is based on the fair value of the assets and manages the assets to obtain their fair value. Therefore, if the financial assets are held for the purpose of obtaining cash flows arising from their sale, the change in fair value are measured at fair value through profit or loss.

Measurement Categories of Financial Assets and Liabilities

As of 1 January 2018, the Bank classified all its financial assets based on the business model for managing the financial assets. Accordingly, the financial assets are classified as per TFRS 9 in three main categories listed below:

1. Financial assets measured at amortized cost,
2. Financial assets measured at fair value through other comprehensive income
3. Financial assets measured at fair value through profit/loss.

TFRS 9, explains how financial assets are classified in accordance with methods explained in Article 1 and 2 and other than these financial assets, remaining financial assets are classified in accordance with the method detailed in Article 3.

In addition, the Bank's securities portfolio includes government bonds indexed to consumer prices (CPI), which are valued and accounted for based on the effective interest method based on the index calculated by taking into account the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The reference indices used in the calculation of the actual coupon payment amounts of these assets are generated according to the CPI of previous two months. The Bank determines the estimated inflation rate accordingly. The inflation rate estimated by taking into consideration the expectations of the T.R. Central Bank and the Bank's expectations is updated during the year when deemed necessary.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

1. Financial Assets Measured at Amortised Cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- (a) Asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- (b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are loans and receivables and financial assets. Subsequent to the initial recognition, financial investments are accounted for at amortised cost calculated by using the effective interest rate method. Loans are initially recognized with their cost and carried at their amortized costs calculated using the internal rate of return subsequent to recognition.

2. Financial Assets Measured at Fair Value through Other Comprehensive Income

A financial asset is measured if both of the following conditions are met:

- (a) Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

3. Financial Assets Measured at Fair Value through Profit or Loss

According to TFRS 9, the 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 statement of profit or loss. However, the Bank may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

Cash Equivalents and Banks

Cash and bank balances denominated in foreign currencies are valued by using the Bank's current period end exchange rates. The presented values of cash in TRY, foreign currency cash and banks at balance sheet are the estimated fair values of these assets.

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Loans and Receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return subsequent to recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign exchange gain and loss line in the statement of profit or loss depending on foreign currency rates being higher or lower than opening date rates.

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign exchange gain and loss line in the statement of profit or loss.

Associates and subsidiaries:

As of 1 January 2012, the Bank changed its accounting policy of Turkish Lira denominated subsidiaries, and as of 18 June 2015 the Bank changed its accounting policy of foreign currency denominated subsidiaries and associates, and started to measure related subsidiaries and associates with their fair values. Foreign currency denominated associates and subsidiaries are converted into TRY by using the exchange rates at the date of which the fair value is determined. Fair values of the subsidiaries, whose shares are unquoted on an active market (stock exchange) are determined with the valuation reports that are prepared by an independent valuation company and fair values of the subsidiaries, whose shares are quoted on an active market (stock exchange) are determined by taking into account values at stock exchange, and valuation differences are added to the subsidiaries values and correspondingly recorded in the "Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss" under the shareholders' equity.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

As of 1 January 2018, the Bank recognizes loan loss allowances for expected credit losses on financial assets and loans measured at amortised cost and measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit / loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classifications of Loans and Allowances Allocated for Such Loans" effective from 1 January 2018. Financial assets measured at fair value are not assessed for impairment.

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As of the reporting date, the Bank assesses whether the credit risk on a financial instrument has increased significantly since initial recognition in accordance with TFRS 9. When making the assessment, the Bank shall use the change in the risk of a default occurring for the financial instrument.

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank shall measure the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Bank calculates the expected credit loss on a collective or individual basis by grouping the financial assets having common credit risk features.

The Bank constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration the change in the risk of a default event occurring over the expected life of the financial instrument.

Calculation of Expected Credit Losses

A credit loss is present value of calculated difference between the total cash flows that will occur based on the contractual terms of financial instruments and the total cash flows, which the Bank expects to collect, with the initial effective interest rate. The Bank calculates expected credit losses based on a probability – weighted estimate of credit losses (the present value of all cash shortfalls) over the expected life of the financial instruments. The Bank estimates the cash flows over the expected life of the financial instrument by taking into account all contractual terms of the financial instrument, and considers the weighted average of loan losses according to the relevant default risks for determining expected credit losses.

TFRS 9 Financial Instruments Standard allows the calculation of expected credit loss provisions in aggregate or individually by grouping financial assets with common credit risk characteristics. The Bank has been collectively calculating and accounting for expected credit loss provisions. As of 31 December 2019, the Bank has individually assessed a portion of the loans, which were classified as the 3rd stage lifetime expected credit loss-default whose ECL was collectively calculated since the date of transition to TFRS 9 standard as of 1 January 2018, on a prudent basis by assessing alternative cash flows and possible sales of collaterals, and adjusted the results of this assessment in the expected credit loss provisions which are reflected in the financial statements.

Probability of Default (PD)

It is defined as the probability that the debtor does not fulfill its obligations to the bank or in other words it can not repay its debts to the bank. This ratio is calculated for each loan based on various statistical assumptions depending on the maturity, internal behavioral model, external behavioral model and financial module data. The probability values take a value between 0 and 1, and as the probability value increases, the likelihood of the credit defaulting increases.

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Loss given Default (LGD)

This is the parameter indicates the expected economic loss of the bank if the credit defaults. In the case of the credit defaults and the Bank collects the entire amount of the default, LGD is zero, in the case of no collection, LGD is 100%. LGD rates are reviewed on a maximum of 1 year basis.

Exposure at Default (EAD)

It is the parameter that indicates how much of a loan will default. The default amount for a spot or installment loan is the amount, which is listed on the payment schedule at the time of default. Additionally, the default amount for the credit cards and limit gaps of overdraft accounts and non-cash loans, are calculated with a parameter called credit conversion factor (CCF). The default risk amount in the future is estimated by calculating by the statistical methods with the credit conversion rate, since it is not known at the time of loan origination due to undrawn commitment for limit of credit cards and overdraft accounts.

12 Month Expected Credit Losses

It is the estimated expected credit losses occurring within the next 12 months following the balance sheet date. According to Article 5.5.5 of TFRS 9 standard, in the case of that there is no significant increase in credit risk of a financial instrument since its first recognition, the Bank shall measure at the provision for loss of the related financial instrument as equal as 12 month expected credit losses.

In the case of a customer or a loan that is classified under Standard Loans (Stage 1), the provision for loan is calculated on 365 days even if the maturity of the loan is above 1 year. In the case of maturity of the loan is under 1 year, number of days left to maturity (except revolving loans and credit cards) are used in calculations.

Lifetime Expected Credit Losses

It is the estimated probability of default occurring over the remaining life of the financial instrument. According to TFRS 9 standard, in case of a significant increase in credit risk for a financial instrument since its initial recognition, the Bank shall measure provision for loss of related financial instrument as equal as expected lifetime expected credit loss amount.

In the case of a customer or loan is classified as Stage 2 and / or Stage 3, the provision for expected credit loss is measured at the lifetime probability of default. Despite the fact that the methods for used calculation for provision of expected credit loss are similar for Stage 2 and Stage 3 loans, the probability of default for Stage 3 credits is accepted as 100%.

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IFRS 9 Standard does not include a direct definition of default, but requires a consistent definition of default to be used in credit risk management. The Bank is considering qualitative indicators (e.g. financial commitments), if appropriate, when defining a default according to IFRS 9, for the purpose of determining the risk of business default and adopts a definition of default, consistent with the definition used for in-house credit risk management purposes for the relevant financial instruments. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

“The definition of default used for these purposes applies consistently to all financial instruments unless information can be obtained that demonstrates that another definition of default is more appropriate for a particular financial instrument.” in line with Article 90 of the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches assumes that debt defaulted if at least one of the following two conditions occurs.

- a) Considering that a debtor is unlikely to pay credit obligations to the Bank and to the Bank’s consolidated financial subsidiaries without using guarantees
- b) Considering that a debtor having past due more than 90 days to the Bank or its consolidated financial subsidiaries

The expected loan loss provision for the loans classified as non-performing loans (Stage 3) is calculated using the estimation of loss given default (LGD). Aforementioned estimation is based on the historical data on a segment basis and determined by the principle loss charge, being the remaining amount after the collection made within the period after each segment has defaulted.

Low Credit Risk

IFRS 9 standard states that in some cases, the credit risk on a financial instrument can be calculated as low if the financial instrument has a low risk of default when there is no reliable past default data.

If the entity determines that a financial instrument has a low credit risk as of the reporting date, it assumes that the credit risk on the financial instrument has not increased significantly following its initial recognition in the financial statement. Those transactions in the Bank are classified as follows:

- a) CBRT transactions (Currencies held in CBRT and reserve requirements)
- b) Securities (Fair value through other comprehensive income and financial assets measured at amortised cost)
- c) Treasury Loans
- d) Loans guaranteed by Treasury of Republic of Turkey

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The Rules of Significant Increase in Credit Risk

Significant increase in credit risk requires measurement of the Bank's provision for expected credit losses at lifetime probability of default instead of 12 month expected credit loss.

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds Obtained from Money Market" account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the "Receivables from Money Markets" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

XI. EXPLANATIONS ON ASSETS HELD FOR SALE, ASSETS OF DISCONTINUED OPERATIONS AND RELATED LIABILITIES

Assets that meet the criteria to be classified as held for sale are measured at carrying amount and depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify an asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active program to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year.

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Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the statement of profit or loss.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except buildings that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property, plant and equipment are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

As of 1 April 2015, the Bank adopted the revaluation method for buildings in tangible assets in accordance with the Standard on Property, Plant and Equipment (TAS 16). Expertise values determined by independent appraisal companies are reflected to the financial statements. Revaluation differences are recorded in shareholders' equity.

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Ordinary maintenance and repair expenses of property, plant and equipment items are recognized as expenses.

Estimated useful lives of property, plant and equipment are as follows:

	Estimated useful lives (Year)	Depreciation rate
Buildings	50	2%
Safes	50	2%
Other movable properties	3-25	4-33,33%
Assets held under financial leases	4-5	20-25%

Leasehold improvements are depreciated over the useful lives on a straight-line basis. In any case useful life cannot exceed the lease period. If the duration of lease agreement is not determined or longer than five years, depreciation duration is considered as five years.

There is no change in accounting estimates that is expected to have significant effect in current period and subsequent periods.

There are no material mortgages, pledges or similar in cumbrances designated for the property, plant and equipment.

Classification of Investment Properties:

If a land or building is being used by an owner and the intention is changed to an investment property, this property is classified as an investment property.

When the use of an immovable is changed and reclassified as an investment property, the actual value of the date on which the change in the use of the named property takes place will be the cost of the subsequent accounting.

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties in the attached unconsolidated financial statements that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Investment properties are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

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XV. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portions of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Bank does not participate in the financial leasing transactions as a “lessor”.

According to “TFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease was removed and the lease transactions were started to be recognised under “Property and Equipment” as an asset (tenure) and under “Lease Liabilities” as a liability. Impact and application of TFRS 16 concerning this transition were explained in section three, footnote XXIV.

XVI. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provision and contingent liabilities are accounted in conformity with Turkish Accounting Standard on “Provisions, Contingent Liabilities and Contingent Assets” (TAS 37).

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 The Bank’s management on the expenses to incur as of 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.

XVII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 “Employee Benefits”. According to related legislation and union agreements, the Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees who resigns subsequent to her marriage within one year. The Bank provides provision by estimating the present value of the future retirement pay liability.

The retirement pay provision of the Bank has been determined by the actuarial report of an independent actuary firm. As of 1 January 2013, actuarial gains and losses are recorded under the shareholders’ equity according to the revised TAS 19.

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T. Halk Bankası Employee Pension Fund, T. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members including employees of the Bank. Provisional article 23 of the Banking Act No: 5411 requires the Bank's pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension funds would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly (TGNA) started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Council of Ministers decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law numbered 6283 "Emendating Social Security and General Health Insurance Act", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, the authority of the Council of Ministers extending 2 years has been raised to 4 years.

The statement "The Council of Ministers have entitled to determine transfer period" has taken place in the scope of the Article 51 of the Law No: 6645 which was published on the Gazette on 23 April 2015 and numbered 29335.

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the present value of the actuarial liabilities will be calculated with the technical interest rate of 9,8%. Moreover, after the transfer to Social Insurance Institution, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2019 no technical deficit has been reported.

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XVIII. EXPLANATIONS ON TAXATION

In accordance with provisional article 10 of the Law No. 5520 on Taxation No. 7061 added to the Article No 91 of the Law on Taxation, the 20% rate institutions listed in the first paragraph of the Article 32 of the Corporate Tax Law are subject to the taxation periods of 2018, 2019 and 2020 (for fiscal years beginning in the year concerned for the designated institutions). In addition, the President of the Republic of Turkey is authorized to reduce the rate of 22% written in the first sentence to 20%.

The tax rate used in the calculation of deferred tax assets and liabilities is 22% over temporary timing differences expected to reverse in 2018, 2019 and 2020 and 20% over temporary timing differences expected to reverse after 2021.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the statement of profit or loss since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

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Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax.

The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October.

On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

XIX. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Bank borrows funds from domestic and foreign institutions and issues marketable securities when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments.

Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

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XX. EXPLANATIONS ON SHARES ISSUED

Share issuances related to costs are recognized as expenses. Dividends related with the equity shares are determined by the General Assembly of the Bank.

The Bank has not issued any shares in the current and prior period. In accordance with the decision of the Higher Council of Privatization dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Bank shares were registered with the Capital Markets Board as per the CMB decision dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa İstanbul A.Ş. as of 10 May 2007.

As per the decision of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

XXI. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXIII. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Bank. The Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking.

The information of the Bank's business segments is explained in Section Four, disclosure numbered VIII.

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XXIV. EXPLANATIONS ON TFRS 16 LEASES STANDARD

The Bank assesses whether the contract has the quality of a lease or whether the transaction includes a lease at the beginning of a contract.

A lease agreement is an agreement between two or more parties that gives the tenure the legally enforceable rights and obligations of the underlying asset. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. The Bank reflects the existence of a right-of-use and a lease liability to the financial statements at the effective date of the lease.

Existence of right-of-use:

As a result of internal evaluations, the Bank accounts real estate and vehicles subject to operational lease in accordance with TFRS 16. ATMs and other leasing transaction balances are not considered within the scope of TFRS 16 as they are below the materiality level and the corresponding rent payments are recognized under Current Period Expense.

At the commencement date, the Bank measures the right-of-use real estates considered as the cost of right-of-use asset being the right-of-use asset in accordance with TFRS 16. The cost of the right-of-use;

- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

When applying the cost method, The Bank takes into account the accumulated depreciation and impairment losses for the subsequent period measurement of the existence of right-of-use. The Bank applies the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating real assets considered as right-of-use asset.

The Bank applies TAS 36 Impairment of Assets to determine whether the real estates considered as right-of-use assets are impaired and to account for any impairment loss identified.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

The Lease Obligations:

Based on TFRS 16, at the commencement date, the Bank measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the alternative borrowing interest rate.

After the commencement date, the Bank measures the lease liability as follows:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the book value to reflect the lease payments made,
- c) Reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

In the event of a modification in the lease agreement which affects the lease payments or defined assets, the Bank re-measures its lease liability by using the current borrowing rate. The Bank reflects the remeasured leasing liability and the right-of-use in the financial statements. On the other hand, changes such as the shortening of the lease term, the termination of the contract and the decreases in the scope of the underlying asset, the gains or losses are recognized in profit or loss.

First Transition to TFRS 16 Leasing Standard

“TFRS 16 Leases” Standard was promulgated in the Official Gazette to be applied in the accounting period starting on 31 December 2018. The Bank applied TFRS 16 “Leases” standard as of 1 January 2019 in its financial statements.

TFRS 16 Leases standard abolishes the dual accounting model previously applied for lessees through recognizing finance leases in the balance sheet whereas recognizing operational lease as off-balance sheet. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The Bank preferred to adopt the facilitative procedure at its first transition date and has not made any changes in the comparative financial statements of the previous period.

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EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Details based on the asset with regard to the recognised asset tenure is as follows:

Existence of Right-of-use	1 January 2019	31 December 2019
Real Estate	513.592	648.209
Vehicles	85.867	85.889
Total	599.459	734.098

In accordance with TFRS 16, the Bank recognised a lease liability and right-of-use asset amounting to TRY 591.596 as of 1 January 2019 for leases previously classified as operating leases.

In accordance with TFRS 16, the Bank recognised prepaid rent payments amounting to TRY 7.863 as of 1 January 2019, under tangible assets as right-of-use which were previously classified under prepaid expenses.

As of 1 January 2019, the weighted average of the incremental borrowing interest rates applied to TL, EUR, USD and GBP lease liabilities presented in the Bank's statement of financial position are 21,98%, 3,01%, 4,97% and 1,59% respectively.

	1 January 2019
Operational Leasing Commitments	1.012.188
Contracts that are excluded from the scope of TFRS 16 (-)	111.608
Total Leasing Liability	900.580
Discounted Lease Obligation	591.596

XXV. EXPLANATIONS ON OTHER MATTERS

None.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON CAPITAL

Calculation of the amount of equity is made according to the “Regulation on Equities of Banks” and the calculation of capital adequacy standard ratio according to “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy”. As of 31 December 2019, the Bank’s capital adequacy ratio in accordance with the “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy” is 14,33% (31 December 2018: 13,80%), The equity is calculated as TRY 46.543.894 in accordance with the principles of “Regulation on Equities of Banks” (31 December 2018: TRY 37.119.404).

(1) Information on Equity items:

Current Period	Amount	Amounts related to treatment before 1/1/2014 ¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	23.701.624	
Other Comprehensive Income according to TAS	4.563.269	
Profit	1.720.309	
Current Period Profit	1.720.309	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	184.549	
Common Equity Tier 1 Capital Before Deductions	32.640.202	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital		
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	180.992	
Leasehold Improvements on Operational Leases (-)	79.399	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	162.053	162.053
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	262.384	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
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 above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other Items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier 1 Capital	684.828	
Total Common Equity Tier 1 Capital	31.955.374	

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED TIER FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Current Period	Amount	Amounts related to treatment before 1/1/2014 ⁽⁷⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.958.900	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	5.958.900	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I 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% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Items to be Deducted from Tier I Capital during the Transition Period	-	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	5.958.900	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	37.914.274	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.711.157	
Tier II Capital Before Deductions	8.640.952	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II 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 above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	8.640.952	
Total Equity (Total Tier I and Tier II Capital)	46.555.226	
Total Tier I and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law		
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA	11.332	

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

	Amount	Amounts related to treatment before 1/1/2014 ^(*)
Current Period		
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of 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 above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance. The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
TOTAL CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	46.543.894	
Total Risk Weighted Assets	324.748.061	
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	9,84	
Tier I Capital Ratio (%)	11,67	
Capital Adequacy Ratio (%)	14,33	
BUFFERS		
Bank-specific total CET1 Capital Ratio (a+b+c)	2,528	
a) Capital Conservation Buffer Ratio (%)	2,5	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,028	
c) Systemic significant bank buffer ratio %	-	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	5,34	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining 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	147.693	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	496.684	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	1.338.931	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.711.157	
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	2.711.157	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022) (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

*Amounts in this column represents the amounts of items that are subject to transitional provisions.

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EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ⁽⁷⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	20.476.807	
Other Comprehensive Income according to TAS	3.030.210	
Profit	3.226.329	
Current Period Profit	2.521.795	
Prior Period Profit	704.534	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.711	
Common Equity Tier 1 Capital Before Deductions	29.212.508	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	191.773	
Leasehold Improvements on Operational Leases	67.145	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	140.250	140.250
Net Deferred Tax Asset/Liability	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
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 above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	
Mortgage Servicing Rights not deducted	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions from Common Equity Tier I Capital	399.168	
Total Common Equity Tier I Capital	28.813.340	

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EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Prior Period	Amounts related to treatment before	
	Amount	1/1/2014 ⁷⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
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 above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Items to be Deducted from Tier I Capital during the Transition Period	-	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	28.813.340	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.386.241	
Total Deductions from Tier II Capital	8.316.036	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
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 above Tier I Capital	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	8.316.036	
Total Equity (Total Tier I and Tier II Capital)	37.129.376	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be Defined by the BRSA	9.972	

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EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Prior Period	Amount	Amounts related to treatment before 1/1/2014**
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of 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 above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	
TOTAL CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	3719.404	
Total Risk Weighted Assets	269.022.275	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	10,71	
Tier I Capital Ratio (%)	10,71	
Capital Adequacy Ratio (%)	13,80	
BUFFERS		
Bank-specific total CET1 Capital Ratio	1,894	
Capital Conservation Buffer Ratio (%)	1,875	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,019	
Systemic Bank Buffer Ratio (%)	-	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,71	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining 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	96.102	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	428.967	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	1.480.963	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.386.241	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.386.241	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-11.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

*Amounts in this column represents the amounts of items that are subject to transition provisions.

(2) The equity is calculated on the capital adequacy ratio calculation basis having reduced deductible assets on equity from the sum of core capital and supplementary capital within the scope of “Regulation on Equities of Banks” (Regulation). The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the first stage and second stage expected loss provisions and subordinated debt instruments. On the other hand, in the calculation of the Total Capital, development costs for operating leases followed under tangible assets in the balance sheet and intangible assets. Additionally, some of the accounts determined by the Board are reduced from the total equity in the calculation of capital.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

(3) Information about instruments to be included in the Equity Calculation:

Details on Subordinated Liabilities:				
Issuer	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	Türkiye Varlık Fonu
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHAL2716	TRSTHAL62811	TRSTHAL92826	-
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA Legislation
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	No	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Bond	Bond	Bond	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980	5.959
Par value of instrument	1.000	1.950	2.980	-
Accounting classification	346.011	346.011	346.011	347.001
Original date of issuance	20.10.2017	3.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	3.07.2018	26.09.2018	24.04.2019
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon	No Coupon Payment
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %	5 years 25,38%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	-	-	-	-
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature				
If write-down, write-down trigger(s)	-	-	-	Decrease in core capital adequacy ratio below 5,125%
If write-down, full or partial	-	-	-	Fully or partially
If write-down, permanent or temporary	-	-	-	Permanent or temporary
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After borrowing, before Additional Tier I Capital	After borrowing, before Additional Tier I Capital	After borrowing, before Additional Tier I Capital	After borrowings and Additional Tier II Capital
In compliance with article number 7 and 8 of "Own fund regulation"	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 7.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 8.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

II. EXPLANATIONS ON CREDIT RISK

Credit risk is defined as 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. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Regional Lending Committees, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

In accordance with the risk management policies of the Bank, the limits are specified in respect of the main and sub-sectors. Those limits are monitored periodically.

The Bank, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk is concentrated in Turkey. As per the loan procedures, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations concerning the off-balance sheet operations based on the customers and banks are monitored systematically.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are diversified in accordance with the Bank's risk management system.

As prescribed in the related Communiqué, the credit worthiness of the debtors of the loans and other receivables is monitored regularly and statements of accounts taken for the loans are audited in line with the related regulations. Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Bank receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees obtained are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

When the Bank is exposed to significant credit risks, it has the tendency to discontinue its forward or similar type of transactions by exercising rights, fulfilling the requirements of or disposing of the agreements entered into to mitigate the total risk.

The Bank's largest 100 and 200 cash loan customers compose 27,38% and 32,89% of the total cash loan portfolio, respectively.

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The Bank's largest 100 and 200 non-cash loan customers compose 41,81% and 53,53% of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 18,18% and 23,09% of the total "on and off balance sheet" assets, respectively.

Stage I and Stage II expected losses for credit risks of the Bank is TRY 2.519.002 (31 December 2018: TRY 2.167.221).

Exposure Categories:	Current Period Credit Risk Amount⁽¹⁾	Average Risk Amount	Prior Period Risk Amount⁽¹⁾	Average Risk Amount
Conditional and unconditional exposures to central governments or central banks	124.049.755	123.083.343	109.665.153	102.947.412
Conditional and unconditional exposures to regional governments or local authorities	3.097.478	3.401.161	3.887.468	3.644.851
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	683.403	1.005.144	3.222.987	3.019.967
Conditional and unconditional exposures to multilateral development banks	61.820	69.304	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	8.657.377	9.815.847	14.880.265	12.434.606
Conditional and unconditional exposures to corporates	159.760.536	151.341.491	138.320.043	114.674.725
Conditional and unconditional retail exposures	86.993.317	83.159.330	69.790.981	67.241.234
Conditional and unconditional exposures secured by real estate property	73.935.115	69.060.245	67.295.644	64.587.512
Past due items	6.746.506	4.192.562	2.209.042	1.447.185
Items in regulatory high-risk categories	-	16.107	139.449	98.848
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Stock Investments	3.991.139	5.000.428	4.787.354	4.338.928
Other Receivables	21.125.589	18.063.884	14.232.232	11.995.553

⁽¹⁾ Includes the risk amounts after credit conversions.

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Profile of significant exposures in major regions:

Current Period	Risk Classifications ⁽¹⁾												
	Conditional and unconditional exposures to central banks and governments or non-commercial central banks/ local authorities	Conditional and unconditional exposures to regional banks and Multilateral Development Banks	Conditional and unconditional exposures to administrative bodies and undrifted/undrifted	Conditional and unconditional exposures to regional banks and Multilateral Development Banks	Conditional and unconditional exposures to corporate risk exposures	Conditional and unconditional exposures secured by real estate property	Pier due receivables	Items in regulatory categories	Stock Investments	Other	Total		
1. Domestic	124,049,755	3,097,478	683,903	61,820	3,343,156	15,717,906	86,985,801	73,863,163	6,746,421	-	3,991,139	21,255,485	481,065,527
2. European Union (EU) Countries	-	-	-	-	2,980,205	18,705	5,262	8,637	44	-	-	92	318,255
3. OECD Countries ⁽²⁾	-	-	-	-	176,530	-	179	17,700	-	-	-	-	1,861,409
4. Off-Shore Banking Regions	-	-	-	-	606	1,851,015	134	-	-	-	-	12	1,861,409
5. USA, Canada	-	-	-	-	1,671,032	-	276	243	-	-	-	-	1,671,495
6. Other Countries	-	-	-	-	485,843	604,600	1,725	61,372	41	-	-	-	1,153,181
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/ Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	124,049,755	3,097,478	683,903	61,820	8,657,377	159,760,536	86,993,317	79,935,115	6,746,506	-	3,991,139	21,125,589	488,102,095
1. Domestic	109,666,153	3,887,468	3,222,987	-	4,304,053	136,415,695	69,663,624	66,899,682	21,545,542	139,449	4,787,354	14,232,232	415,363,259
2. European Union (EU) Countries	-	-	-	-	5,159,833	2,444,986	123,524	33,982	37,804	-	-	-	5,905,969
3. OECD Countries ⁽²⁾	-	-	-	-	181,356	-	115	2,49	-	-	-	-	181,720
4. Off-Shore Banking Regions	-	-	-	-	1,035	3,033	16	-	-	-	-	-	1,051
5. USA, Canada	2,490	-	-	-	4,706,381	3,033	220	541	1	-	-	-	4,739,766
6. Other Countries	490	-	-	-	527,607	1,622,279	3,482	61,360	16,695	-	-	-	2,238,853
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/ Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	109,666,153	3,887,468	3,222,987	-	14,880,265	138,220,043	69,790,981	67,295,644	2,209,042	-	4,787,354	14,232,232	428,430,618

(1) Refers to the risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

(2) OECD Countries other than the EU Countries, USA and Canada.

(3) Assets and liabilities that are not consistently allocated.

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Profile of significant exposures by sectors:

Current Period	Risk Classifications [®]										FC	Total	
	Conditional and unconditional exposures to central governments or local authorities	Conditional and unconditional exposures to banks	Conditional and unconditional exposures to Multilateral Development Banks	Conditional and unconditional exposures to houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail	Conditional and unconditional exposures secured by real estate	Items in regulatory high-risk categories	Stock receivables	Other			
Agriculture	550,387	-	64,326	-	2,732,772	1,074,084	1,236,159	-	338,617	159,534	4,074,967	2,084,420	6,156,387
Forestry and Logging	353,079	-	-	319	-	1,694,650	619,319	78,981	56,079	-	2,038,722	1,356,949	3,395,671
Energy	28,827	-	-	-	-	15,648	230,627	46,740	6,762	-	199,880	346,471	54,476
Manufacturing	83,282,096	3,020,513	64,026	-	1,272,444	234,099	470,449	276,266	-	-	1,700,360	794,896	2,495,256
Mining and Quarrying	31,652	-	11	44,698	1,080,285	75,096,935	21,434,938	23,980,046	3,531,827	-	2,625,582	141,387,423	79,421,450
Electricity, Gas and Water	83,717,379	3,020,513	67,668	44,698	1,080,285	62,770,374	21,244,866	27,899,851	315,972	-	2,625,260	137,039,988	62,446,358
Construction	2,988	-	-	-	-	12,266,649	87,780	2,082,313	389,569	-	4,011,270	10,993,829	15,006,099
Services	70,776,179	485	44	13,403	6,955,008	67,489,565	15,417,076	16,634,955	2,148,635	-	100,719	54,094,796	61,711,653
Wholesale and Retail Trade	4,541,359	-	51	79,46	-	21,790,024	10,317,653	6,973,854	9,44,508	-	13,918	37,740,119	12,879,194
Accommodation and Dining	1,044,448	10	185	124	-	8,123,957	1,481,318	6,564,644	302,242	-	93	3,993,271	13,523,750
Transportation and Telecom.	232,718	-	-	382	-	2,512,286	460,109	402,149	18,854	-	16	18,666,052	1,865,442
Financial Institutions	353,472	-	-	-	6,955,081	5,272,418	589,959	333,876	27,359	-	10,434	4,893,920	8,956,826
Real Estate and Rental Services	556,270	-	122	1,766	-	28,278,836	2,710,067	1,520,596	710,368	-	96,086	9,303,465	24,071,146
Education Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	34	-	31	-	-	110,917	5,837	1,720	-	-	3	182,203	349
Other	33,039,072	76,480	284	36,41	622,004	14,495,503	49,051,865	32,079,651	727,069	-	3,991,139	18,219,344	109,278,452
Total	124,049,755	3,097,478	663,403	618,20	8,657,377	159,760,536	86,993,317	73,935,115	6,745,506	-	3,991,139	211,255,589	308,860,455

[®] Refers to the risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

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Prior Period	Risk Classifications ⁽¹⁾														
	Conditional unconsolidated exposures to central governments or local authorities banks	Conditional unconsolidated exposures to regional governments and non-bank financial institutions	Conditional unconsolidated exposures to banks	Conditional unconsolidated exposures to banks	Conditional unconsolidated exposures to banks	Conditional unconsolidated exposures to banks	Conditional unconsolidated exposures to banks	Conditional unconsolidated exposures to banks	Conditional unconsolidated exposures to banks	Conditional unconsolidated exposures to banks	Total				
Agriculture	134,020	53	-	-	-	-	-	-	-	-	111,151	259,551	117,072		
Farming and Stockbreeding	122,792	53	-	-	-	-	-	-	-	-	830,448	132,984	9,634,022		
Forestry	252	-	-	-	-	-	-	-	-	-	6,184	1,219	7,655		
Fishery	10,976	-	-	-	-	-	-	-	-	-	154,736	20,241	10,900	2,792	
Manufacturing	8,884,851	234	-	-	-	-	-	-	-	-	53,731,376	10,047,568	20,010,482	694,345	
Mining and Quarrying	109,537	-	-	-	-	-	-	-	-	-	1,770,984	157,367	182,730	6,249	
Production	8,624,750	8	-	-	-	-	-	-	-	-	39,691,704	9,787,954	18,244,680	69,7835	
Electricity, Gas and Water	150,954	2,26	-	-	-	-	-	-	-	-	12,268,688	69,427	1,703,072	261	
Construction	1,407,604	1,242,486	-	-	-	-	-	-	-	-	14,545,477	1,886,668	2,062,057	236,735	
Services	8,203,650	10,654	-	-	-	-	-	-	-	-	14,880,265	38,233,309	31,986,120	19,482,630	1,008,379
Wholesale and Retail Trade	6,153,897	2,033	-	-	-	-	-	-	-	-	15,503,881	19,889,454	9,922,895	698,988	
Accommodation and Dining	1,078,626	189	-	-	-	-	-	-	-	-	7,554,235	1,039,823	5,565,525	208,694	
Transportation and Storage	351,622	8,448	-	-	-	-	-	-	-	-	4,568,947	9,465,398	865,509	24,282	
Belcom	178,01	-	-	-	-	-	-	-	-	-	3,907,693	4,2816	899,627	8	
Financial Institutions	117,843	-	-	-	-	-	-	-	-	-	4,380,943	53,321	183,8687	47,049	
Real Estate and Rental Services	7,86	-	-	-	-	-	-	-	-	-	128	860,036	126,002	3,173	
Professional Services	81,628	-	-	-	-	-	-	-	-	-	1,542,807	15,533	335,122	10,224	
Educational Services	295,047	4	-	-	-	-	-	-	-	-	775,455	175,939	771,263	14,951	
Health and Social Services	91,035,028	3,876,527	-	-	-	-	-	-	-	-	31,471,057	25,421,131	25,607,791	254,766	
Other	109,665,153	3,887,468	-	-	-	-	-	-	-	-	14,880,265	188,320,043	69,790,981	67,295,644	
Total	109,665,153	3,887,468	3,222,987	14,880,265	188,320,043	69,790,981	67,295,644	2,209,042	139,449	4,767,354	14,232,232	2,484,996,246	179,931,372	428,430,618	

(1) Refers to the risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Analysis of maturity-bearing exposures according to remaining maturities ⁽¹⁾ ^(*):

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	33.272.343	1.672.278	1.623.236	3.668.299	83.813.599
2. Conditional and unconditional exposures to regional governments or local authorities	36.606	7.960	26.224	151.177	2.875.511
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	113.572	19.977	58.811	118.090	372.953
4. Conditional and unconditional exposures to Multilateral Development Banks	1.913	158	728	5.341	53.680
5. Conditional and unconditional exposures to banks and brokerage houses	7.080.738	42.578	112.048	202.019	1.219.994
6. Conditional and unconditional exposures to corporates	20.997.648	9.426.949	12.437.726	22.824.185	94.074.028
7. Conditional and unconditional retail exposures	9.611.734	1.906.790	3.242.169	10.531.970	61.700.654
8. Conditional and unconditional exposures secured by real estate property	2.780.686	1.525.774	2.377.212	8.587.746	58.663.697
9. Past due items	6.746.506	-	-	-	-
10. Items in Regulatory High-Risk Categories	-	-	-	-	-
11. Stock Investments	3.991.139	-	-	-	-
12. Other Items	18.040.731	26	620	1.505	3.082.707
Total	102.673.616	14.602.490	19.878.774	46.090.332	305.856.823

⁽¹⁾ Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	735.725	1.065.719	1.879.945	5.026.597	100.957.167
2. Conditional and unconditional exposures to regional governments or local authorities	59.384	15.347	34.494	267.893	3.510.350
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	550.016	38.004	16.752	248.893	2.369.322
4. Conditional and unconditional exposures to Multilateral Development Banks	-	-	-	-	-
5. Conditional and unconditional exposures to banks and brokerage houses	1.097.616	7.227	79.432	164.222	13.531.768
6. Conditional and unconditional exposures to corporates	13.409.753	5.369.780	10.270.035	20.074.976	89.195.499
7. Conditional and unconditional retail exposures	5.150.848	1.910.231	3.362.121	9.833.393	49.534.388
8. Conditional and unconditional exposures secured by real estate property	5.997.814	2.352.518	4.405.199	9.664.818	44.875.295
9. Past due items	2.209.042	-	-	-	-
10. Items in Regulatory High-Risk Categories	-	-	-	-	139.449
11. Stock Investments	4.787.354	-	-	-	-
12. Other Items	-	-	-	-	14.232.232
Total	33.997.552	10.758.826	20.047.978	45.280.792	318.345.470

⁽¹⁾ Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

Islamic International Rating Agency (IIRA) country ratings are taken into account in calculating the Bank's capital adequacy. For other portfolios, the ratings given by the Fitch Ratings are used for the counterparties resident abroad.

Islamic International Rating Agency (IIRA) notes are used in the "Central Government or Receivables from Central Banks" portfolio. Fitch Ratings' rating grades are used for the risk classes listed below, provided that they are resident abroad.

- Receivables on banks and intermediary institutions
- Receivables on regional governments or local authorities
- Receivables on administrative bodies and other non-commercial undertakings
- Receivables on multilateral development banks
- Corporate receivables

The relevant risk classification is used in determining the risk weights on a receivable that is classified as per the second section, Article 8 of the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks. In the absence of a specific rating, the provisions of paragraph a,b and c of Article 9 of the regulation mentioned should be used.

In the 26th Article of the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies, IIRA grades are used in the below table of maturity in determining the credit quality level of the country grades, central government and central banks receivables. In the case of other risk classes included in the table, Fitch Ratings notes are taken into account if the rated party is a foreign resident, the supervisor of the relevant country has equivalent regulation and supervision structure, authorized in the country notes.

Implementation of the risk weights to receivables from Regional Governments or local authorities are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weights to receivables from multilateral development banks except those listed in the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks, are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weight for unrated receivables from banks and intermediary institutions can not be lower than the risk weight of receivables from sovereigns which they are settled in.

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Credit Quality Grade and Rating Matching Table								
Credit Quality Grade	IIIRA	Fitch						
	Rating	Exposures to Central Governments or Central Banks	Exposures to administrative bodies and other non-commercial undertakings			Exposures to Banks and Brokerage Houses		
			Rating	Institutions and Organizations included in the tables (I), (II), (III) and (IV) annexed to the Public Financial Management and Control Law No. 5018	Other Public Institutions and Organizations	Exposures with Original Maturities Less Than 90 Days	Exposures with Original Maturities More Than 90 Days	Exposures to Corporates
1	AAA	0%	AAA	0%	20%	20%	20%	20%
	AA+		AA+					
	AA		AA					
	AA-		AA-					
2	A+	20%	A+	20%	50%	20%	50%	50%
	A		A					
	A-		A-					
3	BBB+	50%	BBB+	50%	100%	20%	50%	100%
	BBB		BBB					
	BBB-		BBB-					
4	BB+	100%	BB+	100%	100%	50%	100%	100%
	BB		BB					
	BB-		BB-					
5	B+	100%	B+	100%	100%	50%	100%	150%
	B		B					
	B-		B-					
6	CCC+	150%	CCC+	150%	150%	150%	150%	150%
	CCC		CCC					
	CC		CC					
	C		C					
	D		D					

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Receivables from consolidated private sector:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
TURKEY	226.012.114	-	226.012.114
VIRGIN ISLAND (US)	1.851.015	-	1.851.015
CYPRUS	413.554	-	413.554
MALTA	183.802	-	183.802
KYRGYZSTAN	110.023	-	110.023
OTHERS ⁽¹⁾	3.742	-	3.742

* Risk-Weighted Assets TRY 4 Million (Full TRY) are grouped under OTHER headings.

Exposures by risk weights:

Current Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	4%	Deductions from Equity
1. Exposures before Credit Risk Mitigation	95.291.879	-	4.964.133	-	29.077.255	151.061.005	214.873.541	784.740	-	496.684	447	-	11.332
2. Exposures after Credit Risk Mitigation	110.185.189	-	4.964.123	43.874.539	62.149.497	87.090.093	179.712.282	629.181	-	496.684	447	-	11.332

Prior Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	4%	Deductions from Equity
1. Exposures before Credit Risk Mitigation	73.508.423	-	9.642.887	-	32.965.075	126.177.701	185.568.116	139.449	-	428.967	-	-	217.367
2. Exposures after Credit Risk Mitigation	94.611.740	844.508	11.256.495	39.424.628	63.770.557	69.339.342	148.614.932	139.449	-	428.967	-	-	217.367

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Information by major sectors and type of counterparties:

Current Period	Credits		
	Significant Increase in Credit Risk (Stage II) ⁽¹⁾	Credit – Impaired Losses (Stage III) ⁽²⁾	Expected Credit Loss (IFRS 9) ⁽³⁾
Major Sectors /Counterparties			
Agriculture	97.776	117.429	94.695
<i>Farming and Stockbreeding</i>	87.996	89.941	78.096
<i>Forestry</i>	370	459	464
<i>Fishery</i>	9.410	27.029	16.135
Manufacturing	4.142.481	4.916.006	2.957.692
<i>Mining and Quarrying</i>	107.619	150.630	137.924
<i>Production</i>	4.015.449	4.227.353	2.562.709
<i>Electricity, Gas and Water</i>	19.413	538.023	257.059
Construction	4.720.039	2.275.794	1.502.951
Services	12.528.002	5.494.438	3.642.135
<i>Wholesale and Retail Trade</i>	4.510.825	2.980.233	2.122.250
<i>Accommodation and Dining</i>	1.664.203	662.986	435.152
<i>Transportation and Telecommunication</i>	654.303	197.165	128.597
<i>Financial Institutions</i>	598.581	14.320	27.413
<i>Real Estate and Rental Services</i>	4.761.555	1.073.968	629.883
<i>Professional Services</i>	69.481	13.135	10.301
<i>Educational Services</i>	102.297	428.836	193.147
<i>Health and Social Services</i>	166.757	123.795	95.392
Other	2.667.812	1.131.851	851.792
Total	24.156.110	13.935.518	9.049.265

⁽¹⁾Income accruals amounting to TRY 1.203.781 are not included in the table.

⁽²⁾Income accruals amounting to TRY 1.984.563 are not included in the table.

⁽³⁾Income accruals amounting to TRY 1.048.853 are not included in the table.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Prior Period	Credits		
	Significant Increase in Credit Risk (Stage II) ⁽¹⁾	Credit – Impaired Losses (Stage III) ⁽²⁾	Expected Credit Loss (IFRS 9)
Major Sectors /Counterparties			
Agriculture	61.571	94.426	83.701
<i>Farming and Stockbreeding</i>	43.700	81.747	73.186
<i>Forestry</i>	75	459	458
<i>Fishery</i>	17.796	12.220	10.057
Manufacturing	3.416.604	3.084.864	2.917.906
<i>Mining and Quarrying</i>	77.570	132.735	137.373
<i>Production</i>	2.849.228	2.950.818	2.770.526
<i>Electricity, Gas and Water</i>	489.806	1.311	10.007
Construction	3.455.401	1.001.285	1.020.615
Services	7.670.019	3.074.423	2.729.579
<i>Wholesale and Retail Trade</i>	2.980.358	2.041.457	1.693.754
<i>Accommodation and Dining</i>	697.975	529.816	393.511
<i>Transportation and Telecommunication</i>	402.501	75.085	81.280
<i>Financial Institutions</i>	848.267	11.384	70.776
<i>Real Estate and Rental Services</i>	2.519.288	304.117	379.895
<i>Professional Services</i>	43.507	10.065	8.609
<i>Educational Services</i>	83.983	21.452	22.513
<i>Health and Social Services</i>	94.140	81.047	79.241
Other	1.381.168	904.371	713.971
Total	15.984.763	8.159.369	7.465.772

⁽¹⁾ Income accruals amounting to TRY 722.649 are not included in the table.

⁽²⁾ Income accruals amounting to TRY 368.479 are not included in the table.

Movements in value adjustments and provisions:

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Stage III expected credit loss	6.283.292	3.978.543	(1.379.173)	-	8.882.662
2. Stage I and Stage II expected credit loss	2.167.221	534.215	(182.434)	-	2.519.002
Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments*	Closing Balance
1. Specific Provisions	4.779.272	1.696.341	(311.309)	118.988	6.283.292
2. General Provisions	2.134.958	471.301	(140)	(438.898)	2.167.221

* TFRS 9 includes ECL balances due to transition effect.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

The net value of collaterals which amounts to TRY 24.156.110 for loans under close monitoring by type distinction are disclosed in the table below (31 December 2018: TRY 15.984.763).

Collateral Types⁽¹⁾	Net Value of Collateral Current Period
Real estate mortgage	11.114.990
Salary pledge, vehicle pledge and pledge of commercial undertaking	332.986
Financial collaterals (cash, securities pledge, etc.)	-
Cheque / bills	119.840
Sureties	4.054.828
Other	8.533.466
Total	24.156.110

⁽¹⁾ Income accruals amounting to TRY 1.203.781 are not included in the table.

Collateral Types⁽¹⁾	Net Value of Collateral Prior Period
Real estate mortgage	8.858.842
Salary pledge, vehicle pledge and pledge of commercial undertaking	346.283
Financial collaterals (cash, securities pledge, etc.)	20
Cheque / bills	71.310
Sureties	2.902.069
Other	3.806.239
Total	15.984.763

⁽¹⁾ Income accruals amounting to TRY 722.649 are not included in the table.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

The net value and type of collaterals belongs to loans amounted TRY 13.935.518 followed under non-performing loans section is below (31 December 2018: TRY 8.159.369):

Collateral Types⁽²⁾	Net Value of Collateral Current Period
Cash	3.911
Mortgage	3.315.662
Pledge	390.681
Cheque / bills	4.120
Sureties	7.098.432
Other ⁽¹⁾	3.122.712
Total	13.935.518

⁽¹⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

⁽²⁾ Income accruals amounting to TRY 1.984.563 are not included in the table.

Collateral Types⁽²⁾	Net Value of Collateral Prior Period
Cash	4.638
Mortgage	2.013.867
Pledge	365.992
Cheque / bills	3.142
Sureties	4.203.026
Other ⁽¹⁾	1.568.704
Total	8.159.369

⁽¹⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

⁽²⁾ Income accruals amounting to TRY 368.479 are not included in the table.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

III. EXPLANATIONS ON CURRENCY RISK

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the foreign currency position risk of the Group is measured by "standard method" and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. The currency risk has been closely followed. The Bank makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Bank as at financial statement date and the previous five working days in full TRY are as follows:

	24.12.2019	25.12.2019	26.12.2019	27.12.2019	30.12.2019	31.12.2019
USD	5,9100000	5,9200000	5,9100000	5,9300000	5,9100000	5,9000000
CHF	6,0124000	6,0250000	6,0188000	6,0679000	6,0874000	6,0966000
GBP	7,6423000	7,6593000	7,6629000	7,7555000	7,7591000	7,7781000
JPY	0,0538574	0,0537593	0,0537615	0,0539829	0,0540500	0,0541523
EURO	6,5480000	6,5715000	6,5577000	6,6164000	6,6177000	6,6210000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before financial statement date are as follows:

	Buying rate of exchange
USD	5,8281818
CHF	5,9226682
GBP	7,6237727
JPY	0,0532374
EURO	6,4781045

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	15.953.857	13.036.966	3.025.300	32.016.123
Banks	1.603.564	1.337.552	301.935	3.243.051
Financial assets at fair value through profit and loss ⁽³⁾	-	64	-	64
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income	2.801.775	500.487	-	3.302.262
Loans ⁽²⁾	45.639.444	39.018.083	896.893	85.554.420
Subsidiaries, associates and entities under common control	482.671	-	1.429.212	1.911.883
Financial assets measured at amortised cost	6.680.149	12.231.169	-	18.911.318
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	212	212
Intangible assets	-	-	-	-
Other assets ⁽³⁾	210.346	1.168.402	6.142	1.384.890
Total assets	73.371.806	67.292.723	5.659.694	146.324.223
Liabilities				
Bank deposits	9.148.208	4.183.972	409.111	13.741.291
Foreign currency deposits	57.848.058	51.363.057	8.308.183	117.519.298
Money market balances	2.356.660	594.634	-	2.951.294
Funds provided from other financial institutions	6.372.339	4.106.051	8.254	10.486.644
Bonds issued	-	10.512.530	-	10.512.530
Sundry creditors	236.882	251.141	55	488.078
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	6.593.772	483.497	72.109	7.149.378
Total liabilities	82.555.919	71.494.882	8.797.712	162.848.513
Net balance sheet position	(9.184.113)	(4.202.159)	(3.138.018)	(16.524.290)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	8.294.238	(66.027)	3.071.795	11.300.006
Financial derivative assets ⁽⁴⁾	9.671.543	8.010.056	3.971.397	21.652.996
Financial derivative liabilities ⁽⁴⁾	1.377.305	8.076.083	899.602	10.352.990
Non-cash loans ⁽¹⁾	28.499.086	18.424.330	2.323.178	49.246.594
Prior period				
Total assets	61.549.098	67.929.714	7.965.633	137.444.445
Total liabilities	61.266.452	72.715.170	5.127.473	139.109.095
Net balance sheet position	282.646	(4.785.456)	2.838.160	(1.664.650)
Net off-balance sheet position				
Financial derivative assets	(310.646)	4.242.088	(1.863.820)	2.067.622
Financial derivative assets	1.429.164	10.031.927	941.418	12.402.509
Financial derivative liabilities	1.739.810	5.789.839	2.805.238	10.334.887
Non-cash loans ⁽¹⁾	22.836.419	21.002.596	2.032.875	45.871.890

⁽¹⁾ Non-cash loans are not included in the off-balance sheet position items.

⁽²⁾ Includes TRY 233,440 of foreign currency indexed loans and their accruals.

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", prepaid expenses (TRY 337) in assets; and shareholders' equity (TRY 425.005) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 954.621 and precious metal purchase transactions amounted to TRY 2.149.575. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 132.599. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

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EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

IV. EXPLANATIONS ON INTEREST RATE RISK

Loss that may arise due to asset-liability and interest-sensitive assets mismatches based on the repricing (interest rate change) periods of the off-balance sheet positions represent the interest rate risk. Among the positions subject to these risks, those evaluated in trading accounts are taken into account in market risk, while positions in banking books are subject to interest rate risk calculations arising from banking books.

The Bank's interest rate risks are managed by the internal limits set within the scope of the "Policies for the Management of Interest Rate Risk" approved by the Board of Directors. Sensitivity, duration and gap analyzes are carried out on a daily basis for interest rate risks, primarily risk weighted asset and economic value change measurements. The interest rate risks exposed are monitored on a daily basis and reported to the Bank's Top Management and related business units.

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates):

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	1100.270	-	-	-	-	33.388.311	34.488.581
Banks and financial institutions	2.080.201	-	-	-	-	1.670.266	3.750.467
Financial assets at fair value through profit and loss	265	-	16.774	64	-	16.249.683	16.266.786
Money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	3.309	3.049.156	4.378.714	5.837.986	757.544	232.075	14.258.784
Loans ⁽¹⁾	77.301.990	47.047.508	81.570.652	68.303.275	12.266.909	22.717.767	309.208.101
Financial assets measured at amortised cost ⁽²⁾	850.392	23.922.480	7.574.636	17.565.511	22.295.336	-	72.208.355
Other assets ⁽³⁾	168.294	2.510	6.464	20.048	196	6.666.815	6.864.327
Total assets	81.504.721	74.021.654	93.547.240	91.726.884	35.319.985	80.924.917	457.045.401
Liabilities							
Bank deposits	13.101.753	8.494.169	6.000	-	-	5.994.270	27.596.192
Other deposits	156.220.542	47.710.682	17.980.829	254.048	-	47.971.883	270.137.984
Money market balances	52.577.061	590.314	-	-	-	33.669	53.201.044
Sundry creditors	3.195.695	-	-	-	-	3.103.837	6.299.532
Bonds issued	1.491.954	8.244.110	690.764	6.895.630	-	268.829	17.591.287
Funds provided from other financial institutions ⁽²⁾	470.581	4.428.248	3.109.478	2.126.207	809.331	72.996	11.016.841
Other liabilities ⁽²⁾	1.000.000	-	16.104.082	-	10.888.695	43.209.744	71.202.521
Total liabilities	228.057.586	69.467.523	37.891.153	9.275.885	11.698.026	100.655.228	457.045.401
Balance sheet long position	-	4.554.131	55.656.087	82.450.999	23.621.959	-	166.283.176
Balance sheet short position	(146.552.865)	-	-	-	-	(19.730.311)	(166.283.176)
Off-balance sheet long position	610.000	1.664.000	7.773.732	88.667	5.546.352	21.337.771	37.020.522
Off-balance sheet short position	(20.000)	(425.000)	(7.917.232)	(1.049.537)	(5.546.352)	(21.324.619)	(36.282.740)
Total position	(145.962.865)	5.793.131	55.512.587	81.490.129	23.621.959	(19.717.159)	737.782

⁽¹⁾ TRY 309.861 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

⁽²⁾ Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

⁽³⁾ Funds provided from other financial institutions include borrowings.

⁽⁴⁾ Net of follow-up loans are disclosed under the non-bearing interest column in other assets.

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Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	16.093.521	-	-	-	-	18.863.529	34.957.050
Banks and financial institutions	3.497.158	-	4.000	-	-	1.639.585	5.140.743
Financial assets at fair value through profit and loss	50.564	-	50.092	185	21.478	14.374.380	14.496.699
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	-	653.968	1.019.806	1.892.010	280.070	141.340	3.987.194
Loans ⁽⁴⁾	37.534.966	33.990.655	98.206.961	61.221.795	14.092.705	14.027.144	259.074.226
Held-to-maturity investments ⁽⁴⁾	301.635	10.740.146	7.619.028	10.233.030	19.720.629	7.458.585	56.073.053
Other assets ⁽⁴⁾	830.862	2.840	7.760	26.791	1.328	3.823.509	4.693.090
Total assets	58.308.706	45.387.609	106.907.647	73.373.811	34.116.210	60.328.072	378.422.055
Liabilities							
Bank deposits	8.615.098	1.529.114	10.000	-	-	20.787.230	30.941.442
Other deposits	119.237.540	47.476.465	17.240.991	388.921	1.752	33.568.143	217.913.812
Money market balances	37.129.670	842.273	-	-	-	190.118	38.162.061
Sundry creditors	2.390.541	-	-	-	-	2.189.240	4.579.781
Bonds issued	673.665	1.338.032	2.634.853	10.208.711	-	192.717	15.047.978
Funds provided from other financial institutions ⁽³⁾	254.331	5.159.773	2.934.349	2.425.903	1.043.018	98.653	11.916.027
Other liabilities ⁽¹⁾⁽²⁾	1.150.250	7	26.889	14.529.699	6.870.185	37.283.924	59.860.954
Total liabilities	169.451.095	56.345.664	22.847.082	27.553.234	7.914.955	94.310.025	378.422.055
Balance sheet long position	-	-	84.060.565	45.820.577	26.201.255	-	156.082.397
Balance sheet short position	(111.142.389)	(10.958.055)	-	-	-	(33.981.953)	(156.082.397)
Off-balance sheet long position	1.032.864	1.415.000	4.506.341	1.139.324	3.208.897	13.021.620	24.324.046
Off-balance sheet short position	(646.460)	(1.054.000)	(4.084.721)	(1.983.234)	(3.208.897)	(12.906.156)	(23.883.468)
Total position	(110.755.985)	(10.597.055)	84.482.185	44.976.667	26.201.255	(33.866.489)	440.578

⁽¹⁾ TRY 452.769 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

⁽²⁾ Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

⁽³⁾ Funds provided from other financial institutions include borrowings.

⁽⁴⁾ Non-performing loans is disclosed under the non-bearing interest column in other assets.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

2. Average interest rates applied to financial instruments (%):

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	-	-	10,00
Due from other banks and financial institutions ⁽¹⁾	0,18	1,09	-	10,06
Financial assets at fair value through profit and loss	-	4,76	-	12,91
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,77	5,15	-	18,15
Loans ⁽²⁾	5,28	7,04	3,1	13,93
Financial assets measured at amortised cost	4,77	5,93	-	19,62
Liabilities				
Bank deposits	0,36	2,49	-	9,12
Other deposits ⁽⁴⁾	0,44	1,86	0,25	9,87
Money market borrowings	2,21	6,61	-	11,37
Sundry creditors ⁽³⁾	-	-	-	4,50
Bonds issued	-	4,38	-	14,45
Funds provided from other financial institutions	1,11	3,22	3,10	11,48

⁽¹⁾ Interest rates are calculated using weighted average method for placements as of the balance sheet date.

⁽²⁾ Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.

⁽³⁾ Declared maximum TRY deposits interest rate with a maturity of twelve months as of 31 December 2019.

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2019.

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT.

Prior Period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	2,00	-	13,00
Due from other banks and financial institutions ⁽¹⁾	0,19	2,22	-	19,58
Financial assets at fair value through profit and loss	-	6,62	-	18,62
Money market placements	-	-	-	-
Available-for-sale financial assets	4,05	5,83	-	24,36
Loans ⁽²⁾	5,15	7,22	1,54	16,25
Held-to-maturity investments	-	5,61	-	21,94
Liabilities				
Bank deposits	2,98	5,30	-	24,33
Other deposits ⁽⁴⁾	2,50	4,54	0,25	18,82
Money market borrowings	-	4,55	-	23,35
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	16,46
Funds provided from other financial institutions	0,85	2,80	1,40	12,07

⁽¹⁾ Interest rates are calculated using weighted average method for placements as of the balance sheet date.

⁽²⁾ Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.

⁽³⁾ Declared maximum TRY deposits interest rate with a maturity of twelve months as of 31 December 2018.

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2018.

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT.

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3. The interest rate risk of the banking book items:

The interest rate risks incurred due to interest-sensitive positions in the Bank's trading and banking books are managed within the scope of the "Policies for the Management of Interest Rate Risk" which is approved by the Board of Directors. Interest-sensitive positions in the trading accounts are evaluated within the scope of market risks, while positions other than trading accounts are subject to interest rate risk arising from banking books.

Interest rate risks are measured on a daily basis using the standard shock method due to the net positions created by the assets and liabilities in the banking books and off-balance sheet positions in the relevant maturity brackets according to repricing periods. Measurement results are daily reported to the Bank's Top Management and related business units. Statutory reporting is made on a monthly basis in accordance with the "Regulation on Measurement and Evaluation of the Interest Rate Risk Arising from Banking Books by Standard Shock Method" published in the Official Gazette dated 23 August 2011 and numbered 28034.

According to the mentioned regulation, the ratio of losses incurred due to economic value changes after interest shocks to own funds - legal maximum rate - is limited to 20%. On the other hand, the Bank's internally determined limit and risk appetite levels are monitored on a daily basis, provided that they are below the legal maximum rate.

The below table indicates the changes in the economic value that occurred after the interest rate shocks applied on the basis of foreign currency types and their ratio to statutory equity.

Current Period

Currency	Applied Shock (+/- x basis point)	Gains/(Losses)	Gains/Shareholders' Equity –Losses/ Shareholders' Equities
1 TRY	500	(7.837.303)	(16,84%)
	(400)	7.628.456	16,39%
2 EUR*	200	1.367.969	2,94%
	(200)	(1.859.217)	(3,99%)
3 USD	200	(1.558.638)	(3,35%)
	(200)	2.184.010	4,69%
Total (For negative shocks)		7.953.249	17,09%
Total (For positive shocks)		(8.027.972)	(17,25%)

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Prior Period				
Currency	Applied Shock (+/- x basis point)	Gains/(Losses)	Gains/Shareholders' Equity –Losses/ Shareholders' Equities	
1 TRY	500	(4.147.592)	(11,17%)	
	(400)	3.990.457	10,75%	
2 EUR*	200	610.795	1,64%	
	(200)	(654.359)	(1,76%)	
3 USD	200	(1.027.985)	(2,77%)	
	(200)	1.493.270	4,02%	
Total (For negative shocks)		4.829.368	13,01%	
Total (For positive shocks)		(4.564.782)	(12,30%)	

*Other currencies are shown under EUR.

V. EXPLANATIONS ON POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Carrying Value	Comparison		Capital Requirements
		Fair Value Change	Market Value	
Investment in Shares-Grade A	814.812	814.812	814.812	65.185
Quoted Securities ⁽¹⁾	814.812	814.812	814.812	65.185
Investment in Shares-Grade B	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares-Grade C	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares- Grade D ⁽²⁾	576.997	576.997		46.160
Other	4.954.170	4.934.854		282.125

⁽¹⁾ The Bank's subsidiary Halk Gayrimenkul Yatırım Ortaklığı A.Ş was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul A.Ş.

⁽²⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta A.Ş are traded on the Borsa Istanbul A.Ş Free Trading Platform. The fair value of Halk Sigorta A.Ş was determined by the valuation report prepared by an independent valuation company.

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Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

Portfolio	Revaluated appreciation in the fair value		Unrealized gains and losses		
	Realized gains/ losses in the current period	Included To Supplementary Capital	Total	Included To total Core Capital	Included to Supplementary Capital
1. Private equity investments	-	-	-	-	-
2. Share certificates quoted on a stock exchange ⁽¹⁾ (2)	-	416.051	416.051	-	-
3. Other share certificates	-	2.433.834	2.433.834	-	-
Total	-	2.849.885	2.849.885	-	-

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta A.Ş are traded on the Borsa Istanbul A.Ş Free Trading Platform. The fair value of Halk Sigorta A.Ş was determined by the valuation report prepared by an independent valuation company.

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı A.Ş was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul A.Ş.

VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

The liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open position cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

The liquidity risks of the Bank are managed within the framework of risk and transaction limits approved by the Board of Directors, and the written duties and responsibilities of the units related to liquidity risk management is established. Within this scope, limits are determined in terms of TRY and FC for the purposes of following gap values for certain maturity tranches for liquidity analysis. On the other hand, for Treasury transactions; there are upper limits on TRY and FX terms in all maturities in the over-the-counter market, upper limits on repo and reverse repo transactions that can be realized in TRY and FC terms with maximum FX position limits on all maturities in the interbank market, and maximum limits on foreign currency position, forward and swap transactions.

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Liquidity risk analyzes (gap analysis, core deposit reports, etc.) are conducted on a daily basis and shared with the Bank's top management and related departments. In addition, results of liquidity analysis are evaluated at the Asset and Liability Committee (ALCO) meetings.

On the other hand, metrics within the scope of "Liquidity Emergency Action Plan"(LEAP) approved by the Board of Directors and early warning indicators related to these metrics are monitored on a daily basis. Written actions, if required, to be taken as part of this plan are determined. In extent with LEAP, necessary actions and their priority for possible liquidity stress/crisis have been determined and Liquidity Risk Committee have been established.

The extension of the maturity structure of term deposits which reflects the primary funding source for the Bank, the development of new products encouraging savings and the protection of core deposit levels have been implemented as a strategic objective. Limits have been determined for issuing bonds based on Turkish Lira to provide long term funding resource for the purposes of extending maturity structure of liabilities besides deposits.

For the purposes of utilizing advantage of the new borrowing facilities in line with the needs of the Bank, alternative funding resources are evaluated in parallel with the close monitoring of price/cost movements in international capital markets and with convenient conditions.

The reduction of liquidity risk is provided by effective collateral management structure. Upper borrowing limits are determined under certain criteria and balance sheet size related with the domestic organized markets (CBRT, BIST and TAKASBANK) by the relevant authorities. Existing limits available to use are continuously monitored, through the Bank's projected and instant liquidity needs under the condition that depositing and/or withdrawing additional collateral.

According to "Regulation for Banks' Liquidity Coverage Ratio Calculations", for the purposes of foreign currency and total liquidity coverage ratio ("LCR"), banks are required to have the ability to cover net cash outflows with high quality liquid assets. Mentioned ratios are calculated by using high quality liquid assets divided by net cash outflows to be realized within 30 days based on TRY+FC and FC. According to the mentioned Regulation, the legal minimum limits of the LCR ratio on both unconsolidated and consolidated basis should be 100% for TRY+FC and 80% for FC.

High quality liquid assets are composed of 40,87% accounts held by the CBRT and the Central Banks of the foreign branches, 54,58% securities considered as high quality liquid assets and 4,30% cash and cash equivalents.

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The main funding source of the Bank is deposits, other funding sourced are money market borrowings, securities issued and subordinated debt instruments, funds borrowed, and the rest consists of other sources.

As in the previous period, derivative transactions did not cause a net cash outflow that would negatively affect the liquidity position. The estimated cash outflows from derivative financial instruments and other liabilities calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, are TRY 725.331.

The Bank does not have any operational or legal restrictions on liquidity transfer to subsidiaries or foreign branches. Each of the consolidated subsidiaries manage their own liquidity risk and liquidity adequacy is ensured on a consolidated basis.

Liquidity ratios and its daily changes are calculated and monitored daily under Liquidity Coverage Ratio and Liquidity Emergency Action Plan which is reported to the Audit Committee and the Asset-Liability Committee regularly.

Throughout the current period, Bank's Liquidity Coverage Ratio's lowest and highest values and the weeks of these values are monitored are given in the table below:

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Week	(%)	Related Week	(%)
Maximum	02.12.2019		23.12.2019	
	08.12.2019	417,44	29.12.2019	129,37
Minimum	23.12.2019		14.10.2019	
	29.12.2019	261,65	20.10.2019	108,09

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Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			70.779.704	37.316.289
Cash Outflows				
Retail and Small Business Customers, of which;	144.569.269	64.357.833	12.699.613	6.435.783
Stable Deposits	35.146.282	-	1.757.314	-
Less Stable Deposits	109.422.987	64.357.833	10.942.299	6.435.783
Unsecured wholesale funding , of which;	112.257.585	53.122.172	52.013.173	22.021.309
Operational Deposits	22.628.118	7.762.181	5.657.030	1.940.545
Non-operational Deposits	84.734.905	43.720.559	42.194.859	18.495.741
Other Unsecured Funding	4.894.562	1.639.432	4.161.284	1.585.023
Secured Funding			-	-
Other cash outflows, of which;	9.048.421	6.191.353	4.644.595	3.861.357
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	949.941	1.929.728	949.941	1.929.728
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off- balance sheet obligations	8.098.480	4.261.625	3.694.654	1.931.629
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	106.604.001	44.754.029	8.453.340	3.650.639
Total Cash Outflows			77.810.721	35.969.088
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	24.862.657	7.994.864	16.043.803	6.279.608
Other Cash Inflows	158.710	20.130.861	158.710	20.130.861
Total Cash Inflows	25.021.367	28.125.725	16.202.513	26.410.469
			Total Adjusted Value	
Total HQLA Stock			70.779.704	37.316.289
Total Net Cash Outflows			61.608.208	10.574.505
Liquidity Coverage Ratio (%)			115,01%	362,17%

⁽¹⁾ Calculated by simple arithmetic average, daily consolidated average calculated for the last three months of the liquidity coverage ratio.

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Prior Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			53.548.927	26.490.737
Cash Outflows				
Retail and Small Business Customers, of which;	117.269.443	44.798.169	10.455.442	4.479.817
Stable Deposits	25.430.055	-	1.271.503	-
Less Stable Deposits	91.839.388	44.798.169	9.183.939	4.479.817
Unsecured wholesale funding , of which;	103.093.631	45.323.571	42.320.022	19.834.657
Operational Deposits	35.321.677	10.662.628	8.830.419	2.665.657
Non-operational Deposits	62.172.418	31.656.223	28.650.071	14.640.113
Other Unsecured Funding	5.599.536	3.004.720	4.839.532	2.528.887
Secured Funding			-	-
Other cash outflows, of which;	7.984.120	4.929.059	3.826.946	2.655.849
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	347.969	778.628	347.969	778.628
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off- balance sheet obligations	7.636.151	4.150.431	3.478.977	1.877.221
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	99.664.172	42.704.070	7.991.349	3.477.943
Total Cash Outflows			64.593.759	30.448.266
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	25.940.951	11.734.050	18.347.893	9.836.691
Other Cash Inflows	188.791	2.008.440	188.791	2.008.440
Total Cash Inflows	26.129.742	13.742.490	18.536.684	11.845.131
			Total Adjusted Value	
Total HQLA Stock			53.548.927	26.490.737
Total Net Cash Outflows			46.057.075	18.603.135
Liquidity Coverage Ratio (%)			116,32%	143,36%

⁽¹⁾ Calculated by simple arithmetic average, daily consolidated average calculated for the last three months of the liquidity coverage ratio.

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1. Presentation of assets and liabilities according to their remaining maturities:

The Bank follows up and measures the consistency of payments comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	3.665.972	30.822.609	-	-	-	-	-	34.488.581
Banks	1.816.214	1.934.253	-	-	-	-	-	3.750.467
Financial assets at fair value through profit and loss	-	265	-	16.120.856	64	-	145.601	16.266.786
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	17	5.411	4.273.334	8.737.387	1.010.560	232.075	14.258.784
Loans	18.263.928	20.164.911	16.160.500	78.564.490	141.224.423	34.829.849	-	309.208.101
Financial assets measured at amortised cost	-	514.084	1.548.135	3.729.291	34.850.595	31.566.250	-	72.208.355
Other assets (2)	2.440	375.002	426.986	418.966	20.049	114.097	5.506.787	6.864.327
Total assets	23.748.554	53.811.141	18.141.032	103.106.937	184.832.518	67.520.756	5.884.463	457.045.401
Liabilities								
Bank deposits	5.961.576	13.119.579	8.508.642	6.395	-	-	-	27.596.192
Other deposits	46.476.767	156.579.563	46.275.360	20.447.168	357.942	1.184	-	270.137.984
Funds provided from other financial institutions ⁽³⁾	18	259.707	632.688	2.956.245	4.517.530	2.650.653	-	11.016.841
Money market balances	-	52.606.097	4.947	-	-	590.000	-	53.201.044
Bonds issued	-	596.293	6.641.601	2.722.764	7.630.629	-	-	17.591.287
Sundry creditors	18.765	2.545.163	169.986	689.830	2.154.351	29.053	692.384	6.299.532
Other liabilities ⁽¹⁾	-	4.234.530	179.297	16.860.287	2.038.792	13.524.348	34.365.267	71.202.521
Total liabilities	52.457.126	229.940.932	62.412.521	43.682.689	16.699.244	16.795.238	35.057.651	457.045.401
Liquidity gap	(28.708.572)	(176.129.791)	(44.271.489)	59.424.248	168.133.274	50.725.518	(29.173.188)	-
Net off balance sheet position	-	(12.519)	16.111	161.060	573.130	-	-	737.782
Derivative financial assets	-	15.932.714	3.118.560	5.162.933	1.713.612	11.092.703	-	37.020.522
Derivative financial liabilities	-	(15.945.233)	(3.102.449)	(5.001.873)	(1.140.482)	(11.092.703)	-	(36.282.740)
Non-cash loans	28.217.353	3.032.626	8.898.156	31.352.078	15.861.958	2.555.497	-	89.917.668
Prior Period								
Total Assets	15.681.497	47.990.670	16.040.755	96.169.983	137.872.891	61.765.833	2.900.426	378.422.055
Total Liabilities	52.716.986	172.040.885	53.115.444	38.500.199	19.338.166	11.503.484	31.206.891	378.422.055
Liquidity Gap	(37.035.489)	(124.050.215)	(37.074.689)	57.669.784	118.534.725	50.262.349	(28.306.465)	-
Net off balance sheet position	-	44.220	(121.257)	(8.676)	526.291	-	-	440.578
Derivative financial assets	-	8.365.005	1.275.142	4.617.257	3.648.848	6.417.794	-	24.324.046
Derivative financial liabilities	-	(8.320.875)	(1.396.399)	(4.625.933)	(3.122.557)	(6.417.794)	-	(23.883.468)
Non-cash loans	2.567.374	3.295.072	5.997.297	29.566.343	16.377.306	25.236.433	-	83.039.825

⁽¹⁾ Shareholders' equity is disclosed in other liabilities line under the undistributed column.

⁽²⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses are disclosed in other assets under the undistributed column.

⁽³⁾ Funds provided from other financial institutions include borrowings.

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Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	222.577.025	55.252.031	21.540.761	405.124	1.686	(2.042.451)	297.734.176
Funds provided from other financial intuitions	267.298	658.673	3.091.367	4.880.595	2.966.292	(847.384)	11.016.841
Money market borrowings	52.626.531	9.229	29.918	158.153	748.261	(371.048)	53.201.044
Securities issued	620.548	6.782.823	3.182.234	8.496.753	-	(1.491.071)	17.591.287
Funds	232.809	4.471	26.438	1.627.722	1.317.614	(50)	3.209.004
Total	276.324.211	62.707.227	27.870.718	15.568.347	5.033.853	(4.752.004)	382.752.352

Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	181.681.653	50.297.860	18.640.620	511.690	2.180	(2.278.749)	248.855.254
Funds provided from other financial intuitions	214.523	1.420.946	2.989.372	5.081.929	3.156.489	(947.232)	11.916.027
Money market borrowings	35.262.078	336.034	108.059	2.292.146	703.800	(540.056)	38.162.061
Securities issued	747.875	1.563.635	3.030.039	11.429.907	-	(1.723.478)	15.047.978
Funds	178.780	4.497	118.765	311.297	2.260.831	(49)	2.874.121
Total	218.084.909	53.622.972	24.886.855	19.626.969	6.123.300	(5.489.564)	316.855.441

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

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Analysis of Bank's derivative financial instruments according to their remaining maturities:

Current Period: ⁽¹⁾	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts-Buy	1.625.156	882.251	879.250	2.279	-	3.388.936
Forward Contracts-Sell	1.974.568	1.317.050	881.542	2.278	-	4.175.438
Swaps-Buy	11.610.340	1.099.441	1.789.967	1.534.000	-	16.033.748
Swaps-Sell	13.791.267	1.094.198	1.626.617	960.870	-	17.472.952
Credit Default Swap-Buy	-	-	-	-	-	-
Credit Default Swap-Sell	-	-	-	-	-	-
Forward Precious Metal-Buy	508.892	445.729	-	-	-	954.621
Forward Precious Metal-Sell	132.599	-	-	-	-	132.599
Money Buy Options	1.085.237	675.013	-	-	-	1.760.250
Money Sell Options	1.086.024	674.240	-	-	-	1.760.264
Swaps Interest-Buy	20.000	70.000	2.493.714	177.333	11.092.704	13.853.751
Swaps Interest-Sell	20.000	70.000	2.493.714	177.333	11.092.704	13.853.751
Swaps Precious Metal-Buy	2.149.575	-	-	-	-	2.149.575
Swaps Precious Metal-Sell	-	-	-	-	-	-
Total	34.003.658	6.327.922	10.164.804	2.854.093	22.185.408	75.535.885

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 2.232.623.

Prior Period: ⁽¹⁾	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts-Buy	3.605.673	871.411	952.254	-	-	5.429.338
Forward Contracts-Sell	1.731.132	653.285	850.428	-	-	3.234.845
Swaps-Buy	5.398.995	425.234	1.003.129	1.370.200	-	8.197.558
Swaps-Sell	5.394.184	539.119	1.113.630	843.910	-	7.890.843
Credit Default Swap-Buy	-	-	-	-	-	-
Credit Default Swap-Sell	-	-	-	-	-	-
Forward Precious Metal-Buy	89.699	-	-	-	-	89.699
Forward Precious Metal-Sell	1.925.522	224.248	-	-	-	2.149.770
Money Buy Options	218.558	49.200	2.661.875	-	-	2.929.633
Money Sell Options	218.538	49.200	2.661.875	-	-	2.929.613
Swaps Interest-Buy	-	-	-	2.278.648	6.417.794	8.696.442
Swaps Interest-Sell	-	-	-	2.278.648	6.417.794	8.696.442
Total	18.582.301	2.811.697	9.243.191	6.771.406	12.835.588	50.244.183

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 2.036.669.

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VII. EXPLANATIONS ON LEVERAGE RATIO

Leverage ratio calculated according to the article "Regulation Regarding the Measurement and Evaluation of Banks' Leverage Level" published in the Official Gazette No. 28812 dated 5 November 2013 is as follows.

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance Sheet Items		
1.On-balance sheet items (excluding derivatives and SFTs, but including collateral)	449.580.786	373.308.958
2.Assets that are deducted from core capital	(217.070)	(198.802)
3.Total on balance sheet exposures	449.363.716	373.110.156
Derivative exposures and credit derivatives		
4.Replacement cost associated with derivative financial instruments and credit derivatives	1.128.580	1.060.813
5.The potential amount of credit risk with derivative financial instruments and credit derivatives	537.343	301.456
6.The total amount of risk on derivative financial instruments and credit derivatives	1.665.923	1.362.269
Investment securities or commodity collateral financing transactions		
7.The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	3.055.227	1.524.846
8.Risk amount of exchange brokerage operations	-	-
9.Total risks related with securities or commodity financing transactions	3.055.227	1.524.846
Off -Balance Sheet Items		
10.Gross notional amount of off-balance sheet items	117.633.355	107.657.161
11.Adjustments for conversion to credit equivalent amounts	-	-
12.The total risk of off-balance sheet items	117.633.355	107.657.161
Capital and Total Exposures		
13.Tier 1 Capital	36.962.755	28.323.502
14.Total Exposures	571.718.221	483.654.432
Leverage Ratio		
15.Leverage Ratio	6,47%	5,86%

⁽¹⁾ The amounts in the table represent three-month averages.

VIII. EXPLANATIONS ON BUSINESS SEGMENTATION

The Bank's operations are grouped under the corporate, commercial, integrated banking and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Bank's operations are grouped under the corporate, commercial, integrated banking and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises as well as individual consumers. In this context, the Bank has no restrictions on the area in which it operates.

The Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

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Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real persons without having any commercial or professional purposes other than their individual demands in the Bank's application.

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the afore-mentioned classification.

The following are the services provided by the Bank to all of its customers:

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/ or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money market transactions,
- Rendering insurance agency transactions and individual pension services,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement organised by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments in the secondary market for the purpose of performing intermediary services,
- Acting as an operator in order to provide risk management systems related to technical support and consulting services,
- Providing technical support and consulting services to Bank's subsidiaries,
- Acting as a custodian in order to keep client's assets related to individual portfolio management of portfolio management companies,
- Acting as a portfolio management agency.
- Acting as a custodian in order to keep client's assets related to individual portfolio management of portfolio management companies,
- Acting as a portfolio management agency.

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Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2019 are presented in the table below.

Current Period (1 January-31 December 2019)	Commercial/ Corporate	SME/Integrated	Treasury/ Investment	Total
OPERATING INCOME / EXPENSES				
Interest income	12.545.001	24.910.172	9.275.009	46.730.182
Interest on loans	12.542.532	24.451.585	76.213	37.070.330
Interest income on marketable securities	-	440.623	8.720.275	9.160.898
Interest received from banks	-	-	341.253	341.253
Other interest income	2.469	17.964	137.268	157.701
Interest expense	7.748.765	14.622.240	13.747.141	36.118.146
Interest on deposits	7.704.419	14.165.507	1.667.189	23.537.115
Interest on borrowings	34.472	75.019	191.986	301.477
Interest on money market borrowings	-	189.927	9.153.274	9.343.201
Interest on marketable bonds issued	-	-	2.582.362	2.582.362
Other interest expense	9.874	191.787	152.330	353.991
Net interest income	4.796.236	10.287.932	(4.472.132)	10.612.036
Net fees and commissions income	1.080.148	1.383.476	314.594	2.778.218
Net trading profit / (loss)	25.263	554.155	(3.846.514)	(3.267.096)
Dividend income	-	-	421.825	421.825
Other income	1.018.591	583.321	805.528	2.407.440
Expected loss provisions	2.157.124	1.934.567	460.054	4.551.745
Other expenses	148.426	2.478.234	3.805.761	6.432.421
Income before taxes	4.614.688	8.396.083	(11.042.514)	1.968.257
Income tax provision	-	-	(247.948)	(247.948)
Net profit for the period	4.614.688	8.396.083	(11.290.462)	1.720.309
SEGMENT ASSETS (31 December 2019)				
Marketable securities ⁹⁾	-	4.833.999	97.890.183	102.724.182
Derivative financial assets held for trading	-	211.149	940.885	1.152.034
Banks and money market receivables	-	570	3.749.680	3.750.250
Associates and subsidiaries (net)	-	-	3.749.667	3.749.667
Loans ⁹⁾	115.269.461	179.703.613	2.833.363	297.806.437
Other assets	3.903.011	3.381.194	40.578.626	47.862.831
TOTAL ASSETS	119.172.472	188.130.525	149.742.404	457.045.401
SEGMENT LIABILITIES (31 December 2019)				
Deposits	105.106.115	174.651.324	17.976.737	297.734.176
Derivative financial liabilities	-	148.937	204.781	353.718
Money market balances	-	2.951.294	50.249.750	53.201.044
Borrowing funding loans	1.028.956	1.150.633	8.837.252	11.016.841
Bonds issued	-	-	17.591.287	17.591.287
Other liabilities	1.667.559	8.660.217	31.352.032	41.679.808
Provisions and tax payable	229.542	288.258	2.753.901	3.271.701
Shareholders' equity	4.053.543	7.964.223	20.179.060	32.196.826
TOTAL LIABILITIES	112.085.715	195.814.886	149.144.800	457.045.401
OFF-BALANCE SHEET ITEMS (31 December 2019)				
Guarantees and sureties	47.716.159	27.348.373	14.853.136	89.917.668
Commitments	645.977	9.433.236	20.546.067	30.625.280
Derivative financial instruments	-	17.613.566	55.689.696	73.303.262
TOTAL OFF-BALANCE SHEET ITEMS	48.362.136	54.395.175	91.088.899	193.846.212

⁹⁾ TFRS 9 Expected Credit Loss provisions is presented in related lines.

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Prior Period (1 January-31 December 2018)	Corporate/ Commercial	SME/Integrated	Treasury/ Investment	Total
OPERATING INCOME / EXPENSES				
Interest income	9.036.006	20.166.245	7.468.587	36.670.838
<i>Interest on loans</i>	9.034.886	19.700.018	76.923	28.811.827
<i>Interest income on marketable securities</i>	-	441.185	6.603.469	7.044.654
<i>Interest received from banks</i>	-	6	630.169	630.175
<i>Other interest income</i>	1.120	25.036	158.026	184.182
Interest expense	3.877.712	15.455.276	9.258.272	28.591.260
<i>Interest on deposits</i>	3.836.813	15.110.679	1.772.085	20.719.577
<i>Interest on borrowings</i>	9.532	41.519	411.068	462.119
<i>Interest on money market borrowings</i>	-	184.063	5.511.919	5.695.982
<i>Interest on marketable bonds issued</i>	-	-	1.463.544	1.463.544
<i>Other interest expense⁽¹⁾</i>	31.367	119.015	99.656	250.038
Net interest income	5.158.294	4.710.969	(1.789.685)	8.079.578
Net fees and commissions income	692.490	979.116	278.051	1.949.657
Net trading profit / (loss)	15.028	1.024.491	(890.264)	149.255
Dividend income	-	-	510.357	510.357
Other income	152.172	318.097	154.205	624.474
Impairment losses on loans and other receivables	728.469	1.119.258	506.891	2.354.618
Other expenses	454.650	2.119.558	3.666.677	6.240.885
Income before taxes	4.834.865	3.793.857	(5.910.904)	2.717.818
Income tax provision	-	-	(196.023)	(196.023)
Net profit for the period	4.834.865	3.793.857	(6.106.927)	2.521.795
SEGMENT ASSETS (31 December 2018)				
Marketable securities ⁽¹⁾	-	8.756.221	65.792.636	74.548.857
Derivative financial assets held for trading	-	102.003	959.477	1.061.480
Banks and money market receivables	-	2.088	5.138.627	5,140,715
Associates and subsidiaries (net)	-	-	4.770.799	4,770,799
Loans ⁽¹⁾	95.618.369	152.062.318	2.943.026	250.623.713
Other assets	746.613	2.793.595	38.736.283	42,276,491
TOTAL ASSETS	96.364.982	163.716.225	118.340.848	378.422.055
SEGMENT LIABILITIES (31 December 2018)				
Deposits	84.389.782	141.103.733	23.361.739	248.855.254
Derivative financial liabilities held for trading	-	53.332	357.106	410.438
Money market balances	-	5.402.273	32.759.788	38,162,061
Borrowing funding loans	393.832	1.114.372	10,407,823	11,916,027
Bonds issued	-	-	15,047,978	15,047,978
Other liabilities	1,184,135	7,070,252	23,778,483	32,032,870
Provisions and tax payable	246.071	288.821	2,441,800	2,976,692
Shareholders' equity	4,948,569	3,392,443	20,679,723	29,020,735
TOTAL LIABILITIES	91.162.389	158.425.226	128.834.440	378.422.055
OFF BALANCE SHEET ITEMS (31 December 2018)				
Guarantees and sureties	46.602.170	23.260.633	13,177,022	83,039,825
Commitments	966.222	9,648,799	15,482,619	26,097,640
Derivative financial instruments	-	12,025,139	36,182,375	48,207,514

⁽¹⁾ TFRS 9 Expected Credit Loss provisions is presented in related lines.

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IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Current Period		Prior Period	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets	419.959.999	419.576.250	350.743.976	334.011.632
Cash and Balances with the Central Bank of Turkey	34.488.581	34.488.581	34.957.050	34.957.050
Financial assets at fair value through P&L ^{(3) (4)}	547	547	56.114	56.114
Banks	3.750.467	3.750.219	5.140.743	5.139.615
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income ⁽¹⁾	14.239.466	14.239.466	3.970.638	3.970.638
Other Financial Assets Measured at Amortised Cost	72.208.355	71.794.693	56.073.053	50.114.605
Loans ⁽²⁾	295.272.583	295.302.744	250.546.378	239.773.610
Financial Liabilities	386.776.517	387.269.307	318.971.539	325.986.447
Deposits	297.734.176	298.039.708	248.855.254	250.559.277
Derivative financial liabilities held for trading	353.718	353.718	410.438	410.438
Funds provided from other financial institutions	11.016.841	11.369.633	11.916.027	12.263.014
Money market borrowings	53.201.044	53.422.883	38.162.061	38.328.639
Securities issued	17.591.287	17.203.914	15.047.978	19.845.298
Miscellaneous payables	6.299.526	6.299.526	4.579.781	4.579.781
Leasing payables	579.925	579.925	-	-

⁽¹⁾ As of 31 December 2019, TRY 19.318 (31 December 2018: TRY 16.556) of "equity investments not quoted on stock exchange" followed in financial assets at fair value through other comprehensive income are not included.

⁽²⁾ Net of follow-up loans has not been included in the table above.

⁽³⁾ As of 31 December 2019, marketable securities amounting to TRY 162.158 (31 December 2018: TRY 66.205) that are valued by internal rate of return, are not included in financial assets held for trading purpose.

⁽⁴⁾ Securities lending transactions amounting to TRY 16.104.081 (31 December 2018: TRY 14.374.380) is not included in the financial assets at fair value through P&L.

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As of 31 December 2019, fair values of Associates and Subsidiaries are shown at section 4 footnote 5. The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined at other financial assets measured at amortised cost, when the market prices are not available, quoted market prices of other marketable securities which are amortised with the same terms of interest maturity and other similar conditions are used.
- ii- The prevailing interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial intuitions and sundry creditors.

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 significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Bank. This distinction brings about a fair value measurement classification generally as follows:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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In this context, the fair value classification of financial assets and liabilities measured at fair values are as followed:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value:				
Financial Assets Measured at Fair Value through Profit/Loss ⁽²⁾ ⁽⁴⁾	547	-	-	547
Derivative financial assets	-	1.152.034	-	1.152.034
Financial Assets at Fair Value through Other Comprehensive Income ⁽¹⁾	14.239.465	-	-	14.239.465
Subsidiaries	814.812	-	2.427.069	3.241.881
Associates ⁽³⁾	-	-	482.671	482.671
Non-Current Assets Held For Sale and Discontinued Operations	-	576.996	2.000.000	2.576.996
Total Financial Assets	15.054.824	1.729.030	4.909.740	21.693.594
Financial Liabilities Measured at Fair Value:				
Derivative financial liabilities	-	353.718	-	353.718
Total Financial Liabilities	-	353.718	-	353.718

⁽¹⁾ As of 31 December 2019, share certificates amounting to TRY 19.318 of "securities not quoted on the stock exchange" in financial assets at fair value through other comprehensive income are not included in the above table.

⁽²⁾ As of 31 December 2019, marketable securities amounting to TRY 162.158 that are not valued at fair value, are not included in financial assets at fair value through profit or loss.

⁽³⁾ Bank's associates which are shown with their cost values in the accompanying financial statements as no fair values are available, Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş. (TRY 11.518), Bankalararası Kart Merkezi A.Ş. (TRY 6.836), Kredi Kayıt Bürosu A.Ş. (TRY 2.516) Türk P&I Sigorta A.Ş. (TRY 2.495) and Platform Ortak Katılı Sistemler A.Ş. (TRY 1.750) are not included in the table.

⁽⁴⁾ As of 31 December 2019, the securities lending transactions amounting to TRY 16.104.081 followed in financial assets at fair value through profit or loss are not included in the table.

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽²⁾ ⁽⁴⁾				
Debt securities	56.114	-	-	56.114
Derivative financial assets held for trading purpose	-	1.061.480	-	1.061.480
Available-for-sale financial assets ⁽¹⁾				
Debt securities	3.970.638	-	-	3.970.638
Subsidiaries	432.290	492.895	3.407.296	4.332.481
Associates ⁽³⁾	-	-	415.828	415.828
Total Financial Assets	4.459.042	1.554.375	3.823.124	9.836.541
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	410.438	-	410.438
Total Financial Liabilities	-	410.438	-	410.438

⁽¹⁾As of 31 December 2018, share certificates amounting to TRY 16.556 of "securities not quoted on the stock exchange" in available for sale financial assets are not included in the above table.

⁽²⁾ As of 31 December 2018, marketable securities amounting to TRY 66.205 that are not valued at fair value, are not included in financial assets held for trading purpose.

⁽³⁾ Bank's associates which are shown with their cost values in the accompanying financial statements as no fair values are available, Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş. (TRY 11.518), Bankalararası Kart Merkezi A.Ş. (TRY 6.836), Kredi Kayıt Bürosu A.Ş. (TRY 2.516) and Türk P&I Sigorta A.Ş. (TRY 1.620) are not included in the table.

⁽⁴⁾ As of 31 December 2018, TRY 14.374.380 of securities lending transaction is not included in Trading Financial Assets at Fair Value through profit or loss.

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The movement of financial assets in the third level are as follows:

	Current Period
Balance at the beginning of the period	3.823.124
Purchases during the year	89.974
Non-paid up shares	59.881
Valuation Difference	936.761
Transfers	-
Period End Balance	4.909.740

	Prior Period
Balance at the beginning of the period	2.947.189
Purchases during the year	481.573
Non-paid up shares	180.829
Valuation Difference	213.533
Transfers	-
Period End Balance	3.823.124

X. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST

The Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services.

The Bank does not engage in fiduciary transactions.

XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS

Explanations Related To Risk Management

The Bank's business model creates a comprehensive risk profile that includes all units of the Bank. Credit risk is a key component of the risk profile. The Bank effectively implements risk management policies and procedures for loan and other risks which is determined within the framework of risk capacity and appetite and approved by board of directors. Risk appetite and capacity, which are directly related to the Bank's strategic objectives, are limited by legal rates therefore the Bank associated with them.

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Regarding the risk management structure; The Internal Audit Department, Internal Control Department and Risk Management Department, which are units within the scope of internal systems, carry out their activities in accordance with the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process published in the Official Gazette No. 29057 dated 11 June 2014 and subject to the Board of Directors through the Audit Committee. The Financial Crimes Investigation Board (MASAK) Compliance Unit is directly affiliated to the Audit Committee. The structure of the internal systems determines the level of risk by identifying the risks that the bank is exposed to. In this direction, the relevant units are responsible for monitoring, controlling and reporting risks, limited to their areas of responsibility. Outside of internal systems, Top Management is directly responsible to the Board of Directors for the risks to which the Bank is exposed in relation to its duties.

The Bank is using information technologies and training documents openly and effectively for the dissemination and application of risk culture, and the development of bank staff is supported in line with this goal with face to face learning and e-learning. In addition, all personnel are regularly informed and aware of the risks that the Bank is exposed to.

Risk measurement systems are based on accepted risk models and workflows for the identification, monitoring and reporting of risks in accordance with legislation. Methods and software that are in line with international standards are used for risk groups such as credit, market, operational and counterparty credit risk etc.

Within the scope of risk management activities, regular reporting and presentations are made by related units to the board of directors, asset-liability and audit committees and to the other committees, in order to manage the risks that the Bank is exposed to more effectively, to support the decision making processes related to them, to create new strategies and policies.

The Bank reports to the BRSA by applying the stress tests determined in accordance with the Internal Capital Adequacy Assessment Process (ICAAP). In addition, stress tests are carried out in line with the scenarios created by the risks exposed and the macroeconomic conditions. This test which is made by applying shocks for various risk factors, shows the results on risk weighted assets, own funds and capital adequacy ratio.

The Bank monitors its effectiveness by closely monitoring the processes of managing and reducing the risks arising from the business model. The Bank regularly revises the strategies it has established regarding these processes in line with the existing conditions and sets policies.

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EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Overview of Risk Weighted Amounts⁽¹⁾:

	Risk Weighted Amounts		Minimum Capital Requirements	
	Current Period	Prior Period	Current Period	Prior Period
1 Credit risk (excluding counterparty credit risk) (CCR)	287.606.055	245.251.114	23.008.484	19.620.089
2 Standardized approach (SA)	287.606.055	245.251.114	23.008.484	19.620.089
3 Internal rating-based (IRB) approach	-	-	-	-
4 Counterparty credit risk	5.791.239	3.597.146	463.299	287.772
5 Standardized approach for counterparty credit risk (SA-CCR)	5.791.239	3.597.146	463.299	287.772
6 Internal model method (IMM)	-	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8 Investments made in collective investment companies look-through approach	-	-	-	-
9 Investments made in collective investment companies mandate-based approach ⁽¹⁾	-	-	-	-
10 Investments made in collective investment companies 1250% weighted risk approach	-	-	-	-
11 Settlement risk	-	-	-	-
12 Securitization positions in banking accounts	-	-	-	-
13 IRB ratings-based approach (RBA)	-	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-	-
16 Market risk	11.483.275	2.933.787	918.662	234.703
17 Standardized approach (SA)	11.483.275	2.933.787	918.662	234.703
18 Internal model approaches (IMM)	-	-	-	-
19 Operational Risk	18.625.782	16.167.810	1.490.063	1.293.425
20 Basic Indicator Approach	18.625.782	16.167.810	1.490.063	1.293.425
21 Standard Approach	-	-	-	-
22 Advanced measurement approach	-	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.241.710	1.072.418	99.337	85.793
24 Floor adjustment	-	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	324.748.061	269.022.275	25.979.845	21.521.782

⁽¹⁾ Amounts below the thresholds for deductions from capital are excluded from credit risk standard approach of RWA amount.

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Differences and matching between asset and liabilities' carrying values in financial statements and in capital adequacy calculation:

	Carrying values of items in accordance with Turkish Accounting Standards					Not subject to capital requirements or subject to deduction from capital
	Carrying values in financial statements prepared as per TAS	Credit Risk	Counterparty credit risk	Securitization positions	Market Risk	
Assets						
Cash and Balances with the Central Bank	34.488.581	34.488.581	-	-	-	-
Derivative Financial Assets	1.152.034	-	1.152.034	-	335.480	-
Financial assets at fair value through profit and loss	16.266.786	162.159	-	-	547	16.104.081
Banks	3.740.649	3.740.649	-	-	-	-
Receivables from Money markets	-	-	-	-	-	-
Financial assets at fair value through OCI (net)	14.258.784	-	-	-	14.239.465	46.319
Loans	297.806.437	297.795.105	-	-	-	11.332
Receivables from factoring	-	-	-	-	-	-
Financial assets measured at amortised cost (net)	72.198.612	72.198.612	-	-	-	-
Subsidiaries (net)	507.786	507.786	-	-	-	-
Associates (net)	3.241.881	3.241.881	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-
Finance lease receivables	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Tangible Assets (net)	7.537.246	7.537.246	-	-	-	-
Intangible Assets (net)	162.053	162.053	-	-	-	79.399
Real estate for investment purpose (net)	356.027	-	-	-	-	356.027
Tax asset	-	-	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	2.576.996	2.576.996	-	-	-	-
Other assets	2.751.529	2.751.529	-	-	301	-
Total Assets	457.045.401	425.162.597	1.152.034	-	14.575.793	16.597.158
Liabilities						
Deposits	297.734.176	-	-	-	-	297.734.176
Derivative financial liabilities	353.718	-	-	-	219.747	133.971
Loans	11.016.841	-	-	-	-	11.016.841
Money market borrowings	53.201.044	-	4.415.333	-	-	48.785.711
Securities issued	17.591.287	-	-	-	-	17.591.287
Funds	3.209.004	-	-	-	-	3.209.004
Other liabilities	25.706.033	-	-	-	283	25.705.750
Factoring payables	-	-	-	-	-	-
Finance lease payables	579.925	-	-	-	-	579.925
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Provisions	1.663.354	-	-	-	-	1.663.354
Tax Liability	1.608.347	-	-	-	-	1.608.347
Liabilities regarding assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Subordinated Loans	12.184.846	-	-	-	-	12.184.846
Shareholders' equity	32.196.826	-	-	-	-	32.196.826
Total liabilities	457.045.401	-	4.415.333	-	220.030	452.410.038

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Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements:

	Total	Credit risk	Securitization positions	Counterparty credit risk	Market Risk
1 Asset carrying value amount under scope of regulatory consolidation	457,045.401	425.162.597	-	1.152.034	14.575.793
2 Liabilities carrying value amount under regulatory scope of consolidation	457,045.401	-	-	4.415.333	220.030
3 Total net amount under regulatory scope of consolidation	-	425.162.597	-	5.567.367	14.355.763
4 Off-balance Sheet Amounts [¶]	193.846.210	120.542.948	-	453.484	18.612.324
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	-	545.705.545	-	6.020.851	32.968.087

[¶] Shows total potential credit risk amounts caused by derivative transactions.

Explanations of differences between accounting and regulatory exposure amounts:

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

Explanations Related to Counterparty Credit Risk

The Bank provides the necessary definitions and classifications for the CCR that take into account the clearing and pre-clearing risk in relation to the management policies and procedures of the CCR, thereby managing these risks on a counterparty basis and across the bank.

The impact of the new products and activities on the Bank's CCR level is assessed and these evaluations are included in the product / activity approval process.

The market, liquidity, compliance risk and operational risk that may be associated with the CCR are taken into account and the general / specific limit levels of the Bank's transactions to the CCR are determined. These limits established within the framework of the CCR are regularly monitored. The Bank uses risk mitigation techniques to the extent that it is appropriate, through applications such as margin taking and margin fulfillment.

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The Bank uses methods and models in accordance with international standards for the identification, measurement, monitoring, control and reporting of the CCR. Independent scrutiny and supervision is carried out on the integrity, correctness and effectiveness of the CCR management systems. These activities are carried out by the Bank's internal audit units and independent audit institutions.

Agreements entered into with counterparty financial institutions resulting in credit risk according to the attributes of the transaction are evaluated by taking into account ISDA framework and CSA framework for derivative transactions, GMRA framework for repurchase agreements. The risk is mitigated by receiving cash or other forms of collaterals as per the counterparty limits designated by the Board of Directors.

In secured lending and repo transactions, the haircut amounts are reduced from the counterparty limits. In cases whereby possible decreases or increases in ratings affects the current replacement cost, margin call agreements are used as a risk mitigator.

Counterparty Credit Risk (CCR) Approach Analysis:

	Replacement cost	Potential Future exposure	EEPE ⁽¹⁾	Alpha used for computing regulatory EAD	EAD post-CRM	Risk Weighted Assets
Standardised Approach - CCR (for derivatives)	1.151.688	453.484		1,4	1.605.172	1.211.512
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					4.415.333	4.056.192
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
Total					6.020.505	5.267.704

⁽¹⁾ Expected effective positive risk amount

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Capital requirement for credit valuation adjustment (CVA):

	EAD post-CRM	Risk weighted amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3*multiplier)	-	-
(ii) Stressed VaR component (including the 3*multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	1.605.172	523.510
Total subject to the CVA capital obligation	1.605.172	523.510

Standardised Approach - Counterparty Risk Per Risk Classification And Risk Weighted Amounts:

Risk weight / Risk Classifications	0%	10%	20%	50%	75%	100%	150%	2%	4%	Total Credit Risk
Claims on sovereigns and Central Banks	137137	-	-	52.474	-	-	-	-	-	189.611
Claims on regional governments or local authorities	-	-	-	17	-	-	-	-	-	17
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	27	-	-	-	27
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	207.881	839.740	-	2.001.056	-	-	-	3.048.677
Claims on corporates	-	-	-	-	-	3.292.712	-	-	-	3.292.712
Claims included in the regulatory retail portfolios	-	-	-	-	12.969	-	-	-	-	12.969
Claims secured by residential property	-	-	-	-	-	-	-	-	-	-
Overdue 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	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Other Assets*	-	-	-	-	-	16	-	447	-	463
Toplam	137.137	-	207.881	892.231	12.969	5.293.811	-	447	-	6.544.476

* Includes the amounts that are not included in the assessment of the counterparty credit risk according to the measurement methods shown in the table "Central counterparty risks".

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Collaterals for Counterparty Credit Risk:

	Collateral for derivative transactions				Collateral for other transactions	
	Received Collaterals		Given Collaterals		Received Collaterals	Given Collaterals
	Segregated	Nonsegregated	Segregated	Nonsegregated		
Cash-domestic currency	-	65.414	-	-	-	-
Cash-foreign currency	-	302.986	-	51.243	16.610	113.900
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	368.400	-	51.243	16.610	113.900

Counterparty Credit Risk-Credit Derivatives:

None.

Exposures to Central Counterparty (CCP):

	Exposure post-CRM	RWA
Total Exposure to Qualified Central Counterparties (QCCPs)		25
Exposures for trades with QCCPs (excluding initial margin and guarantee fund)	447	9
(i) Over the counter derivative financial instruments	447	9
(ii) Other derivative financial instruments	-	-
(iii) Repo-reverse repo transactions, margin trading and securitites or commodity lending or borrowing	-	-
(iv) Counterparties where cross product netting applied	-	-
Reserved initial collateral	7	-
Unreserved initial collateral	-	-
Pre-funded guarantee fund contributions	500	16
Unfunded guarantee fund contributions	-	-
Total Exposures to Non-QCCPs	-	-
Exposures for trades with QCCPs (excluding initial margin and guarantee fund)	-	-
(i) Over the counter derivative financial instruments	-	-
(ii) Other derivative financial instruments	-	-
(iii) Repo-reverse repo transactions, margin trading and securitites or commodity lending or borrowing	-	-
(iv) Counterparties where cross product netting applied	-	-
Reserved initial collateral	-	-
Unreserved initial collateral	-	-
Pre-funded guarantee fund contributions	-	-
Unfunded guarantee fund contributions	-	-

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Explanations on securization:

There is no explanation.

Qualitative Disclosure on Credit Risk:

Credit risk, which is the most important risk profile of the Bank's business model, refers to risks and losses arising from counterparty's failure to meet its obligations under contracts that the Bank is a party to. Credit limits are set according to the risk appetite and capacity of the Bank. Credit limits are assigned according to the customer's financial condition and credit need by the branches, regional credit committee, head of credit department, executive vice president in charge of loans, general manager, credit committee and board of directors and revised whenever required. As part of its risk policies, the Bank monitors limits designated by sectors and sub sectors.

Within the scope of internal systems, internal audit activities are carried out by the Board of Inspectors and the Internal Audit Department in order to ensure that the activities of the Bank are carried out in accordance with the Bank's policies determined in compliance with the legal regulations. The Risk Management Department, which is the risk unit within the internal systems, performs the functions of measuring, monitoring, controlling and reporting on the credit risk to which the Bank is exposed to. These units are regularly reporting the risks exposed to the Bank's Senior Management.

The Bank, in the credit allocation process, restricts its risk exposure by working with highly creditworthy banks and institutions considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk is concentrated in Turkey.

Limits are determined based on the type of loans and customers and risk and limit information is controlled periodically. Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically, concerning the off-balance sheet operations based on the customers and banks.

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Credit Quality of Assets

	Gross carrying value as per TAS		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-Defaulted		
1 Loans	15.920.081	293.288.020	11.401.664	297.806.437
2 Debt Securities ⁽¹⁾	-	86.647.144	27.043	86.620.101
3 Off-balance sheet exposures	-	120.542.948	287.305	120.255.643
4 Total	15.920.081	500.478.112	11.716.012	504.682.181

⁽¹⁾ As of 31 December 2019, TRY 16.104.081 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Changes in Stock of Defaulted Loans and Debt Securities

1 Defaulted loans and debt securities at end of the previous reporting period	8.527.848
2 Loans and debt securities defaulted since the last reporting period	9.116.542
3 Receivables back to performing status	(17.706)
4 Amounts written off	-
5 Other changes	(1.706.603)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	15.920.081

Additional Disclosure Related To The Credit Quality Of Assets:

Breakdown According to Maturity:

31 December 2019	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total
Loans and Advances	18.263.928	20.164.911	16.160.500	78.564.490	141.224.423	34.829.849	309.208.101

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Exposures Provisioned Against By Major Regions:

31 December 2019	Non-Performing Loans	ECL (Stage 3)
Domestic	15.858.297	8.860.133
European Union (EU) Countries	109	65
OECD Countries	-	-
Off-Shore Banking Regions	-	-
USA, Canada	10	9
Other Countries	61.665	22.455
Total	15.920.081	8.882.662

Exposures Provisioned Against By Sectors:

Explained in Section 4-II Information According to Sectors and Counterparties

Aging analysis of overdue but not impaired financial assets:

31 December 2019	
30-60 days overdue	1.466.896
60-90 days overdue	1.516.875
Total	2.983.771

Breakdown of restructured receivables based on whether or not provisions are allocated:

31 December 2019^(*)	
Loans Structured from Standard Loans	710.125
Loans Composed of Follow-up Loans	10.227.952
Loans Restructured from Non-Performing Loans	1.561.713

*Rediscunts are not included in the amount.

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Qualitative Disclosure on Credit Risk Mitigation Techniques

The risk mitigation factors used in the lending activities of the Bank are listed below.

- Financial warranties (Treasury Bills, Government Bonds, Cash, Pledged Deposits, Gold, Pledged Securities)
- Guarantees
- Mortgage (Although mortgage lending in Basel II has been considered as a risk class, it has also been included in this section in terms of valuation methods and concentrations).

The financial guarantees in the Bank are subject to valuation on a daily basis. The creditworthinesses of guarantors are monitored and assessed within the framework of credit revision schedules.

As long as the mortgage that constitutes the collateral of the credits continues to be related to the loan, the risk-guarantee balances are monitored and revalued each year. Action plans are developed for the possibility of diminution in value of collaterals.

As per the BRSA regulations, guarantees given by the Treasury and banks are regarded as risk reduction elements and the creditworthiness of banks is regularly monitored.

The volatility in the real estate market is closely monitored by the Bank and fluctuations that may occur depending on the market movements related to the mentioned risk class, are taken into account according to the principles stated in the related regulation.

In the portfolios where the comprehensive financial guarantee method is used, the risk mitigating effects of collateral are determined through standard volatility adjustments.

Concentration checks are conducted on guarantors and collateral providers.

There is no on-balance sheet or off-balance sheet offsetting.

Credit Risk Mitigation Techniques- Overview

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans ⁽²⁾	152.649.649	145.156.788	92.069.412	19.096.900	15.799.327	-	-
2 Debt Instruments ⁽¹⁾	86.620.101	-	-	-	-	-	-
3 Total	239.269.750	145.156.788	92.069.412	19.096.900	15.799.327	-	-
4 Of which defaulted	3.539.810	3.497.609	2.617.368	1.041.969	970.337	-	-

⁽¹⁾ As of 31 December 2019, TRY 16.104.081 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

⁽²⁾ As collateral, within the scope of the Standard Approach, collaterals to be used to mitigate credit risk, are taken into consideration.

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Information about the Banks' Use of Ratings in Calculating Credit Risk by Using Standard Approach

Explained in risk classifications related to Article 6 of Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks in 4-II Credit risk section.

Standardised Approach- Credit Risk Exposure and Credit Risk Mitigation Techniques

Risk Classification	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns and Central Banks	106.266.021	453.075	122.977.833	1.071.922	12.204.931	9,84%
Claims on regional governments or local authorities	3.063.524	88.803	3.058.907	38.571	1.548.739	50,00%
Claims on administrative bodies and other non-commercial undertakings	513.901	438.511	498.428	184.975	683.403	100,00%
Claims on multilateral development banks	-	-	57.855	3.965	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	6.826.603	2.600.100	6.826.603	1.830.774	4.909.304	56,71%
Claims on corporates	122.714.651	71.052.835	114.511.316	45.249.220	156.816.585	98,16%
Claims included in the regulatory retail portfolios	94.342.552	34.026.915	80.204.189	6.789.128	65.244.987	75,00%
Claims secured by residential property	42.585.418	2.735.087	42.585.417	1.289.121	15.356.089	35,00%
Claims secured by commercial property	27.122.226	4.472.826	27.122.226	2.938.351	15.030.288	50,00%
Overdue loans	7.189.760	1.180.808	6.211.473	535.033	6.058.282	89,80%
Higher risk categories decided by the Board	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	3.991.139	-	3.991.139	-	4.736.165	118,67%
Equity share investments	2.115.627	1.161.695	2.115.627	9.962	12.050.231	57,04%
Total	435.731.422	118.210.655	429.161.013	59.941.022	294.639.004	60,24%

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Standardised Approach- Claims By Risk Classification And Risk Weights

Risk Classification	%0	%10	%20	%35*	%50	%75	%100	%150	%200	%250	%2	%4	Total risk amount (pt-CCF and CRM)
Claims on sovereigns and Central Banks	99.656.451	-	-	-	24.376.746	-	16.558	-	-	-	-	-	124.049.755
Claims on regional governments or local authorities	-	-	-	-	3.097.478	-	-	-	-	-	-	-	3.097.478
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	683.403	-	-	-	-	-	683.403
Claims on multilateral development banks	61.820	-	-	-	-	-	-	-	-	-	-	-	61.820
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	5.951	-	3.362.760	-	2.102.951	-	3.185.268	-	-	-	447	-	8.657.377
Claims on corporates	2.333.834	-	446.324	-	506.116	-	156.474.262	-	-	-	-	-	159.760.536
Claims included in the regulatory retail portfolios	-	-	-	-	-	86.993.317	-	-	-	-	-	-	86.993.317
Claims secured by residential property	-	-	-	43.874.538	-	-	-	-	-	-	-	-	43.874.538
Claims secured by commercial property	-	-	-	-	30.060.577	-	-	-	-	-	-	-	30.060.577
Overdue loans	-	-	-	-	2.005.629	-	4.111.696	629.181	-	-	-	-	6.746.506
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	3.494.455	-	-	496.684	-	-	3.991.139
Other receivables	8.127.133	-	1.155.039	-	-	96.777	11.746.640	-	-	-	-	-	21.125.589
Toplam	110.185.189	-	4.964.123	43.874.538	62.149.497	87.090.094	179.712.282	629.181	-	496.684	447	-	489.102.035

Publicly Announced Qualitative Disclosure on Market Risk

The Bank's market risks are managed within the framework of the "Policies Related to the Management of the Market Risk" approved by the Board of Directors, and the trading activities of the positions and portfolios subject to the market risks are carried out in accordance with the "Policy and Application Procedures regarding the Management of the Positions Held for the Trading Strategy".

TÜRKİYE HALK BANKASI A.Ş.

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The Bank's market risks are measured by two methods, namely the standard method and the risk measurement method. In statutory reporting, the standard method is used in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" published in the Official Gazette dated 23 October 2015 and numbered 29511. In addition, the risk measurement model and the value at risk (VAR) are measured in accordance with the "Communiqué on Calculation of Market Risk and Risk Measurement Models and Evaluation of Risk Measurement Models" published in the Official Gazette dated 23 October 2015 and numbered 29511.

Within the scope of the Bank's "Policies for the Management of Market Risks"; VAR based limit and risk appetite has been determined and VAR results calculated by historical simulation method have been associated with statutory equity. The level of compliance with these limits is monitored daily. On the other hand, periodic stress tests are applied for market risks.

Concerning market risks, the results obtained by both the standard method and the risk measurement model and the level of compliance with the limits are reported to the Bank's Top Management and related business units on a daily basis.

The following table discloses the amounts that are calculated using the standard method.

Market Risk: Standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	4.966.475
Equity risk (general and specific)	425.525
Foreign exchange risk	6.059.838
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	31.437
Scenario approach	-
Securitization	-
Total	11.483.275

TÜRKİYE HALK BANKASI A.Ş.

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Information related to Operational Risk

The value at operational risk is calculated according to the basic indicator approach and once a year with year-end datas.

	2 PP Amount	1 PP Amount	CP Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	8.819.345	10.210.808	10.771.098	9.933.750	15	1.490.063
Amount at Operational Risk (Total * 12,5)						18.625.782

XII. EXPLANATIONS ON REMUNERATION POLICIES

1. Disclosures related with Remuneration Committee

The Bank's Remuneration Committee is comprised of two board members. The committee has convened for once during the year. The duties and responsibilities of the Committee include the following:

- The scope and structure of the Bank's operations and strategies ensure the effectiveness of a wage policy and wage policy that is consistent with its long-term goals and risk management structures, prevents excessive risk taking and contributes to effective risk management.
- Controls and follows the remuneration practices on behalf of the Board of Directors
- Ensures accordance of ethical values, strategical targets and internal balance of the Bank with the wage policy.
- Evaluates the remuneration policy and its practices in the context of risk management and submits proposals to the Board of Directors.
- Fulfills the other duties specified in the related regulations

The Bank has received consultancy service from a company within the framework of the activities for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Bank's board members, senior management and the Bank personnel deemed to perform the functions having material impact on the Bank's risk profile are considered as critical key personnel; and by the end of 2019, the number of critical key personnel is 45.

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2. Information on the design and structure of remuneration process

The Bank relies on the following values while managing its Remuneration Policy.

- Based on fair and balanced performance targets
- Balance within the Bank in terms of wage application to ensure competitiveness within the sector,
- To increase the efficiency of rewards by emphasizing the concepts of job size, performance and contribution to work,

Remuneration Committee at its meeting in December 2019 has revised the remuneration policy and practices. It has been observed that, total benefits paid to the members of the Bank's Board of Directors, senior management and other staff are in line with the Bank's ethical values, internal balances and strategic objectives in 2019. Regardless of the performance of the units that are audited by internal audit, the benefits of are determined on the basis of the general wage increase rate set by the Bank.

According to the growing and evolving organizational structure of the Bank, the Bank is working with a consulting firm on a project about review of its human resources applications and comparing with other banks in the industry.

3. Evaluation about how the bank's remuneration processes take the current and future risks into account

The Bank follows the Risk Management Principles while implementing the remuneration processes.

4. Evaluation about how the Bank associates variable remunerations with performance

The Bank's variable payments as performance bonuses are mostly made to the personnel working at the branches and Regional Directorships. The paid amounts are not exceed a certain percentage of the monthly fixed fees. No performance premium payments are made to other members of the bank that are considered to have performed a function that has a significant effect on the risk profile of the Bank and the members of the board of directors and senior managers who are designated as critical key personnel but only a dividend payment is made up to twice of the gross monthly salary of all personnel with the decision of the General Assembly of the Bank.

5. Evaluation about the bank's methods to adjust remunerations according to long-term performance

There are no variable remunerations (performance premium, gesture, etc.) to be deferred due to long-term performance for the critical key personnel.

6. Evaluation about the instruments used by the bank for variable remunerations and the purposes of use of such instruments

Cash and non-cash instruments are not used for the payment, wherefore no variable remunerations (performance premium, gesture, etc.) to be deferred due to long-term performance for the critical key personnel.

TÜRKİYE HALK BANKASI A.Ş.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

(1) Cash and Central Bank of the Republic of Turkey:

a) Information on balances with the Central Bank of the Republic of Turkey:

	Current period	
	TRY	FC
Cash and foreign currency	1.370.216	2.295.551
CBRT	1.102.242	29.720.567
Other	-	5
Total	2.472.458	32.016.123

	Prior period	
	TRY	FC
Cash and foreign currency	1.259.602	3.158.262
CBRT	2.723.274	27.815.892
Other	-	20
Total	3.982.876	30.974.174

b) Information on balances with the Central Bank of the Republic of Turkey:

	Current period	
	TRY	FC
Demand unrestricted amount ⁽¹⁾	1.049.181	15.456.782
Time unrestricted amount	-	-
Time restricted amount	-	200.627
Other ⁽²⁾	53.061	14.063.158
Total	1.102.242	29.720.567

⁽¹⁾ Reserve deposits kept in the CBRT.

⁽²⁾ Blocked reserve deposits kept in the CBRT and Central Bank of TRNC.

	Prior period	
	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.470.993	9.347.358
Time unrestricted amount	-	-
Time restricted amount	-	2.259.938
Other ⁽²⁾	252.281	16.208.596
Total	2.723.274	27.815.892

⁽¹⁾ Reserve deposits kept the CBRT of Turkey.

⁽²⁾ Blocked reserve deposits kept in the CBRT and Central Bank of TRNC.

TÜRKİYE HALK BANKASI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks operating in Turkey keep reserve deposits for their TRY liabilities held at TRY, US Dollar, Euro and/or standard gold and/or scrap gold with reserve deposit rates between 1%-7% varied according to their maturity compositions, for their FC liabilities at TRY, US Dollar, Euro and/or standard gold with reserve deposit rates between 5%-21% varied according to their maturity compositions. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to reserves held in TRY.

Starting from 4 September 2019, the interest related to the reserve requirements for banks held at TRY is paid as 1000 basis points for banks whose credit growth rate is at qualified reference interval, and 0 basis points for banks whose credit growth rate is out of the reference interval.

With the change dated 23 January 2015, it has been decided to apply a commission charge as of 1 February 2015 on the daily account balances of the banks denominated in EUR for reserve accounts and two days notice accounts held within CBRT. As of 27 July 2015 commission rates have been announced as zero percent on the CBRT website.

With the change on 2 May 2015 made by the CBRT, execution of interest payments has been started for USD denominated reserve requirements, reserve options and free reserves held at CBRT. The interest rate is set on daily basis within the frame of global and local financial market conditions. The applicable yearly interest rate is 0 percent (announced on 19 September 2019).

With the decision No.1005 dated 14 August 2018 of the TRNC, reserve requirement ratio is between 0,4% and 0,7% for TRY liabilities and for foreign currency liabilities. With the decision No.1072 dated 27 December 2019 of the Central Bank of the TRNC, reserve requirement ratio will be applied between 4,25% to 7,25% for the Turkish currency and foreign currency liabilities as of 31 December 2019.

(2) Financial assets at fair value through profit and loss:

a) Financial assets at fair value through profit and loss blocked/given as collateral:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	2.167.331	-
Total	2.167.331	-
	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	14.374.380	-
Total	14.374.380	-

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

b) Financial assets at fair value through profit and loss subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	13.534.565	-
Total	13.534.565	-
	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	-	15.763
Total	-	15.763

c) Positive differences related to the derivative financial assets at fair value through profit or loss:

	Current Period	
	TRY	FC
Forward transactions	-	53.558
Swap transactions	3.695	1.091.646
Futures transactions	-	-
Options	1	3.134
Other	-	-
Total	3.696	1.148.338
	Prior Period	
	TRY	FC
Forward transactions	-	204.002
Swap transactions	-	857.384
Futures transactions	-	-
Options	9	85
Other	-	-
Total	9	1.061.471

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period	
	TRY	FC
Banks		
Domestic banks	302.313	1.115.022
Foreign banks	205.103	2.128.029
Branches and offices abroad	-	-
Total	507.416	3.243.051

	Prior Period	
	TRY	FC
Banks		
Domestic banks	6.200	2.642.001
Foreign banks	174.715	2.317.827
Branches and offices abroad	-	-
Total	180.915	4.959.828

b) Information on foreign banks:

	Unrestricted Balance	Restricted Balance
	Current Period	Current Period
EU Countries	1.226.105	-
USA and Canada	207.280	-
OECD Countries ⁽¹⁾	176.127	-
Offshore Banking Regions	314	-
Other	723.306	-
Total	2.333.132	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

	Unrestricted Balance	Restricted Balance
	Prior Period	Prior Period
EU Countries	651.847	-
USA and Canada	730.596	-
OECD Countries ⁽¹⁾	180.540	-
Offshore Banking Regions	522	-
Other	929.037	-
Total	2.492.542	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

(4) Information on financial assets at fair value through other comprehensive income:

a) Financial assets at fair value through other comprehensive income blocked/given as collateral or subject to repurchase agreements:

a.1. Information on financial assets at fair value through other comprehensive income blocked/given as collateral:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	-	1.999.958
Total	-	1.999.958

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	432.417	168.246
Total	432.417	168.246

TÜRKİYE HALK BANKASI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

a.2. Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	810.717	-
Total	810.717	-

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	45.539	392.500
Total	45.539	392.500

b. Information on financial assets at fair value through other comprehensive income portfolio:

	Current Period	
	Debt securities	14.026.728
<i>Quoted on a stock exchange</i>	14.026.728	
<i>Not quoted</i>	-	
Share certificates	249.356	
<i>Quoted on a stock exchange</i>	212.757	
<i>Not quoted</i>	36.599	
Impairment provision(-)	17.300	
Total	14.258.784	

	Prior Period	
	Debt securities	3.850.625
<i>Quoted on a stock exchange</i>	3.850.625	
<i>Not quoted</i>	-	
Share certificates	184.939	
<i>Quoted on a stock exchange</i>	151.103	
<i>Not quoted</i>	33.836	
Impairment provision(-)	48.370	
Total	3.987.194	

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(5) Information on loans:

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

	Current period	
	Cash loans	Non-Cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	366.108	-
Total	366.108	-
	Prior period	
	Cash loans	Cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	319.725	-
Total	319.725	-

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b) Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

	Loans and other receivables under close monitoring			
	Standard Loans and Other Receivables	Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables	
Loans and Receivables with Revised Contract Terms			Refinance	
Cash Loans				
Non-specialized loans	215.624.178	12.064.785	57.651	10.170.124
<i>Corporation loans</i>	123.207.279	8.576.888	-	10.156.767
<i>Export loans</i>	14.071.531	280.090	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	3.766.240	1.475.000	-	-
<i>Consumer loan</i>	45.635.453	785.443	57.106	7.386
<i>Credit cards</i>	6.050.341	456.971	545	-
<i>Other</i>	22.893.334	490.393	-	5.971
Specialized lending	47.922.688	1.863.373	-	177
Other receivables	-	-	-	-
Accruals	4.381.263	615.084	1.721	586.976
Total	267.928.129	14.543.242	59.372	10.757.277

c) Distribution of cash loans by maturity structure:

Current Period	Loans under close monitoring		
	Standard Loans	Loans Not Subject to Restructuring	Restructured
Short Term Loans	46.922.783	1.631.425	347.622
Medium and Long Term Loans	221.005.346	12.911.817	10.469.027
Prior Period			
Short Term Loans	47.774.278	1.964.504	459.140
Medium and Long Term Loans	186.064.688	8.116.036	6.167.732

	Standard Loans		Loans Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months Expected Loss Provision	1.303.546	984.741	-	-
Significant Increase in Credit Risk	-	-	1.215.456	1.182.480

It is observed that the increase in the ECL allocated for the stage 1 loans is in parallel with the increase in the credit risk, and the ECL ratio is in line with the prior period.

It is seen that the increase in the ECL reserved for the stage 2 loans is due to the significant increase in the credit risk within the scope of TFRS 9 Standard and the increase in the Bank's close monitoring figures.

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d) Information on consumer loans, individual credit cards, personnel loans and credit cards⁽¹⁾:

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	548.125	44.517.031	45.065.156
<i>Real estate loans</i>	6.865	28.443.572	28.450.437
<i>Automobile loans</i>	4.954	270.544	275.498
<i>Consumer loans</i>	536.306	15.802.915	16.339.221
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	3.672.274	540	3.672.814
<i>Installment</i>	1.373.015	540	1.373.555
<i>Non-installment</i>	2.299.259	-	2.299.259
Individual credit cards-FC	531	-	531
<i>Installment</i>	-	-	-
<i>Non-installment</i>	531	-	531
Personnel loans-TRY	21.068	239.546	260.614
<i>Real estate loans</i>	-	238	238
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	21.068	239.308	260.376
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	105.407	-	105.407
<i>Installment</i>	36.764	-	36.764
<i>Non-installment</i>	68.643	-	68.643
Personnel credit cards-FC	87	-	87
<i>Installment</i>	-	-	-
<i>Non-installment</i>	87	-	87
Overdraft accounts-TRY (Retail customers)	1.159.618	-	1.159.618
Overdraft accounts-FC (Retail customers)	-	-	-
Total	5.507.110	44.757.117	50.264.227

⁽¹⁾ Interest income accruals are not included in the table above.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Prior Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	414.777	38.974.313	39.389.090
<i>Real estate loans</i>	6.689	24.164.588	24.171.277
<i>Automobile loans</i>	2.259	206.044	208.303
<i>Consumer loans</i>	405.829	14.603.681	15.009.510
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	3.472.907	1.457	3.474.364
<i>Installment</i>	1.229.512	1.457	1.230.969
<i>Non-installment</i>	2.243.395	-	2.243.395
Individual credit cards-FC	299	-	299
<i>Installment</i>	-	-	-
<i>Non-installment</i>	299	-	299
Personnel loans-TRY	13.206	217.270	230.476
<i>Real estate loans</i>	-	402	402
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	13.206	216.868	230.074
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	89.185	-	89.185
<i>Installment</i>	30.146	-	30.146
<i>Non-installment</i>	59.039	-	59.039
Personnel credit cards-FC	64	-	64
<i>Installment</i>	-	-	-
<i>Non-installment</i>	64	-	64
Overdraft accounts-TRY (Retail customers)	1.207.349	-	1.207.349
Overdraft accounts-FC (Retail customers)	-	-	-
Total	5.197.787	39.193.040	44.390.827

¹⁾ Interest income accruals and rediscounts are not included in the table above.

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e) Information on commercial installments loans and corporate credit cards⁽¹⁾:

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.028.247	37.237.477	38.265.724
<i>Business premises loans</i>	2.997	624.487	627.484
<i>Automobile loans</i>	32.702	671.338	704.040
<i>Consumer loans</i>	992.548	35.941.652	36.934.200
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	43.082	43.082
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	135	135
<i>Consumer loans</i>	-	42.947	42.947
<i>Other</i>	-	-	-
Commercial installment loans - FC	115.130	18.022.986	18.138.116
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	115.130	18.022.986	18.138.116
<i>Other</i>	-	-	-
Corporate credit cards-TRY	2.728.827	-	2.728.827
<i>Installment</i>	1.035.348	-	1.035.348
<i>Non-installment</i>	1.693.479	-	1.693.479
Corporate credit cards-FC	191	-	191
<i>Installment</i>	-	-	-
<i>Non-installment</i>	191	-	191
Overdraft accounts-TRY (Commercial customers)	2.227.970	-	2.227.970
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	6.100.365	55.303.545	61.403.910

⁽¹⁾ Interest and income accruals and rediscounts are not included in table above.

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Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.018.833	26.689.452	27.708.285
<i>Business premises loans</i>	-	601.301	601.301
<i>Automobile loans</i>	13.787	411.033	424.820
<i>Consumer loans</i>	1.005.046	25.677.118	26.682.164
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	142	119.221	119.363
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	1.233	1.233
<i>Consumer loans</i>	142	117.988	118.130
<i>Other</i>	-	-	-
Commercial installment loans - FC	166.857	16.554.597	16.721.454
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	166.857	16.554.597	16.721.454
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.833.272	-	1.833.272
<i>Installment</i>	598.184	-	598.184
<i>Non-installment</i>	1.235.088	-	1.235.088
Corporate credit cards-FC	45	-	45
<i>Installment</i>	-	-	-
<i>Non-installment</i>	45	-	45
Overdraft accounts-TRY (Commercial customers)	2.572.296	-	2.572.296
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	5.591.445	43.363.270	48.954.715

⁰ Interest and income accruals and rediscounts are not included in table above.

f) Loans by customers:

	Current Period
Public	6.759.394
Private	286.528.626
Total	293.288.020
	Prior Period
Public	7.277.485
Private	243.268.893
Total	250.546.378

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g) Domestic and foreign loans⁽¹⁾:

	Current Period
Domestic loans	290.726.869
Foreign loans	2.561.151
Total	293.288.020
	Prior Period
Domestic loans	248.491.859
Foreign loans	2.054.519
Total	250.546.378

⁽¹⁾ Non-performing loans balance is not included in the table above.

h) Loans granted to subsidiaries and associates:

	Current Period
Direct loans granted to subsidiaries and associates	2.331.642
Indirect loans granted to subsidiaries and associates	-
Total	2.331.642
	Prior Period
Direct loans granted to subsidiaries and associates	1.377.511
Indirect loans granted to subsidiaries and associates	-
Total	1.377.511

i) Specific provisions related to loans or credit-impaired losses (Stage III):

	Current Period
Loans and receivables with limited collectability	1.044.059
Loans and receivables with doubtful collectability	2.001.698
Uncollectible loans and receivables	5.836.905
Total	8.882.662
	Prior Period
Loans and receivables with limited collectability	689.818
Loans and receivables with doubtful collectability	585.798
Uncollectible loans and receivables	5.007.676
Total	6.283.292

The reasons of increase in the expected loss provision for the Bank's Stage 3 loans are additions to non-performing loan portfolio and increasing loss given default ratio after initial transferring date to non-performing loan portfolio.

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i) Information on non-performing loans (Net):

i.1. Information on non-performing loans and restructured loans:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period			
Gross amounts before the specific provisions	134.442	95.916	1.331.355
Rescheduled loans and other receivables	134.442	95.916	1.331.355
Prior period			
Gross amounts before the specific provisions	61.786	67.344	1.258.926
Rescheduled loans and other receivables	61.786	67.344	1.258.926

i.2. Information on the movement of non-performing loans:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current Period			
Prior period end balance	1.533.724	1.165.570	5.828.554
Additions (+)	7.381.579	869.005	865.958
Transfers from other categories of loans under follow-up (+)	-	5.559.337	2.681.892
Transfers to other categories of loans under follow-up (-)	5.662.391	2.578.838	-
Collections (-)	441.533	506.189	776.587
Write-offs (-)	-	-	-
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	2.811.379	4.508.885	8.599.817
Provision (-)	1.044.059	2.001.698	5.836.905
Net balance on balance sheet	1.767.320	2.507.187	2.762.912

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	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior Period			
Prior period end balance	612.816	733.233	4.760.548
Additions (+)	3.100.698	49.970	118.529
Transfers from other categories of loans under follow-up (+)	-	1.903.093	1.519.906
Transfers to other categories of loans under follow-up (-)	1.946.251	1.476.748	-
Collections (-)	345.930	228.886	569.351
Write-offs (-)	-	-	-
Sold (-)	-	-	72.258
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	112.391	184.908	71.180
Current period end balance	1.533.724	1.165.570	5.828.554
Provision (-)	689.818	585.798	5.007.676
Net balance on balance sheet	843.906	579.772	820.878

j.3. Information on foreign currency non-performing loans and other receivables:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period			
Balance at the end of the period	532.183	1.405.092	2.570.885
Provisions(-)	219.456	838.579	1.456.665
Net balance in the balance sheet	312.727	566.513	1.114.220

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period			
Balance at the end of the period	415.553	199.312	2.004.432
Provisions(-)	212.465	133.080	1.829.189
Net balance in the balance sheet	203.088	66.232	175.243

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j.4. Gross and net amounts of non-performing loans according to user groups:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	1.767.320	2.507.187	2.762.912
Loans to granted real persons and legal entities (Gross)	2.811.379	4.508.885	8.599.817
Provisions (-)	1.044.059	2.001.698	5.836.905
Loans to granted real persons and legal entities (Net)	1.767.320	2.507.187	2.762.912
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	843.906	579.772	820.878
Loans to granted real persons and legal entities (Gross)	1.533.724	1.165.570	5.828.554
Specific provisions (-)	689.818	585.798	5.007.676
Loans to granted real persons and legal entities (Net)	843.906	579.772	820.878
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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k) Information on interest accruals, discounts and valuation differences calculated for non- performing loans and their provisions:

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	178.370	480.875	276.465
Interest Accruals and Valuation Differences	297.156	919.194	768.213
Provision (-)	118.786	438.319	491.748
Prior Period (Net)	59.079	83.006	26.980
Interest Accruals and Valuation Differences	112.391	184.908	71.180
Provision (-)	53.312	101.902	44.200

l) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

The Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and principle receivables from loans.

m) Explanations on write-off policy:

As per the provisions of TFRS 9 Financial Instruments Standard and the Provisions Communique of the BRSA dated 27 November 2019, banks are allowed to derecognize the portion of the loans under follow-up in loan Group 5 which no reasonable expectation remains.

With respect to this, no follow-up loan was derecognised yet in the current period on the grounds that there was no reasonable expectation of the Bank.

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(6) Information on financial assets measured at amortised cost:

a) Information on financial assets measured at amortised cost blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Financial assets measured at amortised cost investments blocked/given as collateral:

	Current Period	
	TRY	FC
Bills	-	-
Government bonds and similar securities	3.044.934	9.849.904
Total	3.044.934	9.849.904

	Prior Period	
	TRY	FC
Bills	-	-
Government bonds and similar securities	37195.684	2.464.985
Total	37.195.684	2.464.985

a.2. Financial assets measured at amortised cost investments subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	35.754.611	4.806.422
Total	35.754.611	4.806.422

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	2.194.216	8.214.062
Total	2.194.216	8.214.062

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b) Information on public sector debt investments financial assets measured at amortised cost:

	Current Period
Government bonds	72.004.446
Treasury bills	-
Other public sector debt securities	153.396
Total	72.157.842

Information on public sector debt investments:

	Prior Period
Government bonds	56.006.929
Treasury bills	-
Other public sector debt securities	15.610
Total	56.022.539

c) Information on financial assets measured at amortised cost:

	Current Period
Debt securities	72.208.355
<i>Quoted on a stock exchange</i>	72.208.355
<i>Not quoted</i>	-
Impairment provision (-)	-
Total	72.208.355

	Prior Period
Debt securities	56.073.053
<i>Quoted on a stock exchange</i>	56.073.053
<i>Not quoted</i>	-
Impairment provision (-)	-
Total	56.073.053

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d) Movement of financial assets measured at amortised cost within the year:

	Current Period
Beginning balance	56.073.053
Foreign currency differences on monetary assets	1.415.732
Purchases during the year ⁽¹⁾	18.543.355
Disposals through sales and redemptions	(3.823.785)
Impairment provision (-)	-
Balance at the end of the period	72.208.355

Movement of held-to-maturity investments within the year:

	Prior Period
Beginning balance	21.727.169
Foreign currency differences on monetary assets	1.974.143
Purchases during the year ⁽¹⁾	36.157.157
Disposals through sales and redemptions	(3.785.416)
Impairment provision (-)	-
Balance at the end of the period	56.073.053

⁽¹⁾ Interest income accrual differences between 31 December 2019 amounting to TRY 9.631.831 and 31 December 2018 amounting to TRY 7.458.586 has been included in purchases row.

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demir-Halkbank NV ⁽¹⁾	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ ⁽¹⁾	Ankara/Turkey	31,47	33,12
3. Türk P ve I Sigorta AŞ ⁽¹⁾	Istanbul/Turkey	16,67	16,67
4. Kredi Kayıt Bürosu AŞ ⁽²⁾	Istanbul/Turkey	18,18	18,18
5. Bankalararası Kart Merkezi AŞ ⁽³⁾	Istanbul/Turkey	18,95	18,95
6. Platform Ortak Kartlı Sistemler A.Ş.	Istanbul/Turkey	33,33	33,33

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b) Information related to the associates as shown in (a) ⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽⁴⁾
1.	10.266.337	1.589.934	27.285	347.963	2.141	101.743	84.803	482.671
2.	53.950	53.147	29	5.534	-	3.088	1.659	-
3.	80.919	26.555	1.699	1.680	-	12.255	3.891	-
4.	332.447	174.875	192.972	12.387	-	11.378	41.206	-
5.	151.277	91.498	70.414	5.591	-	26.624	15.953	-
6.	5.250	5.250	-	-	-	-	-	-

⁽¹⁾ The financial data is obtained from 31 December 2019 financial statements used in consolidation.

⁽²⁾ Financial information of Kredi Kayıt Bürosu AŞ. is obtained from audited financial statements as of 31 December 2019.

⁽³⁾ Financial information of Bankalararası Kart Merkezi AŞ. is obtained from audited financial statements as of 31 December 2019.

⁽⁴⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 December 2019.

c) Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	438.318	332.792
Movements during the period	69.468	105.526
<i>Purchases</i>	1.750	375
<i>Bonus shares obtained profit from current year's share</i>	875	3.032
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfers</i>	-	-
<i>Revaluation decrease (-) / increase</i>	66.843	102.119
<i>Impairment provisions (-)/ reversals</i>	-	-
Balance at the end of the period	507.786	438.318
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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d) Sectorial information and related carrying amounts of associates:

	Current Period
Banks	482.671
Insurance companies	2.495
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	11.102
	Prior Period
Banks	415.828
Insurance companies	1.620
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	9.352

e) Associates quoted on a stock exchange:

None.

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(8) Information on subsidiaries (Net):

a) Information on subsidiaries⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
CORE CAPITAL									
Paid in Capital	104.000	349.000	412.000	928.000	323.000	452.226	96.000	213.395	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-
Share premium	-	134	-	49.945	-	11.633	-	99.004	-
Reserves	23.490	26.973	131.559	66.857	14.959	287.031	15.008	296.936	622
Other Comprehensive Income according to TAS	10.535	-	-	858.140	-	6.830	10	37.830	-
Profit / Loss	86.307	223.157	386.680	54.977	(74.240)	63.466	65.091	24.200	1.070
Net Profit	86.307	288.393	362.146	54.977	47.980	58.989	45.115	24.200	845
Prior Period Profit/Loss	-	(65.236)	24.534	-	(122.220)	4.477	19.976	-	225
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	-	-	-	-	-	-	-	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	642	1.299	24	95	613	-	-	-
Leasehold Improvements (-)	-	-	419	2.726	-	9.497	-	6.523	-
Intangible Assets (-)	1.424	4.789	3.128	306	1.679	8.530	1.060	15.023	3
Total Core Capital	222.908	593.833	925.393	1.954.863	261.945	802.546	175.049	649.819	1.789
SUPPLEMENTARY CAPITAL	-	-	-	-	39.593	13.011	27.156	7.749	-
CAPITAL	222.908	593.833	925.393	1.954.863	301.538	815.557	202.205	657.568	1.789
NET AVAILABLE CAPITAL	222.908	593.833	925.393	1.954.863	301.538	815.557	202.205	657.568	1.789

⁽¹⁾ The information is presented from companies' financial statements as of 31 December 2019.

There is no internal capital adequacy assessment approach for the subsidiaries.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items.

Extraordinary reserves are the status reserves which have been appropriated with the General Assembly decision after distributable profit have been transferred to legal reserves.

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Legal reserves are the status reserves which have been appropriated from distributable profit in accordance with the related clauses of Turkish Commercial Code no. 6102.

b) Information on subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,96	100,00
2. Halk Sigorta AŞ	Istanbul	89,18	95,32
3. Halk Hayat ve Emeklilik AŞ	Istanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ ^{(2) (3)}	Istanbul	79,33	79,36
5. Halk Finansal Kiralama AŞ	Istanbul	100,00	100,00
6. Halk Banka AD, Skopje	Macedonia	99,29	99,29
7. Halk Faktoring AŞ	Istanbul	97,50	100,00
8. Halkbank A.D. Beograd	Serbia	100,00	100,00
9. Halk Varlık Kiralama AŞ	Istanbul	100,00	100,00
10. Bileşim Alternatif Dağıtım Kanalları AŞ	Istanbul	100,00	100,00

c) Information related to the subsidiaries as shown in (b) ⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair Value
1.	404.668	224.332	9.226	108.145	6.424	86.307	57.733	294.882
2.	3.068.007	598.622	15.856	377.510	55.599	288.393	145.122	576.996
3.	1.671.977	928.940	12.215	246.684	25.202	362.146	305.840	2.000.000
4.	2.392.407	1.931.733	1.562.697	3.704	-	54.977	83.202	814.812
5.	3.142.488	263.624	4.264	325.847	-	47.980	(112.634)	385.000
6.	5.953.954	820.573	130.412	203.672	12.822	58.989	54.688	818.264
7.	2.131.919	176.109	2.281	340.024	-	45.115	67.679	231.075
8.	3.892.380	671.365	88.136	129.366	17.263	24.200	15.697	610.948
9.	1.651.782	1.792	3	-	-	845	837	2.900
10.	79.045	49.587	11.607	7.463	-	13.252	11.542	84.000

⁽¹⁾ The financial data is obtained from 31 December 2019 financial statements used in consolidation.

⁽²⁾ Halk Gayrimenkul Yatırım Ortaklığı AŞ is valued at stock price.

⁽³⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.

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d) Movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	4.332.481	3.626.708
Movements during the period	(1.090.600)	705.773
<i>Purchase⁽¹⁾</i>	89.974	310.098
<i>Bonus shares obtained profit from current year's share</i>	171.789	266.211
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer⁽²⁾</i>	(2.576.996)	(39.375)
<i>Revaluation Increase/Decrease</i>	1.039.403	330.466
<i>Impairment Provisions (-)/ Reversals</i>	185.230	(161.627)
Balance at the end of the period	3.241.881	4.332.481
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ Between 1 January – 31 March 2019, The Bank paid TRY 89.974 for 0,13% shares of Halkbank A.D., Skopje, which is located in Northern Macedonia and increased its shares to 99,29%.

⁽²⁾ The Bank classified Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ as assets held for sale in the current period which were classified as subsidiaries in the previous period.

e) Sectorial information on subsidiaries and the related carrying amounts:

	Current Period
Banks	1.429.212
Insurance companies	-
Factoring companies	231.075
Leasing companies	385.000
Financing companies	-
Other financial subsidiaries	1.112.594
Other non-financial subsidiaries	84.000

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	Prior Period
Banks	987.369
Insurance companies	2.018.425
Factoring companies	138.296
Leasing companies	469.551
Financing companies	-
Other financial subsidiaries	661.694
Other non-financial subsidiaries	57.146

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period
Quoted to domestic stock ⁽¹⁾	814.812	925.185
Quoted foreign stock exchange	-	-

⁽¹⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

⁽²⁾ According to the Capital Markets Board Communiqué on "Principles Regarding the CMB Registration and Sale of Shares", Series: I, No:40, shares of Halk Sigorta AŞ is traded on the Pre-Market Trading Platform of Borsa İstanbul A.Ş. Due to the lack of transaction depth of Halk Sigorta AŞ in the Pre-Market Trading Platform market, its fair value was determined by the valuation report prepared by the independent valuation firm.

(9) Information on jointly controlled entities (joint ventures):

None.

(10) Information on finance lease receivables (Net):

None.

(11) Information on derivative financial assets for hedging purposes:

None.

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(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Revaluation Increase	Disposals (-)	Transfer	Balance at the end of the period
Cost:						
Immovable	1.686.166	35.131	88.201	13.486	-	1.796.012
Tangible assets purchased through financial lease	25.302	-	-	1191	-	24.111
TFRS 16	-	934.625	-	200.527	-	734.098
Office machines	648.170	215.220	-	48.084	-	815.306
Fixed assets obtained due to non-performing loans	1.232.222	4.039.812	-	388.870	-	4.883.164
Lease hold improvements costs	163.307	39.496	-	-	-	202.803
Other	292.226	20.018	-	3.404	-	308.840
Total Cost	4.047.393	5.284.302	88.201	655.562	-	8.764.334
Accumulated depreciation (-)						
Immovable	150.586	7.216	32.911	2.135	-	188.578
Tangible assets purchased through financial lease	24.731	-	-	773	-	23.958
TFRS 16	-	199.761	-	30.455	-	169.306
Office machines	367.117	93.963	-	15.032	-	446.048
Fixed assets obtained due to non-performing loans	19.106	12.880	-	9.461	-	22.525
Lease hold improvements costs	96.162	29.652	-	2.410	-	123.404
Other	229.780	18.911	-	7.056	-	241.635
Total Accumulated Depreciation	887.482	362.383	32.911	67.322	-	1.215.454
Provision for impairment (-)						
Immovable	4.635	-	2.036	-	-	6.671
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	7.362	-	-	2.399	-	4.963
Total provision for impairment (-)	11.997	-	2.036	2.399	-	11.634
Net Book Value	3.147.914	4.921.919	53.254	585.841	-	7.537.246

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Prior Period	Balance at the end of the prior period	Additions	Revaluation Increase	Disposals (-)	Transfer	Balance at the end of the period
Cost:						
Immovable	1.594.694	21.763	80.959	11.250	-	1.686.166
Tangible assets purchased through financial lease	26.581	94	-	1.373	-	25.302
Office machines	556.055	171.341	-	79.226	-	648.170
Fixed assets obtained due to non-performing loans	743.604	674.608	-	181.237	4.753	1.232.222
Lease hold improvements costs	128.769	34.828	-	290	-	163.307
Other	292.011	22.747	-	22.532	-	292.226
Total Cost	3.341.714	925.381	80.959	295.908	4.753	4.047.393
Accumulated depreciation (-)						
Immovable	131.778	6.810	12.463	465	-	150.586
Tangible assets purchased through financial lease	25.893	228	-	1.390	-	24.731
Office machines	308.118	81.282	-	22.283	-	367.117
Fixed assets obtained due to non-performing loans	16.224	8.141	-	5.259	-	19.106
Lease hold improvements costs	72.983	24.855	-	1.676	-	96.162
Other	237.074	15.117	-	22.411	-	229.780
Total accumulated depreciation	792.070	136.433	12.463	53.484	-	887.482
Provision for impairment (-)						
Immovable	4.248	-	387	-	-	4.635
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	9.617	-	-	2.255	-	7.362
Total provision for impairment (-)	13.865	-	387	2.255	-	11.997
Net Book Value	2.535.779	788.948	68.109	240.169	4.753	3.147.914

(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Additions	Disposals(-)	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	264.711	63.798	518	-	327.991
Total Cost	264.711	63.798	518	-	327.991
Accumulated Depreciation (-)					
Other intangible assets	124.461	41.486	9	-	165.938
Total Accumulated Depreciation	124.461	41.486	9	-	165.938
Net Book Value	140.250	22.312	509	-	162.053

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Prior Period	Balance at the end of the prior period	Additions	Disposals (-)	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	217.375	48.665	1.329	-	264.711
Total Cost	217.375	48.665	1.329	-	264.711
Accumulated Depreciation (-) :					
Other intangible assets	103.690	48.078	27.307	-	124.461
Total Accumulated Depreciation	103.690	48.078	27.307	-	124.461
Net Book Value	113.685	587	(25.978)	-	140.250

(14) Information on investment property:

	Current Period	Prior Period
Cost:		
Opening Balance	432.347	430.845
Acquisitions	2.417	1.502
Transfer	-	-
Disposals	-	-
Impairment Charge/Reversal	-	-
Ending Balance	434.764	432.347
Accumulated Depreciation (-)		
Opening Balance	75.499	72.271
Amortization Charge	3.238	3.228
Transfer	-	-
Disposals	-	-
Impairment Provisions	-	-
Total Accumulated Depreciation (-)	78.737	75.499
Net Book Value	356.027	356.848

(15) Information on tax assets:

Please refer to Section 5, explanations related to the liabilities footnote 10.

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(16) Information on assets held for sale and held from discontinued operations:

	Current Period ^{(1)(*)}	Prior Period
Cost	2.576.996	39.377
Accumulated Depreciation (-)	-	-
Net book value	2.576.996	39.377
Prior Period Closing Balance	39.377	-
Acquisitions	145.599	39.377
Transfer (net)	2.431.395	-
Disposals (net)	(39.375)	-
Revaluation Increase	-	-
Impairment/Reversal	-	-
Depreciation	-	-
Closing net book value	2.576.996	39.377

⁽¹⁾ In the current period, the Bank has classified Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ as assets held for sale within the scope of TFRS 5 Non-current Assets Held for Sale and Discontinued Operations which was classified as subsidiaries in the prior period.

^(*) In the current period, the Bank has classified the shares of Ojer Telekomünikasyon A.Ş. as Financial Asset at Fair Value through Profit Loss within the scope of TFRS 5 Standard for Non-current Assets Held for Sale and Discontinued Operations which was classified as Non Current Assets Held For Sale in the prior period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 2.751.529 and does not exceed 10% of the balance sheet total (31 December 2018: TRY 3.643.082).

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II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits / funds collected:

a) Information on deposit / funds collected:

Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	9.219.590	-	2.990.893	46.343.141	5.295.377	765.203	3.417.350	102.285	68.133.839
Foreign currency deposits	19.029.911	-	6.323.568	70.793.906	5.361.546	2.648.088	6.010.371	10.473	110.177.863
Residents in Turkey	15.608.398	-	5.622.229	64.590.897	4.877.379	1.719.671	3.585.841	9.997	96.014.412
Residents abroad	3.421.513	-	701.339	6.203.009	484.167	928.417	2.424.530	476	14.163.451
Public sector deposits	2.909.252	-	3.985.750	3.029.023	395.542	232.072	7.988	-	10.559.627
Commercial inst. deposits	8.266.663	-	18.452.836	25.788.432	1.233.091	434.244	3.176.049	-	57.351.315
Other inst. deposits	1.046.700	-	674.832	8.370.166	2.934.724	865.690	2.681.793	-	16.573.905
Precious metals	6.004.651	-	12.691	1.032.628	185.750	41.060	64.655	-	7.341.435
Interbank deposits	5.961.576	-	8.686.477	12.676.637	265.123	6.379	-	-	27.596.192
CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	102.686	-	4.873.617	8.447.885	-	6.379	-	-	13.430.567
Foreign banks	5.830.054	-	256.737	3.607.708	-	-	-	-	9.694.499
Participation banks	28.836	-	3.556.123	621.044	265.123	-	-	-	4.471.126
Total	52.438.343	-	41.127.047	168.033.933	15.671.153	4.992.736	15.358.206	112.758	297.734.176

Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.742.100	-	1.948.028	45.655.985	4.207.981	2.061.570	792.495	101.935	61.510.094
Foreign currency deposits	13.245.040	-	7.574.582	53.656.357	7.229.616	2.473.782	6.122.732	11.268	90.313.377
Residents in Turkey	11.173.107	-	6.767.449	50.285.363	6.849.844	1.790.411	3.681.216	10.784	80.558.174
Residents abroad	2.071.933	-	807.133	3.370.994	379.772	683.371	2.441.516	484	9.755.203
Public sector deposits	2.920.272	-	2.293.652	3.890.644	1.257.655	1.186.540	16.715	-	11.565.478
Commercial inst. deposits	5.017.840	-	10.189.875	19.475.304	2.147.885	2.213.406	277.424	-	39.321.734
Other inst. deposits	736.010	-	344.876	5.478.120	2.459.517	2.055.496	571.269	-	11.645.288
Precious metals	3.132.484	-	1.446	353.335	16.328	22.150	32.098	-	3.557.841
Interbank deposits	20.729.135	-	877.735	9.019.200	177.010	4.116	134.246	-	30.941.442
CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	116.071	-	370.153	6.526.936	17.765	4.116	6.247	-	7.041.288
Foreign banks	20.120.093	-	32.606	2.173.434	-	-	127.999	-	22.454.132
Participation banks	492.971	-	474.976	318.830	159.245	-	-	-	1.446.022
Total	52.522.881	-	23.230.194	137.528.945	17.495.992	10.017.060	7.946.979	113.203	248.855.254

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b) Information on saving deposits in the scope of Saving Deposits Insurance Fund:

b.1. Amounts exceeding insurance limit:

b.1.1. Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit:

Saving deposits	Under the guarantee insurance	Exceeding the insurance limit
	Current Period	Current Period
Saving deposits	36.907.556	29.259.703
Foreign currency saving deposits	18.785.110	10.687.058
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	311.411	349.453
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

Saving deposits	Under the guarantee insurance	Exceeding the insurance limit
	Prior Period	Prior Period
Saving deposits	30.985.259	32.011.973
Foreign currency saving deposits	39.155.466	32.319.474
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign branches' saving deposits and other accounts	225.517	215.452
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	3.188	3.066
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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(2) Information on derivative financial liabilities:

Negative differences table related to the derivative financial liabilities:

	Current Period	
	TRY	FC
Forward transactions	-	26.993
Swap transactions	51	323.519
Future transactions	-	-
Options	283	2.872
Other	-	-
Total	334	353.384

	Prior Period	
	TRY	FC
Forward transactions	-	98.286
Swap transactions	-	302.162
Future transactions	-	-
Options	16	9.974
Other	-	-
Total	16	410.422

(3) Information on funds borrowed:

a) Information on Banks and other financial institutions:

	Current Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	530.197	1.969.879
Foreign banks, institutions and funds	-	8.516.765
Total	530.197	10.486.644

	Prior Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	372.398	1.456.532
Foreign banks, institutions and funds	-	10.087.097
Total	372.398	11.543.629

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b) Maturity structure of funds borrowed:

	Current Period	
	TRY	FC
Short-term	529.866	726.701
Medium and long-term	331	9.759.943
Total	530.197	10.486.644

	Prior Period	
	TRY	FC
Short-term	372.030	1.802.519
Medium and long-term	368	9.741.110
Total	372.398	11.543.629

c) Additional disclosures related to the concentrations of the Bank's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Bank is deposits, which is composed of 22,88% of saving deposits and 37,01% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Technology especially for constructing small industrial estates and organized industrial estates.

The Bank's 49,79% of bank deposits and 43,50% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued:

	Current Period	
	TRY	FC
Bills	4.682.528	-
Treasury Bonds	1.384.736	10.512.530
Assets Backed Securities	1.011.493	-
Total	7.078.757	10.512.530

	Prior Period	
	TRY	FC
Bills	2.011.697	-
Treasury Bonds	-	12.024.839
Assets Backed Securities	1.011.442	-
Total	3.023.139	12.024.839

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(5) Explanations on the funds:

Funds are granted as loans in conformity with the protocols between the Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under Secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

Maturity structure of funds:

	Current Period	Prior Period
Short Term	1.135	1.080
Long Term	3.207.869	2.873.041
Total	3.209.004	2.874.121

(6) Information on other liabilities:

Other liabilities balance does not exceed 10% of the balance sheet total. (31 December 2018: Other liabilities balance does not exceed 10% of the balance sheet total).

(7) Information on finance lease payables (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the related accounting standards.

b) Explanation on finance lease payables:

None.

c) Explanations on operational leases:

Current Period	Gross	Net
Up to 1 year	46.461	41.583
1 - 4 years	200.231	165.000
More than 4 years	630.661	373.342
Total	877.353	579.925

(8) Information on derivative financial liabilities for hedging purposes:

None.

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(9) Explanations on provisions:

a) Information on general provisions:

As of 31 December 2019 the Bank does not have a provision amount of the currency differences on foreign currency indexed loans and finance lease receivables (31 December 2018: None).

b) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2019, the Bank's specific provision for unindemnified non-cash loans balance is TRY 114.712 (31 December 2018: TRY 169.363).

c) Information on other provisions:

Total other provision balance amounting to TRY 557.583 (31 December 2018: TRY 966.686) consists of TRY 114.712 (31 December 2018: TRY 169.363) for specific provisions of unindemnified and unfunded non cash loans, TRY 172.593 (31 December 2018: 196.831) for expected loss amount of non-cash loans, TRY 76.714 (31 December 2018: TRY 115.020) for legal cases filed against the Bank, and TRY 193.564 (31 December 2018: TRY 71.472) of other provisions. (General provisions for 31 December 2018: TRY 414.000).

d) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2019 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Inflation Rate	8,20%	12,00%
Discount Rate	12,10%	16,30%
Estimated Real Wage Growth Rate	8,40%	12,20%

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	507.885	461.909
Charge for the year	50.542	45.877
Interest Expense	81.763	56.068
Actuarial gain/loss	83.464	(23.872)
Prior period service cost composed current period	1.618	-
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	5.875	3.288
Benefits paid within the period (-)	(42.802)	(35.385)
Total	688.345	507.885

TÜRKİYE HALK BANKASI A.Ş.

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e) Liabilities for employee benefits:

As of 31 December 2019, unused vacation accruals are TRY 133.654, personnel dividend provision is TRY 255.877, severance indemnity provision for Bank personnel is TRY 688.345 and severance indemnity provision for outsourcing firms is TRY 27.895 (31 December 2018: TRY 103.077 for unused vacation accruals; TRY 507.885 for severance indemnity provision for Bank personnel; TRY 20.161 for severance indemnity provision for outsources; TRY 256.105 for personnel dividend provision).

The Bank accounts for actuarial gains / losses under equity commencing from 1 January 2013.

f) Liabilities arising from retirement benefits:

f.1. Liabilities of pension funds founded as per the Social Security Institution:

None.

f.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees:

Based on the results of the actuarial reports prepared as of 31 December 2019, it was determined that there is no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı and T.C. Ziraat Bankası ve Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

The above mentioned actuarial review, which was made in accordance with the principles of the related law, measures the present value of the liability as of 31 December 2019, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. Actuarial assumptions used in the calculation are given below.

Assumptions	Current Period	Prior Period
Discount Rate	9,8%	9,8%
Mortality Rate	CSO 1980 women/men	CSO 1980 women/men

Some of the Bank's personnel are the members of T. Halk Bankası Çalışanları Emekli Sandığı Vakfı, ("Fund") which was established by 20th provisional article of Social Security Law numbered 506. As of 31 December 2019, the number of personnel who benefit from the Fund is 36.625 (31 December 2018: 36.012).

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Below table shows the present values of premiums and salary payments as of 31 December 2019, by taking into account the health expenses within the Social Security Institution limits.

Transferable Pension and Medical Benefits:	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(3.113.389)	(2.561.914)
Net Present Value of Long Term Insurance Line Premiums	3.321.573	2.944.078
Net Present Value of Total Liabilities Other Than Health	208.184	382.164
Net Present Value of Health Liabilities	(659.388)	(538.003)
Net Present Value of Health Premiums	2.075.379	1.839.474
Net Present Value of Health Liabilities	1.415.991	1.301.471
Pension Fund Assets	3.304.716	2.469.532
General Administration Expenses (1%)	(37.728)	(30.999)
Amount of Actuarial and Technical Deficit	4.891.163	4.122.168

Plan assets are comprised as follows:

Total Assets	Current Period	Prior Period
Banks	1.890.018	1.386.529
Marketable Securities	1.136.573	908.197
Property and Equipment	104.141	112.560
Other	173.984	62.246
Total	3.304.716	2.469.532

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follows:

Change in Assumptions (%)

Assumptions	Pension Benefits	Death Benefits	Medical Benefits	Total
Discount rate +1	<(%0,0)	(%19,0)	(%18,3)	(%18,3)
Discount rate -1	<(%0,0)	%25,9	%24,8	%24,8
Inflation rate +1	<(%0,0)	%26,2	%31,0	%31,0
Inflation rate -1	<(%0,0)	(%19,3)	(%21,9)	(%21,9)

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a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2019, the Bank's calculated current tax asset is amounting to TRY 422.949 and recognized under corporate tax provision account as of the mentioned date.

a.2. Information on taxes payable:

	Current Period
Corporate tax payable	422.949
Income on securities tax	625.775
Property income tax	2.199
Banking and insurance transactions tax (BITT)	158.774
Foreign exchange transactions tax	4.360
Value added tax payable	-
Other	44.915
Total	1.258.972
	Prior Period
Corporate tax payable	-
Income on securities tax	419.083
Property income tax	1.879
Banking and insurance transactions tax (BITT)	172.999
Foreign exchange transactions tax	13
Value added tax payable	-
Other	42.750
Total	636.724

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a.3. Information on premiums:

	Current Period
Social insurance premiums-employee	22
Social insurance premiums-employer	28
Bank social aid pension fund premium-employee	14.605
Bank social aid pension fund premium-employer	21.370
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	1.057
Unemployment insurance-employer	2.083
Other	349
Total	39.514
	Prior Period
Social insurance premiums-employee	20
Social insurance premiums-employer	25
Bank social aid pension fund premium-employee	12.674
Bank social aid pension fund premium-employer	17.609
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	922
Unemployment insurance-employer	1.805
Other	230
Total	33.285

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b) Information deferred tax liability:

	Current Period
Deferred Tax Asset / (Liability)	
Provisions ⁽¹⁾	843.555
Revaluation of Financial Assets	(736.461)
Other	(416.955)
Deferred Tax Liability:	(309.861)
Deferred tax accounted in shareholders' equity	(203.421)
Fair value through other comprehensive income arising from securities' internal efficiency-stock market difference	(66.750)
Actuarial gains/losses	14.965
Property Revaluation	(151.636)

⁽¹⁾ Provisions are comprised of the employee termination benefits and other provisions.

	Prior Period
Deferred Tax Asset / (Liability)	
Provisions ⁽¹⁾	753.154
Revaluation of Financial Assets	(1.634.098)
Other	428.175
Deferred Tax Liability:	(452.769)
Deferred tax accounted in shareholders' equity	(158.766)
Fair value through other comprehensive income arising from securities' internal efficiency-stock market difference	(9.180)
Actuarial gains/losses	(2.386)
Property Revaluation	(147.200)

⁽¹⁾ Provisions are comprised of the employee termination benefits and other provisions.

(11) Information on liabilities regarding assets held for sale and discontinued operations:

None.

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(12) Explanations on the number of subordinated loans the Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

Information on Subordinated Loans	Current Period		Prior Period	
	TRY	FC	TRY	FC
To be included in the calculation of additional capital borrowings instruments	-	6.146.988	-	-
Subordinated loans	-	6.146.988	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.037.858	-	6.182.084	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.037.858	-	6.182.084	-
Total	6.037.858	6.146.988	6.182.084	-

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

There is an application of registered capital system and registered capital ceiling amount is TRY 7.500.000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

d) Information on additions from capital reserves to capital in the current period:

None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

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f) Information on the Bank's acquired shares:

The Bank has repurchased shares amounting to TRY 262.384 within the scope of the Board of Directors' decision dated 29 August 2018.

g) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The Bank has sustainable profitability and equity structure. There are no uncertainties that would impact the current position.

h) Information on preferred shares:

None.

i) Information on marketable securities revaluation fund:

	Current Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	2.337.040	512.845
Valuation differences	2.337.040	512.845
Exchange rate difference	-	-
Financial assets at fair value through other comprehensive income	342.755	(121.133)
Valuation differences	342.755	(115.287)
Exchange rate difference	-	(5.846)
Total	2.679.795	391.712

	Prior Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.404.394	291.471
Valuation differences	1.404.394	291.471
Exchange rate difference	-	-
Financial assets available for sale	(24.601)	(167.172)
Valuation differences	(24.601)	(165.718)
Exchange rate difference	-	(1.454)
Total	1.379.793	124.299

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j) Legal Reserves

	Current Period	Prior Period
I. Legal Reserve	1.392.459	1.270.414
II. Legal Reserve	585.488	585.488
Special Reserves	12.408	8.364
Share Buyback Reserve Fund	262.384	-
	2.252.739	1.864.266

k) Extraordinary Reserves:

	Current Period	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	21.401.704	18.563.848
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital (-)	-	-
Total	21.401.704	18.563.848

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period	Prior Period
Commitments for credit card expenditure limits	16.709.743	12.674.648
Payment commitments for cheques	3.219.679	2.661.413
Loan granting commitments	3.061.215	4.611.884
Forward asset purchase and sale commitments	2.232.623	2.036.669
Forward deposit purchase and sale commitments	-	-
Commitments for credit cards and banking services promotions	24.943	31.409
Tax and fund liabilities from export commitments	83.156	65.280
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	4.172.444	3.691.303
Total	29.503.803	25.772.606

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

b) Amount and nature of probable losses and commitments from the off-balance sheet items including the below mentioned:

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current Period
Letters of credit	3.823.229
Bank acceptances	6.961.998
Other guarantees	2.713.220
Total	13.498.447
	Prior Period
Letters of credit	3.136.394
Bank acceptances	7.050.260
Other guarantees	2.000.953
Total	12.187.607

b.2. Certain guarantees, tentative guarantees, sureties and similar transactions:

	Current Period
Letters of certain guarantees	16.257.998
Letters of advance guarantees	4.382.365
Letters of tentative guarantees	713.001
Letters of guarantee given to customs offices	1.939.926
Other letters of guarantee	53.125.931
Total	76.419.221
	Prior Period
Letters of certain guarantees	17.065.885
Letters of advance guarantees	6.037.362
Letters of tentative guarantees	804.609
Letters of guarantee given to customs offices	1.742.025
Other letters of guarantee	45.202.337
Total	70.852.218

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c) Total non-cash loans:

	Current Period
Non-cash loans for providing cash loans	8.095.714
<i>Within one year or less original maturity</i>	1.646.649
<i>Within more than one year maturity</i>	6.449.065
Other non-cash loans	81.821.954
Total	89.917.668
	Prior Period
Non-cash loans for providing cash loans	6.481.383
<i>Within one year or less original maturity</i>	1.974.877
<i>Within more than one year maturity</i>	4.506.506
Other non-cash loans	76.558.442
Total	83.039.825

d.1. Sectoral risk concentration of non-cash loans

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	99.163	0,24	233.454	0,47	87.601	0,23	104.638	0,23
<i>Farming and Stockbreeding</i>	73.632	0,18	10.396	0,02	64.687	0,17	14.324	0,03
<i>Forestry</i>	715	0,00	-	0,00	520	0,00	-	0,00
<i>Fishery</i>	24.816	0,06	223.058	0,45	22.394	0,06	90.314	0,20
Manufacturing	8.403.481	20,66	23.512.393	47,74	7.894.909	21,24	23.935.831	52,19
<i>Mining and Quarrying</i>	164.007	0,40	503.437	1,02	156.756	0,42	406.557	0,89
<i>Production</i>	6.417.873	15,78	21.620.953	43,90	5.271.059	14,18	22.746.036	49,59
<i>Electricity, Gas and Water</i>	1.821.601	4,48	1.388.003	2,82	2.467.094	6,64	783.238	1,71
Construction	12.363.810	30,40	11.241.946	22,83	11.899.549	32,02	9.972.683	21,74
Services	18.056.269	44,41	14.105.048	28,64	16.504.232	44,41	11.730.714	25,56
<i>Wholesale and Retail Trade</i>	10.642.848	26,17	6.179.958	12,55	8.616.472	23,18	5.179.942	11,27
<i>Accommodation and Dining</i>	257.825	0,63	2.463.170	5,00	165.427	0,45	1.604.699	3,50
<i>Transportation and Telecom.</i>	605.619	1,49	4.268.126	8,67	499.807	1,34	2.842.128	6,20
<i>Financial Institutions</i>	3.793.359	9,33	108.345	0,22	4.213.553	11,35	257.450	0,56
<i>Real Estate and Rental Services</i>	2.269.193	5,58	937.340	1,90	2.605.931	7,01	1.732.404	3,78
<i>Professional Services</i>	14.340	0,04	745	0,00	22.065	0,06	694	0,00
<i>Educational Services</i>	100.488	0,25	72.927	0,15	74.897	0,20	60.487	0,13
<i>Health and Social Services</i>	372.597	0,92	74.437	0,15	306.080	0,82	52.910	0,12
Other	1.748.351	4,29	153.753	0,32	781.644	2,10	128.024	0,28
Total	40.671.074	100,00	49.246.594	100,00	37.167.935	100,00	45.871.890	100,00

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d.2. Non-cash loans classified under I. and II. Group

	Group I		Group II	
	TRY	FC	TRY	FC
Non-Cash Loans	39.529.230	47.852.002	1.141.844	1.394.592
Letters of Guarantee	36.883.962	37.016.098	1.139.172	1.379.989
Bills of Exchange and Bank Acceptances	5.588	6.953.150	2.672	588
Letters of Credit	16.891	3.792.323	-	14.015
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	2.622.789	90.431	-	-

e) Information on derivative financial instruments:

Types of trading transactions	Derivative transactions according to purposes			
	Trading Derivatives		Derivative Financial Instruments held for Risk Management	
	Current Period	Prior Period	Current Period	Prior Period
Foreign Currency related Derivative Transactions (I):	42.358.965	28.575.161	-	-
Currency Forwards-Purchases/Sales	5.331.751	7.049.313	-	-
Currency Swaps-Purchases/Sales	33.506.700	15.666.602	-	-
Currency Futures-Purchases/Sales	-	-	-	-
Currency Options-Purchases/Sales	3.520.514	5.859.246	-	-
Interest Rate related Derivative Transactions (II)	27.707.502	17.392.884	-	-
Interest Rate Contracts	-	-	-	-
Interest Rate Swaps-Purchases/Sales	27.707.502	17.392.884	-	-
Interest Rate Options-Purchases/Sales	-	-	-	-
Interest Rate Futures-Purchases/Sales	-	-	-	-
Other Trading Derivatives (III) ⁽¹⁾	3.236.795	2.239.469	-	-
A. Total Trading Derivatives (I+II+III)	73.303.262	48.207.514	-	-
Derivative Financial Instruments held for Risk Management	-	-	-	-
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total Derivative Financial Instruments held for Risk Management	-	-	-	-
Total Derivative Transactions (A+B)	73.303.262	48.207.514	-	-

⁽¹⁾ Other trading derivative transactions include forward precious metal purchase and sale transactions of TL 954.621 and TL 132.599, respectively, and swap precious metal purchase transactions of TL 2.149.575.

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f) Information on contingent liabilities and assets:

Bank's commitments for the cheques given to customers are TRY 3.219.679 (31 December 2018: TRY 2.661.413).

g) Services provided on behalf of others:

None.

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	9.496.259	569.749
Medium and long term loans	20.954.208	5.140.532
Interest on non-performing loans	909.582	-
Premiums from resource utilization support fund	-	-
Total	31.360.049	5.710.281

⁽¹⁾ Includes fees and commissions obtained from cash loans.

	Prior Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	8.194.112	333.178
Medium and long term loans	15.471.162	4.551.930
Interest on non-performing loans	261.445	-
Premiums from resource utilization support fund	-	-
Total	23.926.719	4.885.108

⁽¹⁾ Includes fees and commissions obtained from cash loans.

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b) Interest received from banks:

	Current Period	
	TRY	FC
CBRT	229.026	36.754
Domestic banks	26.199	4.032
Overseas banks	21.059	24.183
Head office and branches	-	-
Total	276.284	64.969

	Prior Period	
	TRY	FC
CBRT	427.986	80.777
Domestic banks	70.616	31.103
Overseas banks	10.272	9.421
Head office and branches	-	-
Total	508.874	121.301

c) Interest income on marketable securities:

	Current Period	
	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	8.871	1.292
Financial Assets at Fair Value through Other Comprehensive Income	1.361.763	135.895
Financial Assets Measured at Amortized Cost	6.810.309	842.768
Total	8.180.943	979.955

	Prior Period	
	TRY	FC
Financial assets held for trading	13.891	1.414
Financial assets at fair value through profit or loss	221.731	66.375
Available-for-sale financial assets	6.192.891	548.352
Total	6.428.513	616.141

d) Interest income from subsidiaries and associates:

	Current period
Interest income from subsidiaries and associates	147.402

	Prior period
Interest income from subsidiaries and associates	49.280

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(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period	
	TRY	FC
Banks	56.819	225.970
<i>CBRT</i>	-	-
<i>Domestic banks</i>	56.819	51.082
<i>Overseas banks</i>	-	174.888
<i>Overseas head office and branches</i>	-	-
<i>Other institutions</i>	10	18.678
Total	56.829	244.648

	Prior Period	
	TRY	FC
Banks	34.858	407.116
<i>CBRT</i>	1	-
<i>Domestic banks</i>	24.835	29.156
<i>Overseas banks</i>	10.022	377.960
<i>Overseas head office and branches</i>	-	-
<i>Other institutions</i>	11	20.134
Total	34.869	427.250

b) Interest expenses to subsidiaries and associates:

	Current Period
Interest expenses to subsidiaries and associates	595.228

	Prior Period
Interest expenses to subsidiaries and associates	481.229

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c) Information on interest expenses to marketable securities issued:

	Current Period	
	TRY	FC
Interest on securities issued	1.873.614	708.748
Total	1.873.614	708.748
	Prior Period	
	TRY	FC
Interest on securities issued	919.824	543.720
Total	919.824	543.720

d) Maturity structure of interest expenses on deposits:

Account name	Current Period							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	Time deposits		
TRY									
Bank deposits	490	1.270.555	691.658	29.048	2.538	-	-	1.994.289	
Saving deposits	143	449.004	7.452.676	1.116.182	319.321	369.889	11.916	9.719.131	
Public deposits	41	391.095	517.626	144.028	62.663	2.479	-	1.117.932	
Commercial deposits	24	1.770.390	3.139.117	400.863	340.606	503.277	-	6.154.277	
Other deposits	2	86.266	1.012.290	613.921	173.823	112.053	-	1.998.355	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	700	3.967.310	12.813.367	2.304.042	898.951	987.698	11.916	20.983.984	
Foreign currency									
Deposits	65	287.755	1.671.209	145.191	61.132	145.957	-	2.311.309	
Bank deposits	7	231.976	-	-	-	-	-	231.983	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	53	7188	972	520	1.106	-	9.839	
Total	72	519.784	1.678.397	146.163	61.652	147.063	-	2.553.131	
Grand total	772	4.487.094	14.491.764	2.450.205	960.603	1.134.761	11.916	23.537.115	

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Prior Period	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			
TRY									
Bank deposits	1.504	405.773	525.324	48.880	691	-	-	982.172	
Saving deposits	5	317.695	7.368.649	310.727	119.538	59.977	9.931	8.186.522	
Public deposits	106	268.493	544.146	101.996	271.430	3.570	-	1.189.741	
Commercial deposits	19	1.256.483	3.807.186	413.078	254.973	38.034	-	5.769.773	
Other deposits	-	122.682	1.346.118	193.824	396.049	5.747	-	2.064.420	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	1.634	2.371.126	13.591.423	1.068.505	1.042.681	107.328	9.931	18.192.628	
Foreign currency									
Deposits	1.052	135.150	1.737.375	122.754	97.333	124.184	-	2.217.848	
Bank deposits	9	305.125	-	-	-	-	-	305.134	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	29	2.808	266	319	545	-	3.967	
Total	1.061	440.304	1.740.183	123.020	97.652	124.729	-	2.526.949	
Grand total	2.695	2.811.430	15.331.606	1.191.525	1.140.333	232.057	9.931	20.719.577	

(3) Information on dividend income:

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through other Comprehensive Income	6.944	3.547
Other	414.881	506.810
Total	421.825	510.357

(4) a) Information on trading profit/loss:

	Current Period
Profit	48.076.102
Profit from the capital market operations	299.336
Profit on derivative financial instruments	8.927.439
Foreign exchange gains	38.849.327
Loss (-)	51.343.198
Loss from the capital market operations	5.944
Loss on derivative financial instruments	10.426.874
Foreign exchange losses	40.910.380
	Prior Period
Profit	52.746.145
Profit from the capital market operations	47.492
Profit on derivative financial instruments	5.865.670
Foreign exchange gains	46.832.983
Loss (-)	52.596.890
Loss from the capital market operations	17.622
Loss on derivative financial instruments	3.930.907
Foreign exchange losses	48.648.361

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	8.927.439	5.865.670
Effect of the change in foreign exchange on profit	8.614.436	5.703.044
Effect of the change in interest rate on profit	313.003	162.626
Loss on derivative financial instruments (-)	10.426.874	3.930.907
Effect of the change in foreign exchange on loss	10.154.504	3.798.071
Effect of the change in interest rate on loss	272.370	132.836
Profit/loss on derivative financial instruments	(1.499.435)	1.934.763

(5) Information on other operating income:

	Current Period
Adjustments for prior period expenses	2.156.048
Income from the asset sale	115.316
Rent income	47.187
Other income	88.889
Total	2.407.440

	Prior Period
Adjustments for prior period expenses	419.069
Receivable from the asset sale	123.169
Rent income	42.143
Other income	40.093
Total	624.474

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

(6) Impairment losses on loans and other receivables:

	Current Period
Expected Credit Loss	4.551.745
12 Month Expected Credit Loss (Stage 1)	319.366
Significant Increase in Credit Risk (Stage 2)	189.879
Non – Performing Loans (Stage 3)	4.042.500
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Other	146.153
Total	4.697.898
	Prior Period
Expected Credit Losses	2.354.618
12 Month Expected Credit Loss (Stage 1)	60.111
Significant Increase in Credit Risk (Stage 2)	449.482
Defaulted Loans (Stage 3)	1.845.025
Marketable Securities Impairment Provision	-
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Other	780.455
Total	3.135.073

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

(7) Information on other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	101.441	73.412
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	2.036	387
Depreciation expenses of fixed assets	337.323	129.151
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	41.486	35.508
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	-	-
Amortization expenses of assets that will be disposed of	11.509	7.846
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	1.895.078	1.894.299
<i>Leasing Expenses on TFRS 16 Exceptions</i>	<i>83.700</i>	<i>286.746</i>
<i>Maintenance expenses</i>	<i>54.145</i>	<i>47.059</i>
<i>Advertisement expenses</i>	<i>191.409</i>	<i>195.096</i>
<i>Other expenses</i>	<i>1.565.824</i>	<i>1.365.398</i>
Loss on sales of assets	225	99
Other	1.042.924	926.192
Total	3.432.022	3.066.894

(8) Information on profit/loss from continuing and discontinued operations before taxes:

The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 10.612.036 (31 December 2018: TRY 8.079.578) of net interest income and TRY 2.778.218 (31 December 2018: TRY 1.949.657) of net fees and commissions income. The profit from continuing operations before tax of the Bank is amounting to TRY 1.968.257. (31 December 2018: TRY 2.717.818)

(9) Information on tax provisions for continuing and discontinued operations:

For the period then ended 31 December 2019, the Bank's tax provision amounting to TRY 247.948 (31 December 2018: TRY 196.023) consists of TRY 435.511 (31 December 2018: TRY 9.840) of current tax charge and TRY 1.200.560 (31 December 2018: TRY 1.144.825) of deferred tax charge, TRY 1.388.123 (31 December 2018: TRY 958.642) of deferred tax income.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

As of 31 December 2019, the Bank's net operating income after tax is amounting to TRY 1.720.309. (31 December 2018: TRY 2.521.795)

(11) Information on operating results needed for better understanding of the Bank's performance:

a) Income and expenses from ordinary banking operations:

None.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss:

There is no issue to be disclosed.

(12) Other items in income statements:

The other items under Fees and Commissions Received and Fees and Commissions Paid generally consist of credit cards, insurance and other banking transaction commissions.

V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was previously recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

(1) Disclosures for the “other” and “the effect of foreign exchange differences on cash and cash equivalents” items of cash flow statement:

The “net increase in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 18.035.777 increase for the year 2019 (31 December 2018: TRY 10.303.180). “Other” item in operating profit is composed of other operating expenses excluding fees and commissions expense, foreign exchange gain, other operating income and personnel expenses and decrease by TRY 11.153.133 for the year 2019 (31 December 2018: TRY 12.978.280 decrease).

For the year ended 31 December 2019, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 2.395.944 increase (31 December 2018: TRY 5.212.885 increase). The average exchange rates of last five weekdays were taken into consideration as of the balance sheet date when calculating the effect of change in the exchange rates.

(2) Items used in determination of cash and cash equivalents: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

(3) The effect of any change in accounting policies:

None.

(4) Cash and cash equivalents balance at the beginning of the period:

	Current period	Prior period
Cash	34.957.050	36.373.039
<i>Cash in TRY and foreign currency</i>	4.417.864	2.119.116
<i>Central Bank and others⁽¹⁾</i>	30.539.186	34.253.923
Cash equivalents	5.136.433	7.348.489
<i>Demand and Time Deposits Up to 3 Months</i>	5.136.433	6.089.842
<i>Money Market Placements</i>	-	1.258.647
Cash and Banks	40.093.483	43.721.528
Reserve deposits in Central Bank of Turkey	(16.237.014)	(16.506.119)
Accruals on reserve deposits in Central Bank of Turkey	(223.863)	(89.784)
Accruals on banks	(987)	(1.092)
Accruals on the money market placements	-	(2.669)
Total Cash and Cash Equivalents	23.631.619	27.121.864

⁽¹⁾Others items include cheques received.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

(5) Cash and cash equivalents balance at the end of the period:

	Current Period	Prior Period
Cash	34.488.581	34.957.050
<i>Cash in TRY and foreign currency</i>	3.665.767	4.417.864
<i>Central Bank and others⁽¹⁾</i>	30.822.814	30.539.186
Cash Equivalents	3.750.467	5.136.433
<i>Demand and Time Deposits Up to 3 Months</i>	3.750.467	5.136.433
<i>Money Market Placements</i>	-	-
Cash and Banks	38.239.048	40.093.483
Reserve deposits in Central Bank of Turkey	(14.096.591)	(16.237.014)
Accruals on reserve deposits in Central Bank of Turkey	(19.628)	(223.863)
Accruals on banks	(475)	(987)
Accruals on the money market placements	-	-
Total Cash and Cash Equivalents	24.122.354	23.631.619

⁽¹⁾ Others items include cheques received.

VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK

(1) Volume of the Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Information on the Loans of the Bank's risk group:

Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	1.377.511	224.571	-	-	-	-
Closing balance	2.331.642	313.114	-	-	-	-
Interest and commissions income	147.402	1.687	-	-	-	-

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	967.161	234.553	-	-	-	-
Closing balance	1.377.511	224.571	-	-	-	-
Interest and commissions income	49.280	1.151	-	-	-	-

b) Deposits held by the Bank's risk group:

Current Period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Deposits			
Beginning balance	2.889.487	-	-
Closing Balance	3.574.573	-	-
Interest expense on deposits	583.973	-	-

Prior Period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Deposits			
Beginning balance	2.857.226	-	-
Closing Balance	2.889.487	-	-
Interest expense on deposits	469.702	-	-

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

a) Forward and option contracts and similar transactions with the Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Financial Assets At Fv Through Profit And Loss	Current Period	Current Period	Current Period
Beginning balance	109.322	-	-
Closing Balance	17.918	-	-
Total Profit/Loss	104	-	-

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Financial Assets At Fv Through Profit And Loss	Prior Period	Prior Period	Prior Period
Beginning balance	11.936	-	-
Closing Balance	109.322	-	-
Total Profit/Loss	(318)	-	-

(2) Disclosures for risk group:

a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

The branches of the Bank are agencies of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ. In addition, the Bank acts as an intermediary in Halk Yatırım Menkul Değerler A.Ş.'s activities within the scope of 'Intermediary Agreement for Securitites Orders'.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	Amount	% compared to the amounts in the financial statements
Cash loans	2.331.642	0,80
Non-cash loans	313.114	0,35
Deposits	3.574.573	1,20
Forward and option contracts	17.918	0,02

Pricing of these transactions are in accordance with the general pricing policies of the Bank and are in line with market rates.

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:

Explained in b).

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 10.308 as of 31 December 2019 (31 December 2018: TRY 10.717).

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

(1) Explanations on the Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of Employees	Countries		
Domestic Branch	1000	18.895			
Abroad Agencies	3	4	IRAN		
			ENGLAND		
			SINGAPORE	Total Assets	Statutory Capital
Overseas Branch	5	65	T.R.N.C.	1.338.340	-
			BAHRAIN	20.235.920	-
Off-shore Branches	1	3			

(2) Explanations on branch and agency openings or closings of the Bank:

The Bank opened 18 branches during the year 2019.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

As per the Board of Directors' decision dated February 4, 2020, it was decided to transfer 66.67% of the shares of the the Parent Bank's subsidiary, Bileşim Alternatif Dağıtım Kanalları A.Ş..

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

SECTION VI: OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE BANK'S ACTIVITY

An indictment was filed against the Bank on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the Bank for violation of Iranian sanctions.

The Bank sought leave the New York Southern District Court ("District Court") to make a "special appearance" in a proceeding to challenge the court's jurisdiction and rejection of the judge of the case. The District Court has denied that request. The Bank appealed to the US Second Circuit Court of Appeals ("Court of Appeals") for mandamus regarding the District Court deciding to allow the respective special appearance.

The District Court was requested to suspend the hearings upon the District Court's requisition to continue the general hearings regarding the case. The District Court also denied that request. The Bank also applied to the Court of Appeals for a mandamus for the approval of denied suspension request.

The Court of Appeals's appeal committee consisting of 3 judges granted a temporary stay on the District Court litigation until the resolution of the mandamus petition.

The appeal process for the suspension of the hearings before the Court of Appeals and the order of a high court for a special appearance is still ongoing.

The prosecution process is closely monitored by the Bank through specialized US law firms.

The appeal process of the case which resulted in conviction for the defendant former executive of the Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

The Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and money transfers are open and transparent, and easily be monitored by authorities. The Bank will continue to adopt the same policies of transparency and compliance with international regulations.

The Bank placed a high importance on this matter and established a separate "Compliance Department".

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

SECTION VII: AUDITORS' REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

The Bank's publicly available unconsolidated interim financial statements and footnotes as of 31 December 2019 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 14 February 2020 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019
WITH AUDITORS' REPORT THEREON**

*(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND
RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)*

Deloitte.

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CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Türkiye Halk Bankası A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Qualified Opinion

We have audited the consolidated financial statements of Türkiye Halk Bankası A.Ş. ("the Bank") and its consolidated subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of income, consolidated statement of income and expense items accounted for under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters on the consolidated financial statements described in the basis for the qualified opinion paragraphs, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, 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 Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

2) Basis for Qualified Opinion

During the current period, the Group reversed the total amount of general reserve amounting to TRY 451.000 thousand which was booked as of 31 December 2018. If the mentioned general provision had not been made in the prior period and not reversed in the current period, the prior periods' income would be higher by TRY 451.000 thousand and the net profit for the period would be lower by TRY 451.000 thousand as at 31 December 2019.

The Group reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard ("TFRS") 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost as at 31 December 2019 amounted to TRY 17.116.550 thousand. If such classification were not made, total assets and shareholders' equity excluding tax effect would be lower by TRY 1.119.260 thousand as at 31 December 2019.

We conducted our audit in accordance with the regulation on “Independent Auditing of Banks” published in the Official Gazette dated 2 April 2015 with No. 29314 and Standards on Independent Auditing (“SIA”) which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (“Code of Ethics”) published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Emphasis of Matter

As detailed in Section Six Note One, we draw attention to the following:

On 15 October 2019, an indictment prepared by the New York Southern District Attorney General of the United States (“US”) Department of Justice for violation of Iranian sanctions and a lawsuit was filed against the Parent Bank in the New York Southern District Court (“District Court”). This case and the Parent Bank’s objections in the District Court and the appeal process in the US Second Circuit Court of Appeals are ongoing. On 31 January 2020, the US Second Circuit Court of Appeals, granted a temporary stay on the New York Southern District Court litigation.

In addition, the appeal process of the case which resulted in conviction for the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

At this stage, the Parent Bank’s Management stated that there were no penalty, sanction or measure arising from the ongoing case against the Parent Bank in the appeal process. There is an uncertainty with respect to any decisions by the US authorities that may adversely affect the financial position of the Parent Bank. No provision has been made in the accompanying consolidated financial statements related to these matters. Our opinion is not modified in respect of these matters.

4) 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. These matters were addressed in the context of our 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.



Key Audit Matter

How the matter was addressed in the audit

Impairment of loans in accordance with TFRS 9

Impairment of loans is a key area of judgement for the management. The Group has the total loans and receivables amounting to TRY 318.970.617 thousands, which comprise 68% of the Group's total assets in its consolidated financial statements and the total provision for impairment amounting to TRY 12.031.340 as at 31 December 2019.

As of 1 January 2018, the Group recognizes provisions for impairment in accordance with the 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 22 June 2016 numbered 29750. Applied accounting policies are explained in detail in the Section 3 Note VIII. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

The Group exercises significant decisions using judgement, interpretation and assumptions over calculating loan impairments. These judgements, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans.

There is a potential risk of impairment losses/provisions provided/ will be provided may not meet the requirements of the TFRS 9. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter.

Related explanations relating to the impairment of loans and receivables are presented in Section V Note I.5.

As part of our audit work, the following procedures were performed:

We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Group with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.

We have read and analysed the relevant contract terms to assess management's accounting policy and classification of the instrument for selected samples.

We have performed loan review procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant standard.

We have tested relevant inputs and assumptions used by the management in each stage of the expected credit loss calculation by considering whether those appear reasonable, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.

We have tested historical loss data to validate the completeness and accuracy of key parameters.

We have tested whether the model is applied to appropriate groupings of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets' exposure periods.

We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.

Key Audit Matter	How the matter was addressed in the audit
	<p>Based on our discussions with the Group management, we evaluated whether the key assumptions and other judgements underlying the estimations of impairments were reasonable.</p> <p>Our specialists are involved in all procedures related to models and assumptions.</p> <p>In addition, we have evaluated the appropriateness of specific impairment provision with supportable input for non-performing loans which are assessed on individual basis by the Group. Based on our discussions with the Group management, we have evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.</p> <p>We have reviewed disclosures made within the TFRS 9 framework in the consolidated financial statements of the Group with respect to loans and receivables and related impairment provisions.</p>

Valuation of Pension Fund Obligations

Defined benefit pension plan that the Parent Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı and T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı ("Plan") which were established by the 20th provisional article of the Social Security Law numbered 506 ("Law").

As disclosed in the Section III Note XIX to the consolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds' members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation deed.

As of 31 December 2019, the Parent Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Plan liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in the Plan. Management uses expert opinion of the independent actuary in assessing uncertainties related to these underlying assumptions and estimates.

As described in Section Five Note II.9.f considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this a key audit matter.

Our audit work included the following procedures:

We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates.

It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.

In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank's actuary.

We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable.



Key Audit Matter

Information Technologies Audit

The Group and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Group and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Group means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.

How the matter was addressed in the audit

Procedures within the context of our information technology audit work:

We identified and tested the Group' controls over information systems as part of our audit procedures.

Information generation comprise all layers of information systems including applications, networks, transmission systems and database. The information systems controls tested are categorized in the following areas:

- Manage security
- Manage changes
- Manage operations

We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner.

We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.

Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation.

We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components.

Finally, we understood and tested the controls over database, network, application and operating system layers of applications.

5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Group Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the BRSA Accounting and Reporting Regulations, 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.

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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.)
- Obtain an understanding of 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.

Deloitte.

- 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January - 31 December 2019 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Hasan Kılıç.

Additional Paragraph for English Translation

The effect of the differences between the accounting principles summarized in Section III 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") have not been quantified and reflected in the accompanying consolidated financial statements. The accounting principles used in the preparation of the accompanying consolidated financial statements differ materially from IFRS. Accordingly, the accompanying consolidated financial statements are not intended to present the Group's consolidated financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Hasan Kılıç
Partner

Istanbul, 14 February 2020

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019

1. The Bank's Headquarter Address:
Barbaros Mahallesi Şebboy Sokak No: 4/1 Ataşehir/İstanbul
2. The Bank's Contact Phone and Facsimile:
Phone : 0216 503 70 70
Facsimile : 0212 340 93 99
3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr
E-mail Address: halkbank.ir@halkbank.com.tr

The consolidated year ended financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- **Section One** : GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** : CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- **Section Four** : INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- **Section Five** : EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : OTHER EXPLANATIONS
- **Section Seven** : AUDITORS' REPORT

Subsidiaries, associates, and joint ventures which are consolidated within this financial report are as below:

Subsidiaries	Associates
1. Halk Yatırım Menkul Değerler AŞ	1. Demir-Halk Bank N.V.
2. Halk Sigorta AŞ	2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3. Halk Hayat ve Emeklilik AŞ	3. Türk P ve I Sigorta AŞ
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	
5. Halk Finansal Kiralama AŞ	
6. Halk Faktoring AŞ	
7. Halk Banka A.D., Skopje	
8. Halkbank A.D. Beograd	
9. Halk Varlık Kiralama AŞ	

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2019 are prepared in thousand Turkish Lira and they have been audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Istanbul, 14 February 2020

R. Süleyman Özdil	Osman Arslan	Sadık Tiltak	Mehmet Emin Özcan	Yusuf Duran Ocak	Osman Bektaş
<i>Chairman of the Board of Directors</i>	<i>Member of the Board of Directors, Chief Executive Officer</i>	<i>Independent Member of the Board of Directors, Chairman of the Audit Committee</i>	<i>Independent Member of the Board of Directors, Member of the Audit Committee</i>	<i>Financial Management and Planning Vice Chief Executive Officer</i>	<i>Financial Accounting Department Head</i>

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title : Turgay Ayık/Director
Tel : 0216 503 52 14
Fax No : 0212 340 09 90

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TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

I. ESTABLISHMENT DATE OF THE PARENT BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE PARENT BANK INCLUDING THE CHANGES OF THESE ARTICLES

Türkiye Halk Bankası Anonim Şirketi (the "Parent Bank" or "Halkbank") began its operations in accordance with the law no: 2284 in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE PARENT BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE PARENT BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Parent Bank is controlled directly by the Türkiye Varlık Fonu.

As of 31 December 2019 the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2019	%	31 December 2018	%
Türkiye Varlık Fonu ⁽¹⁾	638.276	51,06	638.276	51,06
Public shares ⁽¹⁾	611.643	48,93	611.641	48,93
Other shareholders ⁽²⁾	81	0,01	83	0,01
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ The shares of the Türkiye Varlık Fonu amounting to TRY 550 have been included in Public shares. With these shares, the total shares amounting TRY 638.826 held by the Türkiye Varlık Fonu is 51,11% of the total shares.

⁽²⁾ TRY 79 of the shares included in the "Other Shareholders" group belong to shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized in their own accounts) while TRY 2 of which belong to shareholders whose shares are monitored under the shares not registered under the custody of the Central Securities Depository of Turkey due to the ongoing legal action.

In accordance with the Law No: 6327 dated 13 June 2012 and 3rd sub-article added to the Article 2 of the Law No: 4603, as per the Turkish Commercial Code, the Public shares will be controlled and represented by the Minister the Bank is reporting to, until the sale procedures of the public shares are completed.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

III. EXPLANATIONS REGARDING THE PARENT BANK'S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE PARENT BANK, IF ANY

Name	Title
Recep Süleyman ÖZDİL	Chairman of the Board of Directors
Himmet KARADAĞ	Vice Chairman of the Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Meltem TAYLAN AYDIN	Member of the Board of Directors
Mehmet Emin ÖZCAN	Independent Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Sadık TILTAK	Independent Member of the Board of Directors, Chairman of the Audit Committee
Sezai UÇARMAK	Member of the Supervisory Board
Mevlüt UYSAL	Member of the Supervisory Board
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
İlhan BÖLÜKBAŞ	Executive Vice President, Loan Allocation and Management
Ergin KAYA	Executive Vice President, Banking Operations and Information Technology
Yalçın MADENCİ	Executive Vice President, Corporate and Commercial Marketing
Yusuf Duran OCAK	Executive Vice President, Financial Management and Planning
Serdar SÜRER	Executive Vice President, Treasury Management and International Banking
Hasan TUNCAY	Executive Vice President, Retail Banking
Nazmi BAĞDINLI	Executive Vice President (P.P.), Loan Policies, Risk Monitoring, and Legal

People mentioned above do not own any shares in the Parent Bank's capital.

a) The professionals to the Parent Bank's top management who have assigned to their position in 2019 are listed with titles and dates of assignment.

Title	Name	Starting Date
Member of the Board of Directors	Sezai UÇARMAK	27 February 2019
Executive Vice President	Erkan KİLİMCİ	22 February 2019
Member of the Board of Directors	Mehmet Emin ÖZCAN	27 May 2019
Member of the Board of Directors	Mevlüt UYSAL	27 May 2019
Executive Vice President	Yalçın MADENCİ	11 June 2019
Executive Vice President	İlhan BÖLÜKBAŞ	11 June 2019
Executive Vice President (P.P)	Serdar SÜRER	8 July 2019
Executive Vice President (P.P)	Nazmi BAĞDINLI	9 August 2019
Executive Vice President	Serdar SÜRER	6 December 2019

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

b) The professionals from the Parent Bank's top management who have left their position in 2019 are listed with titles and dates of leaving.

Title	Name and Surname	Leaving Date
Member of the Board of Directors	Mehmet Nihat ÖMEROĞLU	27 May 2019
Member of the Board of Directors	Ahmet YARIZ	27 May 2019
Executive Vice President	Selahattin SÜLEYMANOĞLU	31 May 2019
Executive Vice President	Mehmet Akif AYDEMİR	31 May 2019
Executive Vice President	Mustafa ÇÖDEK	31 May 2019
Executive Vice President	Metin KÖSTEK	31 May 2019
Executive Vice President	Mehmet Sebahattin BULUT	31 May 2019
Executive Vice President	Erkan KİLİMCİ	25 June 2019

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK

Except for the Türkiye Varlık Fonu, no person or institute has any qualified shares attributable to the Parent Bank.

V. BRIEF INFORMATION ON THE PARENT BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General information about the Bank:

Türkiye Halk Bankası Anonim Şirketi began its operations in accordance with the Law No: 2284 in 1938 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the "Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi", was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can both be reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 to TRY 1.250.000 in the extraordinary general assembly held on 14 April 2001. Within the scope of the restructuring process, the Bank received government bonds in settlement of the accumulated specific duty losses and the Bank's whole specific duty loss receivable was thus eliminated as at 30 April 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Bank were to be concluded under the provisions of Law No: 4046 based on the "Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law". The procedures relating to restructuring and sale of the shares were going to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term "3 years" in Article 2.2 of Law numbered 4603 was previously amended to "5 years" and subsequently by Law No: 5572 dated 10 January 2007 the related term was amended to "10 years". As a result of these amendments, the privatization period of the Bank was extended. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended the half of that "10 years" period as published in the Official Gazette by the Decree numbered 2010/964 and dated 6 November 2010.

As per the Higher Council of Privatization decision numbered 2006/69 dated 11 August 2006, the public shares were transferred to the Privatization Administration and 99,9% of the Bank shares were decided to be sold before 25 May 2008 using the block sale method. 13th Department of Council of State with its decision numbered 2006/4258 dated 29 November 2006 to cease the execution of the High Council of Privatization's decision numbered 2006/69 dated 11 August 2006. Thereupon, as per the decision of the Higher Council of Privatization numbered 2007/8 dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24,98% was completed in the first week of May 2007 and Halkbank shares were started to trade on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decision of the Higher Council of Privatization numbered 2012/150 dated 4 October 2012; 23,92% of the public shares held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts" which came into force as published in the Official Gazette numbered 25539 dated 31 July 2004, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler limited partnership and more than 500 shareholders. Pamukbank started its private banking operations as an incorporation in accordance with the decision of the Council of Ministers numbered 4/4573 dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 dated 19 June 2002 including 3rd and 4th Sub-articles in the Article 14 of the Banking Law No: 4389, the shareholders rights, excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

e) The Parent Bank's service activities and operating areas: The Parent Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 31 December 2019, the Bank operates with a total of 1006 branches consisting of 1000 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 41 satellite branches. The Bank has also 3 representative office in England, Singapore and Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler A.Ş.
- Halk Sigorta A.Ş.
- Halk Hayat ve Emeklilik A.Ş.
- Halk Gayrimenkul Yatırım Ortaklığı A.Ş.
- Halk Finansal Kiralama A.Ş.
- Halk Faktoring A.Ş.
- Halk Banka A.D. Skopje
- Halkbank A.D. Beograd
- Halk Varlık Kiralama A.Ş.

are consolidated "line by line" in the accompanying consolidated financial statements.

The Parent Bank's associates;

- Demir-Halk Bank N.V.
- Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş.
- Türk P ve I Sigorta A.Ş.

are accounted for at "equity method" in the accompanying consolidated financial statements.

Halk Gayrimenkul Yatırım Ortaklığı AŞ ("Halk GYO"), a subsidiary of the Parent Bank established in 2010, was registered on 18 October 2010. Halk GYO's main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. Halk GYO's main operational objective is to invest in capital market instruments based on real estates, real estate projects and rights based on real estates, as per the Capital Markets Board's ("CMB") regulation on investment trusts.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

As at 15 February 2013 28% shares of Halk GYO has been offered to public. After collecting potential investors' book building, Halk GYO's shares started to be traded on Borsa İstanbul AŞ since 22 February 2013.

Halk Finansal Kiralama AŞ ("Halk Leasing") was established in September 1991 in Turkey and its main line of business is financial leasing. Halk Leasing operates under the provisions of the Turkish financial leasing law number 6361.

Halk Banka A.D., Skopje, formerly Export and Credit Bank A.D., Skopje is a subsidiary of the Parent Bank as of 8 April 2011, operating in Macedonia. The Bank's main activities include commercial lending, accepting deposits, and retail banking services in the country and abroad. In addition, the Company has been engaged in insurance activities through Halk Osiguruvanje purchased on 28 January 2019.

Halk Faktoring AŞ's ("Halk Faktoring") main line of business is to provide factoring services that include legitimate commercial lending for all domestic and international trade operation.

Halkbank A.D. Beograd is a subsidiary of the Parent Bank as of 28 May 2015. Its main activities include commercial lending, accepting deposits, and retail banking services in the country and abroad.

Halk Sigorta AŞ ("Halk Sigorta") was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives. Halk Sigorta's business name was changed to Halk Sigorta AŞ from Birlik Sigorta AŞ at the Extraordinary General Assembly Meeting held on 27 December 2010.

Halk Hayat ve Emeklilik AŞ ("Halk Emeklilik") was established in 1998 under the business name of Birlik Hayat Sigorta AŞ to operate in life and personal accident insurance, coinsurance, reinsurance and retrocession businesses for individuals both in Turkey and abroad. Halk Emeklilik became a subsidiary in early 2006 when Halkbank acquired the shares held by Türkiye Halk Bankası Personnel Provident Fund.

Within the scope of the planned structural reforms within the framework of the New Economic Program, the negotiations has started with Türkiye Varlık Fonu Yönetimi A.Ş. ("TVF") for the transfer of 89,18% of the shares of Halk Sigorta A.Ş and all shares of Halk Hayat ve Emeklilik A.Ş. owned by the Parent Bank to the TVF establishing a new company to acquire these shares. Based on this decision of combining the insurance and life and pension companies under the control of public banks under a single umbrella, the Parent Bank has classified Halk Sigorta and Halk Hayat ve Emeklilik A.Ş. as Assets for Held for Sale and Discontinued Operations in the current period. Halk Yatırım Menkul Değerler AŞ ("Halk Yatırım"), was established in 1997 to carry out capital markets activities, to purchase and sell capital markets instruments, and to execute stock exchange transactions.

Halk Yatırım Menkul Değerler AŞ ("Halk Yatırım"), was established in 1997 to carry out capital markets activities, to purchase and sell capital markets instruments, and to execute stock exchange transactions. Halk Yatırım became a subsidiary in early 2006 when Halkbank bought the shares of Turkey Halk Bankası Personnel Provident Fund.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Halk Varlık Kiralama A.Ş. was established on 3 October 2017 with the purpose of issuing “Lease Certificate” in accordance with the Capital Markets Board Law No. 6362, the CMB Communiqué and the related regulations of the CMB.

For the purposes of the consolidated financial statements, the Parent Bank and its consolidated subsidiaries are referred to as “the Group”.

VII. 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

Due to the differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards (TAS), the non-financial subsidiary, Bileşim Alternatif Dağ. Kan. AŞ, is not accounted for under consolidation principles in the consolidated financial statements. In the financial statements prepared in accordance with International Financial Reporting Standards, Bileşim Alternatif Dağ. Kan. AŞ is included in the scope of consolidation by-line method.

The Parent Bank’s subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka A.D. Skopje, Halk Faktoring AŞ, Halkbank A.D. Beograd and Halk Varlık Kiralama AŞ are included in the scope of consolidation by line-by-line method.

Demir-Halk Bank N.V. (“Demir Halk Bank”), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta AŞ which are qualified as investments in associates, are presented in the consolidated financial statements based on equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has no significant influence and control, established at home and abroad.

VIII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER’S EQUITY BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

Immediate transfer of the shareholder’s equity between the Parent Bank and its subsidiaries is not in question. Dividend distribution from shareholders’ equity is done according to related regulations.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiaries. The Parent Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiaries.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)
- II. Consolidated Statement of Off-Balance Sheet Items
- III. Consolidated Statement of Profit or Loss
- IV. Consolidated Statement of Profit or Loss and Other Comprehensive Income
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows
- VII. Statement of Profit Distribution

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

ASSETS	Note	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		30.233.397	42.074.025	72.307.422	21.452.260	39.789.022	61.241.282
1.1 Cash and Cash Equivalents		3.057.952	36.497.025	39.554.977	4.215.704	36.559.750	40.775.454
1.1.1 Cash and Balances with Central Bank	(1)	2.472.611	32.841.376	35.313.987	3.983.094	31.596.630	35.579.724
1.1.2 Banks	(3)	508.021	3.655.952	4.163.973	181.392	4.964.779	5.146.171
1.1.3 Money Markets		87.138	-	87.138	65.318	-	65.318
1.1.4 Expected Loss Provision (-)		9.818	303	10.121	14.100	1.659	15.759
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	16.295.809	9.954	16.305.763	14.516.355	22.580	14.538.935
1.2.1 Government Debt Securities		16.131.520	64	16.131.584	14.415.482	21.455	14.436.937
1.2.2 Equity Instruments		145.601	9.890	155.491	74	1.125	1.199
1.2.3 Other Financial Assets		18.688	-	18.688	100.799	-	100.799
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	10.875.940	4.418.750	15.294.690	2.720.192	2.144.620	4.864.812
1.3.1 Government Debt Securities		10.275.808	4.283.752	14.559.560	2.579.303	2.058.759	4.638.062
1.3.2 Equity Instruments		20.049	134.998	155.047	24.793	85.861	110.654
1.3.3 Other Financial Assets		580.083	-	580.083	116.096	-	116.096
1.4 Derivative Financial Assets	(2)(1)	3.696	1.148.296	1.151.992	9	1.062.072	1.062.081
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		3.696	1.148.296	1.151.992	9	1.062.072	1.062.081
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)		267.318.842	112.081.816	379.400.658	212.632.972	102.399.552	315.032.524
2.1 Loans	(5)	222.430.880	90.963.797	313.394.677	173.737.859	89.093.926	262.831.785
2.2 Lease Receivables	(10)	1.021.658	2.369.156	3.390.814	1.021.724	2.465.872	3.487.596
2.3 Factoring Receivables		2.146.745	38.381	2.185.126	1.277.726	139.535	1.417.261
2.4 Other Financial Assets Measured at Amortised Cost	(6)	53.297.037	19.174.085	72.471.122	45.172.546	11.158.799	56.331.345
2.4.1 Government Debt Securities		53.246.524	19.174.085	72.420.609	45.110.909	11.158.799	56.269.708
2.4.2 Other Financial Assets		50.513	-	50.513	61.637	-	61.637
2.5 Expected Credit Loss (-)		11.577.478	463.603	12.041.081	8.576.883	458.580	9.035.463
III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(16)	1.009.587	66.831	1.076.418	9.593	-	9.593
3.1 Held for Sale		1.009.587	66.831	1.076.418	9.593	-	9.593
3.2 Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		116.254	476.980	593.234	84.321	431.547	515.868
4.1 Investments in Associates (Net)	(7)	32.254	476.980	509.234	27.175	431.547	458.722
4.1.1 Associates Valued Based on Equity Method		21.152	476.980	498.132	17.823	431.547	449.370
4.1.2 Unconsolidated Associates		11.102	-	11.102	9.352	-	9.352
4.2 Subsidiaries (Net)	(8)	84.000	-	84.000	57.146	-	57.146
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non- Financial Subsidiaries		84.000	-	84.000	57.146	-	57.146
4.3 Joint Ventures (Net)	(9)	-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)	(12)	9.107.424	201.549	9.308.973	4.514.930	124.956	4.639.886
VI. INTANGIBLE ASSETS (Net)	(13)	166.525	38.734	205.259	149.098	34.313	183.411
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		166.525	38.734	205.259	149.098	34.313	183.411
VII. INVESTMENT PROPERTIES (Net)	(14)	1.096.814	7.649	1.104.463	967.406	5.995	973.401
VIII. CURRENT TAX ASSET		602	7.469	8.071	19.860	6.183	26.043
IX. DEFERRED TAX ASSET	(15)	48.878	3.462	52.340	95.326	3.019	98.345
X. OTHER ASSETS (Net)	(17)	4.115.999	458.990	4.574.989	4.406.874	1.094.449	5.501.323
TOTAL ASSETS		313.214.322	155.417.505	468.631.827	244.332.640	143.889.036	388.221.676

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Note	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. DEPOSITS	(1)	163.097.510	137.590.041	300.687.551	137.508.551	113.070.969	250.579.520
II. FUNDS BORROWED	(3)	1.410.975	12.756.895	14.167.870	1.286.624	13.987.856	15.274.480
III. MONEY MARKETS		50.388.047	2.951.294	53.339.341	32.815.996	5.402.273	38.218.269
IV. SECURITIES ISSUED (Net)	(4)	8.781.602	10.512.530	19.294.132	4.321.374	12.024.839	16.346.213
4.1 Bills		4.745.320	-	4.745.320	2.164.993	-	2.164.993
4.2 Assets Backed Securities		2.651.546	-	2.651.546	1.951.469	-	1.951.469
4.3 Bonds		1.384.736	10.512.530	11.897.266	204.912	12.024.839	12.229.751
V. FUNDS	(5)	3.209.004	-	3.209.004	2.874.121	-	2.874.121
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		3.209.004	-	3.209.004	2.874.121	-	2.874.121
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(2) (8)	334	353.384	353.718	16	410.323	410.339
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		334	353.384	353.718	16	410.323	410.339
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		1.081	426	1.507	2.310	107	2.417
IX. LEASE LIABILITIES	(7)	534.189	109.870	644.059	85	-	85
X. PROVISIONS	(9)	1.678.800	71.545	1.750.345	4.153.786	13.000	4.166.786
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.119.640	14.108	1.133.748	915.732	10.886	926.618
10.3 Insurance for Technical Provision (Net)		-	53.652	53.652	2.215.153	-	2.215.153
10.4 Other Provisions		559.160	3.785	562.945	1.022.901	2.114	1.025.015
XI. CURRENT TAX LIABILITY	(10)	1.324.515	8.772	1.333.287	729.532	8.140	737.672
XII. DEFERRED TAX LIABILITIES	(10)	315.308	2.152	317.460	453.608	2.152	455.760
XIII. NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(11)	3.098.809	85.508	3.184.317	2.030	-	2.030
13.1 Held for Sale		3.098.809	85.508	3.184.317	2.030	-	2.030
13.2 Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	6.037.858	6.146.988	12.184.846	6.182.084	-	6.182.084
14.1 Loans		-	6.146.988	6.146.988	-	-	-
14.2 Other Debt Instruments		6.037.858	-	6.037.858	6.182.084	-	6.182.084
XV. OTHER LIABILITIES	(6)	24.768.998	1,198.004	25,967.002	22,367.642	1,063.018	23,430.660
XVI. SHAREHOLDERS' EQUITY	(13)	31,561,248	636,140	32,197,388	29,098,151	443,089	29,541,240
16.1 Paid-in Capital		1,250,000	-	1,250,000	1,250,000	-	1,250,000
16.2 Capital Reserves		1,014,978	412	1,015,390	1,267,795	-	1,267,795
16.2.1 Share Premium		39,773	-	39,773	39,740	-	39,740
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		975,205	412	975,617	1,228,055	-	1,228,055
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2,650,400	1,500	2,651,900	2,486,596	(105)	2,486,491
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		337,320	(83,834)	253,486	(39,253)	(154,979)	(194,232)
16.5 Profit Reserves		23,664,169	388,010	24,052,179	20,490,940	329,114	20,820,054
16.5.1 Legal Reserves	(14)	2,459,822	29,703	2,489,525	2,009,871	8,868	2,018,739
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		21,157,205	104,574	21,261,779	18,433,927	104,574	18,538,501
16.5.4 Other Profit Reserves		474,142	253,733	727,875	474,142	215,672	689,814
16.6 Income or (Loss)		2,362,968	324,212	2,687,180	3,400,708	263,783	3,664,491
16.6.1 Prior Periods' Income or (Loss)		179,946	239,626	419,572	808,240	199,604	1,007,844
16.6.2 Current Period Income or (Loss)		2,183,022	84,586	2,267,608	2,592,468	64,179	2,656,647
16.7 Minority Shares	(15)	281,413	5,840	287,253	241,365	5,276	246,641
TOTAL LIABILITIES		296,208,278	172,423,549	468,631,827	241,795,910	146,425,766	388,221,676

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS

	Note	Audited			Audited		
		Current Period			Prior Period		
		31 December 2019	FC	TOTAL	31 December 2018	FC	TOTAL
OFF-BALANCE SHEET		TRY	FC	TOTAL	TRY	FC	TOTAL
A. COMMITMENTS AND CONTINGENCIES (I-II-III)		83.750.565	113.362.625	197.113.190	70.479.149	89.431.738	159.910.887
I. GUARANTEES AND WARRANTIES	(1)	40.418.066	50.599.764	91.017.830	36.985.278	46.684.697	83.669.975
11 Letters of guarantee		37.701.126	39.576.362	77.346.488	34.982.709	36.416.106	71.397.815
11.1 Guarantees subject to public procurement law		2.075.214	1132.077	13.207.291	1.982.722	12.444.947	14.427.669
11.2 Guarantees given for foreign trade operations		-	91.930	91.930	-	64.120	64.120
11.3 Other letters of guarantee		35.624.912	28.352.355	64.047.267	32.999.987	23.906.039	56.906.026
12 Bank loans		8.260	6.953.738	6.961.998	11.845	7.038.415	7.050.260
12.1 Import acceptances		-	27.704	27.704	-	94.572	94.572
12.2 Other bank acceptances		8.260	6.926.034	6.934.294	11.845	6.943.843	6.955.688
13 Letters of credit		16.891	3.884.760	3.901.651	119.895	3.110.315	3.230.210
13.1 Documentary letters of credit		16.891	3.884.760	3.901.651	119.895	3.110.315	3.230.210
13.2 Other letters of credit		-	-	-	-	-	-
14 Guaranteed refinancing		-	-	-	-	-	-
15 Endorsements		-	-	-	-	-	-
15.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-	-	-	-
15.2 Other Endorsements		-	-	-	-	-	-
16 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
17 Factoring guarantees		-	-	-	-	-	-
18 Other guarantees		2.622.789	184.904	2.807.693	1.870.829	120.861	1.991.690
19 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		28.057.633	4.628.061	32.685.694	24.243.741	3.598.496	27.842.237
21 Irrevocable commitments	(1)	27.742.136	2.136.154	29.878.290	24.091.603	2.105.823	26.197.426
21.1 Forward asset purchase commitments		967.531	1.265.092	2.232.623	807.737	1.228.932	2.036.669
21.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
21.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
21.4 Loan granting commitments		2.564.640	573.699	3.138.339	4.159.896	530.684	4.690.580
21.5 Securities underwriting commitments		-	-	-	-	-	-
21.6 Payment commitments for reserve deposits		-	-	-	-	-	-
21.7 Payment commitments for Cheques		3.219.679	-	3.219.679	2.661.413	-	2.661.413
21.8 Tax and fund liabilities from export commitments		831.956	-	831.956	65.280	-	65.280
21.9 Commitments for credit card expenditure limits		16.709.743	63.100	16.772.843	12.674.648	54.296	12.728.944
21.10 Commitments for credit cards and banking services promotions		24.943	-	24.943	31.409	-	31.409
21.11 Receivables from short sale commitments		-	-	-	-	-	-
21.12 Payables for short sale commitments		-	-	-	-	-	-
21.13 Other irrevocable commitments		4172.444	234.263	4.406.707	3.691.220	291.911	3.983.131
22 Revocable commitments		315.497	2.491.907	2.807.404	152.138	1.492.673	1.644.811
22.1 Revocable loan granting commitments		-	1.347.727	1.347.727	-	1.137.584	1.137.584
22.2 Other revocable commitments		315.497	1.144.180	1.459.677	152.138	355.089	507.227
III. DERIVATIVE FINANCIAL INSTRUMENTS		15.274.866	58.134.800	73.409.666	9.250.130	39.148.545	48.398.675
31 Derivative financial instruments held for risk management		-	-	-	-	-	-
31.1 Fair value risk hedging transactions		-	-	-	-	-	-
31.2 Cash flow risk hedging transactions		-	-	-	-	-	-
31.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
32 Transactions for trading		15.274.866	58.134.800	73.409.666	9.250.130	39.148.545	48.398.675
32.1 Forward foreign currency buy/sell transactions		1.508.922	3.824.584	5.333.506	1.805.572	5.242.539	7.048.111
32.1.1 Forward foreign currency transactions-buy		779.407	1.490.061	2.269.468	1.153.375	3.067.752	4.221.127
32.1.2 Forward foreign currency transactions-sell		729.515	2.334.523	3.064.038	252.197	2.174.787	2.826.984
32.2 Currency and interest rate swaps		12.849.944	48.469.357	61.318.851	5.146.767	28.105.082	33.251.849
32.2.1 Currency swap-buy		432.526	15.652.590	16.085.116	1.012.983	7.070.935	8.083.918
32.2.2 Currency swap-sell		11.996.968	5.526.265	17.523.233	4.133.784	3.641.263	7.775.047
32.2.3 Interest rate swap-buy		210.000	13.643.751	13.853.751	-	8.696.442	8.696.442
32.2.4 Interest rate swap-sell		210.000	13.643.751	13.853.751	-	8.696.442	8.696.442
32.3 Currency, interest rate and marketable securities options		916.450	2.604.064	3.520.514	2.297.991	3.961.455	5.859.246
32.3.1 Currency call options		457.977	1.302.273	1.760.250	1148.905	1.780.728	2.929.633
32.3.2 Currency put options		458.473	1.301.791	1.760.264	1.148.886	1.780.727	2.929.613
32.3.3 Interest rate call options		-	-	-	-	-	-
32.3.4 Interest rate put options		-	-	-	-	-	-
32.3.5 Marketable securities call options		-	-	-	-	-	-
32.3.6 Marketable securities put options		-	-	-	-	-	-
32.4 Currency futures		-	-	-	-	-	-
32.4.1 Currency futures-buy		-	-	-	-	-	-
32.4.2 Currency futures-sell		-	-	-	-	-	-
32.5 Interest rate buy/sell futures		-	-	-	-	-	-
32.5.1 Interest rate futures-buy		-	-	-	-	-	-
32.5.2 Interest rate futures-sell		-	-	-	-	-	-
32.6 Other		-	3.236.795	3.236.795	-	2.239.469	2.239.469
B. CUSTODY AND PLEDGED ASSETS (IV-V-VI)		1.210.945.097	362.728.818	1,573,673,915	957,578,147	312,632,590	1,270,210,737
IV. CUSTODIES		571,163,381	50,656,660	621,820,041	435,748,450	458,695,486	478,403,936
41 Assets under management		-	-	-	-	-	-
42 Custody marketable securities		207,557,418	1,420,996	208,978,414	164,714,542	1,071,914	165,731,736
43 Cheques in collection process		15,793,262	31,771,413	47,564,675	15,459,699	26,465,087	41,924,786
44 Commercial notes in collection process		289,702,098	7,018,616	296,720,714	239,248,814	5,578,699	244,827,513
45 Other assets in collection process		-	-	-	-	-	-
46 Undersigned securities		-	-	-	-	-	-
47 Other custodies		4,005,746	810,205	4,815,951	4,281,053	486,438	4,767,491
48 Custodians		6,410,857	9,528,430	15,939,287	13,044,342	9,108,068	21,152,410
V. PLEDGED ASSETS		639,781,716	312,072,158	951,853,874	521,829,697	269,977,104	791,806,801
51 Marketable securities		5,805,905	1,236,225	7,042,130	5,910,919	772,952	6,683,871
52 Collateral notes		7,208,610	1,344,753	8,553,363	7,602,929	1,177,031	8,774,960
53 Commodity		25,913	-	25,913	-	-	25,913
54 Warranty		-	-	-	-	-	-
55 Land and buildings		500,970,141	253,826,850	754,796,991	384,296,983	225,968,770	610,265,753
56 Other pledged assets		120,641,778	42,752,230	163,393,408	76,479,920	39,614,525	116,094,445
57 Pledges		-	12,912,100	12,912,100	-	2,448,826	49,961,950
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (IA-B)		1,294,695,662	476,091,443	1,770,787,105	1,028,057,296	402,064,328	1,430,121,624

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

III. CONSOLIDATED STATEMENT OF INCOME

INCOME AND EXPENSES	Note	Audited	
		Current Period 1 January- 31 December 2019	Prior Period 1 January- 31 December 2018
I. INTEREST INCOME	(1)	47.668.735	37.617.675
11 Interest on Loans		37.221.483	28.994.809
1.2 Interest on Reserve Requirements		96.989	97.387
1.3 Interest on Banks		344.109	666.605
1.4 Interest on Money Market Transactions		69.368	58.064
1.5 Interest on Marketable Securities Portfolio		9.197.377	7.151.547
15.1 Fair Value Through Profit or Loss		16.557	19.110
15.2 Fair Value Through Other Comprehensive Income		1.522.716	347.139
15.3 Measured at Amortized Cost		7.658.104	6.785.298
1.6 Financial Lease Interest Income		322.356	272.064
1.7 Other Interest Income		417.053	377.199
II. INTEREST EXPENSE (-)	(2)	36.007.406	28.674.763
2.1 Interest on Deposits		23.011.889	20.298.335
2.2 Interest on Funds Borrowed		552.139	769.204
2.3 Interest Expense on Money Market Transactions		9.445.246	5.795.550
2.4 Interest on Securities Issued		2.637.772	1.555.203
2.5 Interest on Leases		96.205	-
2.6 Other Interest Expenses		264.155	256.471
III. NET INTEREST INCOME (I - II)		11.661.329	8.942.912
IV. NET FEES AND COMMISSIONS INCOME		2.716.482	1.904.363
4.1 Fees and Commissions Received		3.851.049	2.831.050
4.1.1 Non – cash Loans		936.746	625.174
4.1.2 Other	(13)	2.914.303	2.205.876
4.2 Fees and Commissions Paid (-)		1.134.567	926.687
4.2.1 Non – cash Loans		4.692	3.835
4.2.2 Other	(13)	1.129.875	922.852
V. DIVIDEND INCOME	(5)	14.441	13.177
VI. TRADING INCOME / LOSS (Net)	(6)	(3.227.754)	231.483
6.1 Trading Gains / (Losses) on Securillies		2.94.927	33.081
6.2 Gains / (Losses) on Derivate Financial Transactions		(1.473.142)	1.979.221
6.3 Foreign Exchange Gains / (Losses)		(2.049.539)	(1.780.819)
VII. OTHER OPERATING INCOME	(9)	2.620.242	2.489.370
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		13.784.740	13.581.305
IX. EXPECTED LOSS PROVISIONS (-)	(6)	4.672.517	2.598.891
X. OTHER PROVISION EXPENSES (-)	(6)	147.354	821.625
XI. PERSONNEL EXPENSE (-)		3.029.501	2.608.022
XII. OTHER OPERATING EXPENSES (-)	(7)	3.562.647	4.546.592
XIII. NET OPERATING INCOME /LOSS (IX-X-XI)		2.372.721	3.006.175
XIV. INCOME AFTER MERGER		-	-
XV. INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		33.538	26.620
XVI. INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XVII. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(8)	2.406.259	3.032.795
XVIII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(9)	(306.921)	(361.833)
18.1 Current Tax Provision		477.171	175.752
18.2 Deferred Tax Income Effect (+)		1.221.643	1.161.994
18.3 Deferred Tax Expense Effect (-)		1.391.893	975.913
XIX. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(10)	2.099.338	2.670.962
XX. INCOME FROM DISCONTINUED OPERATIONS		2.163.741	22.727
20.1 Income from non- Current Assets Held for Sale		2.163.741	22.727
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3 Income from Other Discontinued Operations		-	-
XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)		1.798.587	9.737
21.1 Expenses for Non-current Assets Held for Sale		1.798.587	9.737
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3 Expenses for Other Discontinued Operations		-	-
XXIII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (IXX-XX)	(8)	365.154	12.990
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(9)	(171.619)	(2.860)
23.1 Current Tax Provision		176.370	2.890
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		4.751	30
XXIV. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)	(10)	193.535	10.130
XXV. NET PROFIT/(LOSS) (XVII±XXIII)	(11)	2.292.873	2.681.092
25.1 Profit / (Loss) of Group		2.267.608	2.656.647
25.2 Profit / (Loss) of Minority Shares (-)	(12)	25.265	24.445
Profit / (Loss) Per Share (full TRY)		1.8140864	2.1253176

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited Current Period	Audited Prior Period
	1 January - 31 December 2019	1 January - 31 December 2018
STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I. CURRENT PERIOD INCOME/LOSS	2.292.873	2.681.092
II. OTHER COMPREHENSIVE INCOME	609.117	657.118
2.1 Not Reclassified Through Profit or Loss	161.399	225.317
2.1.1 Property and Equipment Revaluation Increase/Decrease	206.466	211.669
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	(87.021)	24.320
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	29.011	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	12.943	(10.672)
2.2 Reclassified Through Profit or Loss	447.718	431.801
2.2.1 Foreign Currency Translation Differences	(4.392)	(54.085)
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	543.008	580.811
2.2.3 Cash Flow Hedge Income/Loss	-	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(90.898)	(94.925)
III. TOTAL COMPREHENSIVE INCOME (I+II)	2.901.990	3.338.210

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Premiums	Share Capital	Share Cancellations	Other Comprehensive Income or Expense Not Reclassified through Profit or Loss	Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss	Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss	Other Shares of Investments Valued by Equity Method	Income Tax	Other Comprehensive Income	Losses	Share of Investments Valued by Equity Method	Income Tax	Other Comprehensive Income	Current Period Profit (Loss)	Total Equity
Period End Balance (I)(IV,.....X)(X)	1,250,000	39,777	-	1172,214	2,235,646	(10,744)	19,303	52,631	17,061,403	4,199,070	-	-	-	25,318,865	210,024,253,628,889
II. Corrections and Accounting Policy Changes according to TAS B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (II)	1,250,000	39,777	-	1172,214	2,235,646	(10,744)	19,303	52,631	17,061,403	4,197,923	-	-	-	25,318,865	210,024,253,628,889
IV. Total Comprehensive Income	-	-	-	205,949	19,368	(1,031)	(34,085)	486,977	-	-	-	-	-	2,666,647	3,332,920
V. Total Comprehensive Income	-	-	-	205,949	19,368	(1,031)	(34,085)	486,977	-	-	-	-	-	2,666,647	3,332,920
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Initial Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bond to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Increase/Decrease by Other Changes	3	-	-	54,841	-	-	-	-	-	-	-	-	-	-	-
X. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,392)	(83,349)
III. Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	(862,274)	(862,274)
III.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	3,604,383	(3,604,383)
III.2 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	17,982	17,982
Period End Balance (III)(V,.....X)(X)	1,250,000	39,740	-	1,228,055	2,469,595	8,624	18,272	(1,454)	19,277	1,007,844	-	-	-	29,294,999	246,641,253,641,240
Audited (I January - 31 December 2019)	1,250,000	39,740	-	1,228,055	2,469,595	8,624	18,272	(1,454)	19,277	1,007,844	-	-	-	29,294,999	246,641,253,641,240
II. Corrections and Accounting Policy Changes according to TAS B	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (II)	1,250,000	39,740	-	1,228,055	2,469,595	8,624	18,272	(1,454)	19,277	1,007,844	-	-	-	29,294,999	246,641,253,641,240
IV. Total Comprehensive Income	-	-	-	202,030	(6,642)	(6,642)	29,011	(4,921)	4,527	-	-	-	-	2,267,608	2,876,725
V. Total Comprehensive Income	-	-	-	202,030	(6,642)	(6,642)	29,011	(4,921)	4,527	-	-	-	-	2,267,608	2,876,725
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Initial Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bond to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Increase/Decrease by Other Changes	33	-	-	(252,438)	4,000	-	-	-	-	-	-	-	-	-	-
X. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,402)	(14,021)
III. Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,402)	(14,021)
III.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	3,308,537	(3,308,537)
III.2 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,402)	(44,021)
Period End Balance (III)(V,.....X)(X)	1,250,000	39,773	-	975,617	2,666,635	(6,109)	47,283	(8,848)	21,051	449,372	-	-	-	29,294,999	246,641,253,641,240

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited		
	Current Period	Prior Period	
	Note	1 January- 31 December 2019	1 January- 31 December 2018
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		(1.285.633)	(3.186.823)
1.1.1 Interest received		42.017.429	33.712.282
1.1.2 Interest paid		(36.205.992)	(26.586.389)
1.1.3 Dividend received		14.580	13.177
1.1.4 Fees and commissions received		3.973.956	2.858.270
1.1.5 Other income		3.236.634	2.178.061
1.1.6 Collections from previously written off loans		1.858.918	1.328.304
1.1.7 Cash payments to personnel and service suppliers		(3.171.206)	(2.643.408)
1.1.8 Taxes paid		(351.948)	(172.670)
1.1.9 Other	(1)	(12.658.004)	(13.874.450)
1.2 Changes in Assets and Liabilities Subject to Banking Operations		14.563.051	6.967.809
1.2.1 Net increase / decrease in financial assets at fair value through profit or loss		(1.768.837)	(42.439)
1.2.2 Net (increase) / decrease in due from banks		-	(11.619)
1.2.3 Net (increase) / decrease in loans		(52.972.613)	(51.561.378)
1.2.4 Net (increase) / decrease in other assets		1.129.813	(2.140.784)
1.2.5 Net increase / (decrease) in bank deposits		(3.408.437)	11.890.000
1.2.6 Net increase / (decrease) in other deposits		53.709.536	43.814.081
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		(1.269.042)	(4.756.024)
1.2.9 Net increase / (decrease) in matured payables		-	-
1.2.10 Net increase / (decrease) in other liabilities	(1)	19.142.631	9.775.972
I. Net cash provided from banking operations		13.277.418	3.780.986
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net cash provided from/ (used in) investing activities		(22.359.553)	(18.289.736)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(111.070)	(310.473)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		39.375	-
2.3 Fixed assets purchases		(557.443)	(1.091.076)
2.4 Fixed assets sales		699.405	236.886
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income		(21.377.381)	(12.081.446)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income		11.592.662	6.051.624
2.7 Cash paid for purchase of investment securities		(19.959.111)	(17.449.447)
2.8 Cash obtained from sale of investment securities		7.407.102	6.368.539
2.9 Other		(93.092)	(14.343)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		7.577.393	5.601.920
3.1 Cash obtained from loans borrowed and securities issued		12.282.799	8.553.666
3.2 Cash used for repayment of loans borrowed and securities issued		(4.478.815)	(2.763.036)
3.3 Bonds issued		-	-
3.4 Dividends paid		-	(188.795)
3.5 Payments for leases		(226.591)	-
3.6 Other		-	85
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	2.353.847	5.233.224
V. Net increase / (decrease) in cash and cash equivalents		849.105	(3.673.606)
VI. Cash and cash equivalents at beginning of the period	(4)	23.448.585	27.122.191
VII. Cash and cash equivalents at end of the period	(5)	24.297.690	23.448.585

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2018

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

	Audited Current Period 31 December 2019(1)	Audited Prior Period 31 December 2018
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
11. Current Period Profit	1,968,257	2,717,818
12. Taxes and Legal Duties Payables (-)	(247,948)	(196,023)
12.1. Corporate Tax (Income Tax)	(435,511)	(9,840)
12.2. Withholding Tax	-	-
12.3. Other Taxes and Duties	187,563	(186,183)
A. Net Profit For The Period (11-12)	1,720,309	2,521,795
13. Accumulated Losses (-)	-	-
14. First Legal Reserves (-)	-	126,090
15. Other Statutory Reserves (-)	-	-
B. Net Profit Available for Distribution [(A)-(13+14+15)]	-	2,395,705
16. First Dividend to shareholders (-)	-	-
16.1. To Owners of Ordinary Shares	-	-
16.2. To Owners of Privileged Shares	-	-
16.3. To Owners of Redeemed Shares	-	-
16.4. To Profit Sharing Bonds	-	-
16.5. To Holders of Profit and Loss Sharing Certificates	-	-
17. Dividends to personnel (-)	-	-
18. Dividends to Board of Directors (-)	-	-
19. Second Dividend to Shareholders (-)	-	-
19.1. To Owners of Ordinary Shares	-	-
19.2. To Owners of Privileged Shares	-	-
19.3. To Owners of Redeemed Shares	-	-
19.4. To Profit Sharing Bonds	-	-
19.5. To Holders Of Profit And Loss Sharing Certificates	-	-
110. Second Legal Reserves (-)	-	-
111. Status Reserves (-)	-	3,100,239
112. Extraordinary Reserves(2)	-	-
113. Other Reserves	-	-
II. Distribution of Reserves		
21. Appropriated Reserves	-	-
22. Second Legal Reserves (-)	-	-
22.1. Dividends to Shareholders (-)	-	-
22.2. To Owners of Ordinary Shares	-	-
22.3. To Owners of Privileged Shares	-	-
22.4. To Profit Sharing Bonds	-	-
22.5. To Holders of Profit and Loss Sharing Certificates	-	-
23. Dividends to Personnel (-)	-	-
24. Dividends to the Boards of Directors (-)	-	-
III. Earnings per Share		
31. To Owners of Ordinary Shares	1,3762	2,0174
32. To Owners of Ordinary Shares (%)	137,62%	201,74%
33. To Owners of Privileged Shares	-	-
34. To Owners of Privileged Shares (%)	-	-
IV. Dividend per Share		
41. To Owners of Ordinary Shares	-	-
42. To Owners of Ordinary Shares (%)	-	-
43. To Owners of Privileged Shares	-	-
44. To Owners of Privileged Shares (%)	-	-

⁽¹⁾ As of the date of 31 December 2019 financial statements the General Assembly of the Parent Bank has not been held yet.

⁽²⁾ The balance amounting to TRY 704.534, composed as a result of the transition to TFRS 9 on 1 January 2018, and accounted for under retained earnings, has been transferred to extraordinary reserves.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

The Parent Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board (“BRSA”) and circulars and pronouncements published by the BRSA Turkish Financial Reporting Standards published by the Public Oversight Accounting (“POA”) and Auditing Standards Authority (“POA”) for the matters not regulated by the aforementioned legislations.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities carried at fair value. Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.

Accounting policies and valuation principles used in the preparation of financial statements, have been determined and implemented in accordance with accounting and financial reporting principles in scope of the regulations, communiqués, explanations and circulars issued by the BRSA and for the matters not legislated by the aforementioned regulations, in accordance with TAS / TFRS principles (all together referred to as “BRSA Accounting and Financial Reporting Regulations”) issued by the POA.

In accordance with the “Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 with No. 30673, the accompanying previous period financial statements were presented in compliance with the new financial statement formats.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying 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.

in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

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

1) The Group's strategy on financial instruments:

Due to its historical mission, the Parent Bank focuses on granting loans to Small and Medium Size Enterprises and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Group can raise funds from money markets and borrowings abroad.

The Group follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Parent Bank are evaluated in the weekly Asset and Liability Committee meetings.

2) The Group's explanations on foreign currency transactions:

In the statutory records of the Group, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and collections of foreign currency transactions are reflected to the income statement.

The financial statements of the foreign branches and subsidiaries of the Parent Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches and subsidiaries are expressed in TRY which is the functional currency of the Group and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches and subsidiaries of the Parent Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. The foreign branches' income and expenses are converted by at exchange rates at the dates of the transactions. The foreign subsidiaries' income and expenses are converted by average rate of the exchange of the current year.

The Group hedged the net investment risk from the foreign currency exchange rate fluctuations on foreign financial investments (Halkbank A.D. Beograd (subsidiary), Demir-Halk Bank N.V. (affiliate) and Halk Banka A.D., Skopje (subsidiary) with the foreign currency denominated funds (hedging instrument) as of 1 July 2015. In this context, exchange differences recorded in profit/loss and arising from funds denominated in foreign currencies that are determined to be effective in the current period will be shown in equity.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES

1. Basis of consolidation:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" and the Turkish Accounting Standards are applied in the consolidation.

a) Basis of consolidation of subsidiaries:

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Faktoring AŞ, Halk Banka A.D., Skopje, Halkbank A.D. Beograd and Halk Varlık Kiralama AŞ are included in the scope of consolidation.

A subsidiary is an entity that is controlled by the Parent Bank. Control is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of a legal person's capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding preferred shares or of agreements with other shareholders although not owning the majority of capital.

Under line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank's investment in each subsidiary and the Group's each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group's net income and the Group's equity. Minority interests are identified separately in the balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries' financial statements. There is no item that a different accounting policy is applied.

b) Basis of consolidation of associates:

The Parent Bank's investments in associates, Demir-Halk Bank N.V. ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve l Sigorta AŞ, are presented in the accompanying financial statements based on the equity method of accounting. An associate is an entity established domestically and abroad in which the Parent Bank invests with a significant influence but no control.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds ten percent or more of the voting power of the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Qualified share is the share that directly or indirectly constitute ten percent of a subsidiary's capital or voting rights and irrespective of this requirement, possession of preferred shares giving right to appoint members of board of directors.

Equity accounting method is an evaluation method of associates by which the Parent Bank's share in the associates' equity is compared with the book value of the associate accounted for in the Parent Bank's balance sheet.

Accounting principles used by the consolidated associates accounted for at equity method, Demir-Halk Bank N.V., Kobi Girişim Sermayesi AŞ and Türk P ve I Sigorta AŞ, are the same of the Parent Bank.

c) Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures which subject to consolidation.

d) Principles applied during share transfer, merger and acquisition:

Accounting for business combinations

From 1 January 2010, the Group applies TFRS 3 Business Combinations (2008) in accounting for business combinations. Change in this accounting policy was applied prospectively and did not have a significant impact on earnings per share (EPS).

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 January 2010

Goodwill at the acquisition date for business combinations on or after 1 January 2010 are measured as below:

- The fair value of the acquisition cost; plus
- The recognized amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, the gain on acquisition is recognized immediately in profit or loss.

Fair values of the identifiable acquired assets, liabilities and contingent liabilities if the initial recognition of the combination is to be made temporarily at the end of the period in which the combination takes place since the cost of the combination can be determined only temporarily on the basis of the carrying values, the acquirer accounts for the business combination on with temporary amounts. The temporary acquisition value of the combination should be adjusted within 12 months to reflect the completion of the transaction, including adjusting the goodwill.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

The acquisition cost does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent liability is recognized at fair value at the acquisition date. If the contingent amount is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent amount are recognized in profit or loss.

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, the gain on acquisition is recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations are capitalized as part of the cost of the acquisitions.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

Derivative transactions of the Group consist of foreign currency and interest rate swaps, cross currency swaps, options and forwards. The Group uses derivatives to avoid economical risks and account for as trading under TFRS 9 Standard as "Changes in Fair Value through Profit or Loss".

Pledges arises derivative transactions recorded in off-balance sheet accounts with their agreement amounts. Derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets" or "derivative financial liabilities", respectively depending on the fair values being positive or negative. Fair value changes of derivative instruments are recorded under income statement. Fair values of derivatives are calculated using discounted cash flow model or market value.

Explanations related to credit derivatives and its risk exposures:

The Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic's credit risk. As of 31 December 2019, the bank has credit default swap transaction amounting to USD 310 million with 5 year maturity. In these transactions, the Parent Bank sells the protection.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TFRS 9 Standard”.

Starting from 1 January 2018, the Group has started to accrue interest on non-performing loans. Gross book value of the non-performing loans are discounted with effective interest rate.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

Banking service income is recorded in the income in the period when they are collected. Prepaid fees and commission income obtained from cash and non-cash loans are recorded in the related period by using discounting method with internal rate of return according to the loan maturity within the matching principle.

Fee and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. These fee and commission expenses are booked under prepaid expenses and transferred to expense accounts in the related periods by using the straight accrual method according to the financial borrowing maturity within the matching principle.

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Group, if the Group is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Group. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an arm’s length transaction. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists.

The estimated fair values of financial assets have been determined by the Group using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

Classification of the category of a financial instrument at initial recognition depends on both the business model for managing the financial assets and their contractual cash flow characteristics.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Assessment of Business Model

The Group classifies its financial assets in accordance with TFRS 9 through its business model which is used for financial assets management.

The Group's business model is related with how the Group manages its financial assets to generate cash flows. In other terms, the source of cash flows depends on the Group's business model whether the cash flow is generated from contractual terms or through sale of financial asset or both.

Classification of financial assets is made at initial recognition considering the aim of purchase of the financial asset.

The Group's business models are classified in three main categories in accordance with TFRS 9.

1. A business model whose objective is to hold assets in order to collect contractual cash flows:

A business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The purpose of the business model does not require to hold to collect the contractual cash flows of the instruments over their life, even the aim of the business model is to hold the instruments up to maturity for the contractual cash flows. Therefore, even when financial asset sales are anticipated or expected to occur in the future, the business model may still be a model that aims to retain financial assets in order to collect contractual cash flows.

The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value changes of the financial assets that are held within the scope of this business model are accounted for under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

3. Other Business Models:

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Group makes its decisions on the basis of business model, which is based on the fair value of the assets and manages the assets to obtain their fair value. Therefore, if the financial assets are held for the purpose of obtaining cash flows arising from their sale, the change in fair value are measured at fair value through profit or loss.

Measurement Categories of Financial Assets and Liabilities

As of 1 January 2018, the Group classified all its financial assets based on the business model for managing the financial assets. Accordingly, the financial assets are classified as per TFRS 9 in three main categories listed below:

1. Financial assets measured at amortized cost,
2. Financial assets measured at fair value through other comprehensive income and
3. Financial assets measured at fair value through profit/loss.

TFRS 9, explains how financial assets are classified in accordance with methods explained in Article 1 and 2 and other than these financial assets, remaining financial assets are classified in accordance with the method detailed in Article 3.

In addition, the Parent Bank's securities portfolio includes government bonds indexed to consumer prices (CPI), which are valued and accounted for based on the effective interest method based on the index calculated by taking into account the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The reference indices used in the calculation of the actual coupon payment amounts of these assets are generated according to the CPI of previous two months. The Parent Bank determines the estimated inflation rate accordingly. The inflation rate estimated by taking into consideration the expectations of the T.R. Central Bank and the Parent Bank's expectations is updated during the year when deemed necessary.

1. Financial Assets Measured at Amortised Cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- a) Asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Financial assets measured at amortised cost are loans and receivables and financial assets. Subsequent to the initial recognition, financial investments are accounted for at amortised cost calculated by using the effective interest rate method. Loans are initially recognized with their cost and carried at their amortized costs calculated using the internal rate of return subsequent to recognition.

2. Financial Assets Measured at Fair Value through other comprehensive income

A financial asset is measured if both of the following conditions are met:

- Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

3. Financial Assets Measured at Fair Value through profit or loss

According to TFRS 9, the 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. However, the Group may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

Cash Equivalents and Banks

Cash and bank balances in foreign currencies are valued by using the Group's current period end exchange rates. The presented values of cash in TRY, foreign currency cash and banks at balance sheet are the estimated fair values of these assets.

Loans and receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return subsequent to recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates.

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

As of 1 January 2018, the Group recognizes loan loss allowances for expected credit losses on financial assets and loans measured at amortised cost and measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit / loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classifications of Loans and Allowances Allocated for Such Loans" effective from 1 January 2018. Financial assets measured at fair value are not assessed for impairment.

As of the reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition in accordance with TFRS 9. When making the assessment, the Group shall use the change in the risk of a default occurring for the financial instrument.

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Group measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Group calculates the expected credit loss on a collective basis by grouping the financial assets having common credit risk features or on an individual basis.

The Group constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration the change in the risk of a default event occurring over the expected life of the financial instrument.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Calculation of expected credit losses

A credit loss is present value of calculated difference between the total cash flows that will occur based on the contractual terms of financial instruments and the total cash flows, which the Group expects to collect, with the initial effective interest rate. The Group estimates the cash flows over the expected life of the financial instrument by taking into account all contractual terms of the financial instrument, and considers the weighted average of loan losses according to the relevant default risks for determining expected credit losses.

TFRS 9 Financial Instruments Standard allows the calculation of expected credit loss provisions in aggregate or individually by grouping financial assets with common credit risk characteristics. The Bank has been collectively calculating and accounting for expected credit loss provisions. As of 31 December 2019, the Parent Bank has individually assessed a portion of the loans, which were classified as the 3rd stage lifetime expected credit loss-default whose ECL was collectively calculated since the date of transition to TFRS 9 standard as of 1 January 2018, on a prudent basis by assessing alternative cash flows and possible sales of collaterals, and reflected the results of this assessment in the expected credit loss provisions in the financial statements.

Probability of Default (PD)

It is defined as the probability that the debtor does not fulfill its obligations to the Group or in other words it can not repay its debts to the Group. This ratio is calculated for each loan based on various statistical assumptions depending on the maturity, internal behavioral model, external behavioral model and financial module data. The probability values take a value between 0 and 1, and as the probability value increases, the likelihood of the credit defaulting increases.

Loss given Default (LGD)

This is the parameter indicates the expected economic loss of the Group if the credit defaults. In the case of the credit defaults and the Group collects the entire amount of the default, LGD is zero, in the case of no collection, LGD is 100% percent. LGD rates are reviewed on a maximum of 1 year basis.

Exposure at Default (EAD)

It is the parameter that indicates how much of a loan will default. The default amount for a spot or installment loan is the amount, which is listed on the payment schedule at the time of default. Additionally, the default amount for the credit cards and limit gaps of overdraft accounts and non-cash loans, are calculated with a parameter called credit conversion rate (CCR). The default risk amount in the future is estimated by calculating by the statistical methods with the credit conversion rate, since it is not known at the time of loan origination due to undrawn commitment for limit of credit cards and overdraft accounts.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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12 Month Probability of Default

It is the estimated probability of default occurring within the next 12 months following the balance sheet date. According to Article 5.5.5 of TFRS 9 standard, in the case of that there is no significant increase in credit risk of a financial instrument since its first recognition, the Group shall measure at the provision for loss of the related financial instrument as equal as 12 month expected credit losses.

In the case of a customer or a loan that is classified under Standard Loans (Stage I), the provision for loan is calculated on 365 days even if the maturity of the loan is above 1 year. In the case of maturity of the loan is under 1 year, number of days left to maturity (except revolving loans and credit cards) are used in calculations.

Lifetime Expected Credit Losses

It is the estimated expected credit losses occurring within the next 12 months following the balance sheet date. According to Article 5.5.5 of TFRS 9 standard, in the case of that there is no significant increase in credit risk of a financial instrument since its first recognition, the Bank shall measure at the provision for loss of the related financial instrument as equal as 12 month expected credit losses.

In the case of a customer or loan is classified as Stage 2 or Stage 3, the provision for expected credit loss is measured at the lifetime probability of default. Despite the fact that the methods for used calculation for provision of expected credit loss are similar for Stage 2 and Stage 3 loans, the probability of default for Stage 3 credits is accepted as 100%.

TFRS 9 Standard does not include a direct definition of default, but requires a consistent definition of default to be used in credit risk management. The Group is considering qualitative indicators (e.g. financial commitments), if appropriate, when defining a default according to TFRS 9, for the purpose of determining the risk of business default and adopts a definition of default, consistent with the definition used for in-house credit risk management purposes for the relevant financial instruments. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. "The definition of default used for these purposes applies consistently to all financial instruments unless information can be obtained that demonstrates that another definition of default is more appropriate for a particular financial instrument." in line with the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches assumes that debt defaulted if at least one of the following two conditions occurs.

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a) Considering that a debtor is unlikely to pay credit obligations to the Parent Bank and to the Parent Bank's consolidated financial subsidiaries without using guarantees

b) Considering that a debt having past due more than 90 days to the Parent Bank or its financial subsidiaries

The expected loan loss provision for the loans classified as non-performing loans (Stage 3) is calculated using the estimation of loss given default (LGD). Aforementioned estimation is based on the historical data on a segment basis and determined by the principle loss charge, being the remaining amount after the collection made within the period after each segment has defaulted.

Low Credit Risk

IFRS 9 standard states that in some cases, the credit risk on a financial instrument can be calculated as low if the financial instrument has a low risk of default when there is no reliable past default data.

According to the mentioned standard, if the entity determines that a financial instrument has a low credit risk as of the reporting date, it assumes that the credit risk on the financial instrument has not increased significantly following its initial recognition in the financial statement. Those transactions in the Group are classified as follows:

- a) CBRT transactions (Currencies held in CBRT and reserve requirements)
- b) Securities (Fair value through other comprehensive income and financial assets measured at amortised cost)
- c) Treasury Loans (Transactions with Treasury Republic of Turkey)
- d) Loans guaranteed by Treasury of Republic of Turkey

The Rules of Significant Increase in Credit Risk

Significant increase in credit risk requires measurement of the Group's provision for expected credit losses at lifetime probability of default instead of 12 month expected credit loss.

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2.

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IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under “Funds Obtained from Money Market” account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the “Receivables from Money Markets” account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

XI. EXPLANATIONS ON ASSETS HELD FOR SALE, ASSETS OF DISCONTINUED OPERATIONS AND RELATED LIABILITIES

Assets that meet the criteria to be classified as held for sale are measured at carrying amount and depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify an asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active program to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year.

Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

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XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Group.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Property and equipment except buildings that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property and equipment are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

As of 1 April 2015, the Group adopted the revaluation method for buildings in tangible assets in accordance with Turkish Accounting Standard No: 16 "Property, Plant and Equipment" (TAS 16). Expertise values determined by independent appraisal companies are reflected to the financial statements. Revaluation differences are recorded in "Accumulated Other Comprehensive Income or Loss Not Reclassified through Profit or Loss" under the shareholders' equity.

Ordinary maintenance and repair expenses of property and equipment items are recognized as expenses.

Estimated useful lives of property, plant and equipment are as follows:

	Estimated Useful Lives (Year)	Depreciation rate
Buildings	50	2%
Safes	50	2%
Other movable properties	3-25	4-33,33%
Assets held under financial leases	4-5	20-25%

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis. In any case useful life cannot exceed the lease period. If the duration of lease agreement is not determined or longer than five years, amortization duration is considered as five years.

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There is no change in accounting estimates that is expected to have significant effect in current period and subsequent periods.

There are no material mortgages, pledges or similar in cumbrances designated for the property, plant and equipment.

Classification of Investment Properties:

If a land or building is being used by an owner and the intention is changed to an investment property, this property is classified as an investment property.

When the use of an immovable is changed and reclassified as an investment property, the actual value of the date on which the change in the use of the named property takes place will be the cost of the subsequent accounting.

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties in the attached consolidated financial statements that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Investment properties are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

XV. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portions of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property and equipment (movable properties) account and are depreciated by using the straight line method.

The Group does not participate in the financial leasing transactions as a “lessor”.

According to “IFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease was removed and the lease transactions were started to be recognised under “Property and Equipment” as an asset (tenure) and under “Liabilities from Leasing” as a liability. Impact and application of IFRS 16 concerning this transition were explained in Section three, footnote XXVI.

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XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

Insurance premium income is recognised subsequent to the share of reinsurers in policy income is deducted.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding claims are offset in these provisions.

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

According to the current insurance regulation, insurance companies should recognize provisions for unearned premium claims, unexpired risk reserves, provision for outstanding claims and life-mathematical provisions.

The unearned premiums consist of the gross portion of accrued premiums for insurance contracts that are overlapping to other period or periods on a daily basis without deducting a commission or any other discount. In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount calculated by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer. In accordance with the circular numbered 2016/37 issued on 11 November 2016, URR computation method is revised. Based on the new method, motor vehicles, compulsory traffic, third party liability and general liability branches' multiplier will be used as 95% for 2016, 90% for 2017 and 85% for 2018.

Outstanding claims reserves comprise incurred and accrued but not yet paid claims in the current or prior periods or incurred but not reported claims. Insurance companies may discount net cash outflows from outstanding claims reserves with respect to related insurance legislation, as per the Undersecretariat of Treasury's "Circular on Outstanding Claims Reserves Arising from Discounting of the Net Cash Flow" No. 2016/22 dated 10 June 2016.

Mathematical provision is recognized in order to meet the requirements of policyholders and beneficiaries for long-time life, health and personal accident insurance contracts on an actuarial basis.

Effective from 1 January 2005, the insurance entities comply with TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts are fully addressed. TFRS 4 requires that all contracts issued by insurance companies are classified as either insurance contracts or investment contracts.

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. A change in accounting policy is adopted only in case of presentation of more reliable results. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TFRS 9.

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Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with earning of premium.

In accordance with TFRS 4, at each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related Deferred Acquisition Costs (DAC) and premiums receivable. Investment income from the assets matching the liabilities is taken into account in calculating the provision. The deficit, if any, is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests. Any DAC written off as a result of this test cannot subsequently be reversed.

XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provision and contingent liabilities are accounted in conformity with TAS 37 “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 the Group’s management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Group to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 “Employee Benefits”. According to related legislation and union agreements, the Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees who resigns subsequent to her marriage within one year. The Bank provides provision by estimating the present value of the future retirement pay liability.

The retirement pay provision of the Parent Bank has been determined by the actuarial report of an independent actuary firm. As of 1 January 2013, actuarial gains and losses are recorded under the shareholders’ equity according to the revised TAS 19.

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T. Halk Bankası Employee Pension Fund and T. Ziraat Bankası ve T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members including employees of the Bank. Provisional article 23 of the Banking Act No: 5411 requires the Bank's pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension funds would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly (TGNA) started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws", which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Council of Ministers decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law numbered 6283 "Emendating Social Security and General Health Insurance Act", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, the authority of the Council of Ministers extending 2 years has been raised to 4 years.

The statement "The Council of Ministers have entitled to determine transfer period" has taken place in the scope of the Article 51 of the Law No: 6645 which was published on the Gazette on 23 April 2015 and numbered 29335.

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the present value of the actuarial liabilities will be calculated with the technical interest rate of 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2019 no technical deficit has been reported.

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XX. EXPLANATIONS ON TAXATION

In accordance with provisional article 10 of the Law No. 5520 on Taxation No. 7061 added to the Article No 91 of the Law on Taxation, the 20% rate institutions listed in the first paragraph of the Article 32 of the Corporate Tax Law are subject to the taxation periods of 2018, 2019 and 2020 (for fiscal years beginning in the year concerned for the designated institutions). In addition, the Council of Ministers is authorized to reduce the rate of 22% written in the first sentence to 20%.

The tax rate used in the calculation of deferred tax assets and liabilities is 22% over temporary timing differences expected to reverse in 2018, 2019 and 2020 and 20% over temporary timing differences expected to reverse on and after 2021.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the income statement since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority on each consolidated entity's non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

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Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

Tax practices of the consolidated subsidiaries:

Halk Gayrimenkul Yatırım Ortaklığı AŞ

Income from the operations related with the investment properties of the Parent Bank's subsidiary, Halk Gayrimenkul Yatırım Ortaklığı AŞ established in 2010, is exempt from corporate tax in accordance with the Article 5/1(d) ⁽⁴⁾ of the Corporate Tax Law No: 5520. This exemption is also applied for the advanced tax periods.

Halk Banka A.D. Skopje

The Parent Bank's newly acquired subsidiary in 2011 Halk Banka A.D., Skopje is subject to tax regulations in the Republic of Macedonia. The income tax computation base had been shifted from the profit before taxes to the income "distribution" concept in the Republic of Macedonia.

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“Distributions” are split into two components:

- Tax on any dividend distribution – i.e. the tax base is the dividend paid,
- Tax on non deductible items – i.e. the tax base is the non deductible items specified in the tax rulebook less any allowable tax credits. The tax on non deductible items is paid each month in monthly advance installments based on the previous fiscal year computation of such non deductible differences. At year end a final tax computation is prepared with a final tax settlement.

As such, the new income tax regime provokes certain implications on the presentation of the tax in the financial statements which are summarized below:

Recognition of tax provisions:

In case of tax contingencies, provisions are made in line with TAS 37 adopted in the Republic of Macedonia.

Such provisions are not presented as deferred tax assets or deferred tax liabilities, but as other assets or other liabilities.

Recognition/reversal of such tax provisions (that is not income taxes) is presented within the other expenses/other income.

Halk Bank A.D. Beograd

The Parent Bank’s subsidiary acquired in 2015 Halk Bank AD, Beograd is subject to tax regulations in the Republic of Serbia. The annual corporate income tax is payable at the rate of 15% on profit before tax, adjusted for temporary differences.

The Law on Corporate Income Tax in the Republic of Serbia does not allow any tax losses of the current period to be used to recover taxes paid in previous periods. However, any current year losses disclosed in the tax balance up to 2009 may be used to reduce tax base for future periods, but only for a period not longer than ten years. Tax losses carried forward after 2010 may be used for reduction of tax base for the following accounting periods for a maximum 5 years. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Group borrows funds from domestic and foreign institutions and issues marketable securities when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments.

Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

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XXII. EXPLANATIONS ON SHARES ISSUED

Share issuances related to costs are recognized as expenses. Dividends related with the equity shares are determined by the General Assembly of the Parent Bank.

The Parent Bank has not issued any shares in the current and prior period. In accordance with the decision of the Higher Council of Privatization dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Bank shares were registered with the Capital Markets Board as per the CMB decision dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa İstanbul AŞ as of 10 May 2007.

As per the decision of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

Halk GYO has applied to the CMB on 29 August 2012 to increase its issued capital from TRY 477.000 to TRY 662.500 within TRY 1.500.000 registered capital ceiling, by public offering of the corresponding B group bearer shares of TRY 185.500. Application was approved in accordance with the decision promulgated by the CMB's decision numbered 4/97 dated 8 February 2013. As at 15 February 2013 the public offering of B group bearer shares of TRY 185.500 was made by restricting the preemptive rights of the existing shareholders. After completing the investors' book building, Halk GYO's shares started to be traded on Borsa İstanbul AŞ on 22 February 2013.

XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Parent Bank in the current and prior period.

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XXV. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Group. The Parent Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking.

XXVI. EXPLANATIONS ON TFRS 16 LEASES STANDARD

The Group assesses whether the contract has the quality of a lease or whether the transaction includes a lease at the beginning of a contract.

A lease agreement is an agreement between two or more parties that gives the tenure the legally enforceable rights and obligations of the underlying asset. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. The Group reflects the existence of a right-of-use and a lease liability to the financial statements at the effective date of the lease.

Existence of right-of-use:

As a result of internal evaluations, the Parent Bank accounts real estate and vehicles subject to operational lease in accordance with TFRS 16. ATMs, and other leasing transaction balances are not considered within the scope of TFRS 16 as they are below the materiality level and the corresponding rent payments are recognized under Other Operating Expenses.

At the commencement date, the Group measures the right-of-use real estates considered as the cost of right-of-use asset being the right-of-use asset in accordance with TFRS 16. The cost of the right-of-use;

- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

When applying the cost method, the Group takes into account the accumulated depreciation and impairment losses for the subsequent period measurement of the existence of right-of-use. The Group applies the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating real assets considered as right-of-use asset.

The Group applies TAS 36 Impairment of Assets to determine whether the real estates considered as right-of-use assets are impaired and to account for any impairment loss identified.

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The Lease Obligations:

Based on TFRS 16, at the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the alternative borrowing interest rate.

After the commencement date, the Group measures the lease liability as follows:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the book value to reflect the lease payments made,
- c) Reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

In the event of a modification in the lease agreement which affects the lease payments or defined assets, the Bank re-measures its lease liability by using the current borrowing rate. The Bank reflects the remeasured leasing liability and the right-of-use in the financial statements. On the other hand, changes such as the shortening of the lease term, the termination of the contract and the decreases in the scope of the underlying asset, the gains or losses are recognized in profit or loss.

First Transition to TFRS 16 Leasing Standard

“TFRS 16 Leases” Standard was promulgated in the Official Gazette to be applied in the accounting period starting on 31 December 2018. The Group applied TFRS 16 “Leases” standard as of 1 January 2019 in its financial statements.

TFRS 16 Leases standard abolishes the dual accounting model previously applied for lessees through recognizing finance leases in the balance sheet whereas recognizing operational lease as off-balance sheet. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The Group preferred to adopt the facilitative procedure at its first transition date and has not made any changes in the comparative financial statements of the previous period.

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Details based on the asset with regard to the recognised asset tenure is as follows:

Existence of Right-of-use	1 January 2019	31 December 2019
Real Estate	579.938	724.302
Vehicles	96.363	92.875
Total	676.301	817.177

In accordance with TFRS 16, the Group recognized a lease liability and right-of-use asset amounting to TRY 668.438 as of 1 January 2019 for leases previously classified as operating leases.

In accordance with TFRS 16, the Group recognised prepaid rent payments amounting to TRY 7.863 as of 1 January 2019, under tangible assets as right-of-use which were previously classified under prepaid expenses.

As of 1 January 2019, the weighted average of the incremental borrowing interest rates applied to TL, EUR, USD and GBP lease liabilities presented in the Bank's statement of financial position are 21,98%, 3,01%, 4,97% and 1,59% respectively.

	1 January 2019
Operational Leasing Commitments	1.104.863
Contracts that are excluded from the scope of TFRS 16 (-)	121.964
Total Leasing Liability	982.899
Discounted Lease Obligation	668.438

XXVII. EXPLANATIONS ON OTHER MATTERS

None.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY

Calculation of the amount of equity is made according to the “Regulation on Equities of Banks” and the calculation of capital adequacy standard ratio according to “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy”. As of 31 December 2019, the Group’s capital adequacy ratio in accordance with the “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy” is 13,65% (31 December 2018: 13,36%). The equity is calculated as TRY 46.276.327 in accordance with the principles of “Regulation on Equities of Banks” (31 December 2018: TRY 37.420.830).

1. Information About Total Consolidated Capital Items:

Current Period	Amount	Amounts related to treatment before 1/1/2014**
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	39.773	
Reserves	24.052.179	
Other Comprehensive Income according to TAS	3.098.579	
Profit	2.687.180	
Current Period Profit	2.267.608	
Prior Period Profit	419.572	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.022	
Minority Interest	1.903	
Common Equity Tier I Capital Before Deductions	32.358.087	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (f) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	183.665	
Leasehold Improvements on Operational Leases (-)	98.564	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	213.176	213.176
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	262.384	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
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 above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions From Common Equity Tier 1 Capital	757.789	
Total Common Equity Tier 1 Capital	31.600.298	

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.958.900	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital	-	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	5.958.900	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I 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% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Items to be Deducted from Tier I Capital During the Transition Period	-	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	5.958.900	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	37.559.198	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.798.666	
Tier II Capital Before Deductions	8.728.461	
Deductions From Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	
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 above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II 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 I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	8.728.461	
Total Capital (The sum of Tier I Capital and Tier II Capital)	46.287.659	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	11.332	

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of 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 above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance. The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
TOTAL CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	46.276.327	
Total Risk Weighted Assets	338.978.832	
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	9,32	
Tier I Capital Ratio (%)	11,08	
Capital Adequacy Ratio (%)	13,65	
BUFFERS		
Bank-specific total CET1 Capital Ratio (a+b+c)	3,564	
a) Capital Conservation Buffer Ratio (%)	2,500	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%) **	0,064	
c) Systemic significant bank buffer ratio (%)	1,000	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,82	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining 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	148.443	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	3.073.680	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	1.412.301	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.798.666	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.798.666	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

*Amounts in this column represents the amounts of items that are subject to transitional provisions.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Prior Period	Amounts related to treatment before	
	Amount	1/1/2014 ⁽⁷⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	39.740	
Reserves	20.821.125	
Other Comprehensive Income according to TAS	2.507.445	
Profit	3.664.491	
Current Period Profit	2.656.647	
Prior Period Profit	1.007.844	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	4.723	
Minority Interests	1.900	
Common Equity Tier I Capital Before Deductions	29.509.875	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	213.376	
Leasehold Improvements on Operational Leases (-)	78.907	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	183.411	183.411
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
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 above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions From Common Equity Tier 1 Capital	475.694	
Total Common Equity Tier 1 Capital	29.034.181	

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

	Amount	Amounts related to treatment before 1/1/2014 ⁽⁷⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital	-	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
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 above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Items to be Deducted from Tier I Capital During the Transition Period	-	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	29.034.181	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.466.826	
Tier II Capital Before Deductions	8.396.621	
Deductions From Tier II Capital	-	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
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 above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II 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 I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	8.396.621	
Total Capital (Total Tier I Capital and Tier II Capital)	37.430.802	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be defined by the BRSA (-)	9.972	

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

	Amount	Amounts related to treatment before 1/1/2014 ^(*)
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of 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 above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
TOTAL CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	37,420,830	
Total Risk Weighted Assets	280,132,781	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	10,36	
Tier I Capital Ratio (%)	10,36	
Capital Adequacy Ratio (%)	13,36	
BUFFERS		
Bank-specific total CET1 Capital Ratio	2,696	
Capital Conservation Buffer Ratio (%)	1,875	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,071	
Systemic Bank Buffer Ratio (%)	0,750	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,364	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining 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	96,852	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	2,447,392	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	1,579,308	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2,466,826	
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	2,466,826	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

* Amounts in this column represents the amounts of items that are subject to transitional provisions.

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2. The equity is calculated on the capital adequacy ratio calculation basis having reduced deductible assets on equity from the sum of core capital and supplementary capital within the scope of “Regulation on Equities of Banks” (Regulation). The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the first stage and second stage expected loss provisions and subordinated debt instrument within the additional Tier I and Tier II capital. On the other hand, in the calculation of the Total Capital, development costs for operating leases followed under tangible assets in the balance sheet and intangible assets. Additionally, some of the accounts determined by the Board are reduced from the total equity in the calculation of capital.

3. Information about instruments to be included in the Equity Calculation

Details on Subordinated Liabilities:				
Issuer	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	Türkiye Varlık Fonu
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHAL92716	TRSTHAL62811	TRSTHAL92826	-
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA Legislation
Regulatory treatment				
Transitional Basel III rules	No	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond	Public Sector Bond	Public Sector Bond	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980	5,959
Par value of instrument	1.000	1.950	2.980	-
Accounting classification	346.011	346.011	346.011	347.0001
Original date of issuance	20.10.2017	3.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	3.07.2018	26.09.2018	24.04.2019
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon	No Coupon Payment
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %	5 years 25,38%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	-	-	-	-
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-

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Write-down feature				
If write-down, write-down trigger(s)	-	-	-	Decrease in core capital adequacy ratio below 5,125%
If write-down, full or partial	-	-	-	Fully or partially
If write-down, permanent or temporary	-	-	-	Permanent or temporary
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After borrowing, before Additional Tier I Capital	After borrowing, before Additional Tier I Capital	After borrowing, before Additional Tier I Capital	After borrowings and Additional Tier II Capital
In compliance with article number 7 and 8 of "Own fund regulation"	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 7.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 8.

II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK

Credit risk is defined as 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. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, , Regional Lending Committees, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

In accordance with the risk management policies of the Group, the limits are specified in respect of the main and sub-sectors. Those limits are monitored periodically.

The Group, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Parent Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Parent Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Group's risk is concentrated in Turkey. As per the loan procedures, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations concerning the off-balance sheet operations based on the customers and banks are monitored on daily basis.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are diversified in accordance with the Group's risk management system.

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As prescribed in the related Communiqué, the credit worthiness of the debtors of the loans and other receivables is monitored regularly and statements of accounts taken for the loans are audited in line with the related regulations.

Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Group receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees obtained are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

When the Group is exposed to significant credit risks, it has the tendency to discontinue cease its forward or similar type of transactions by exercising rights, fulfilling the requirements of the acquisitions or disposing of the agreements entered into to mitigate the total risk.

The Group's largest 100 and 200 cash loan customers compose 26,38% and 31,73% of the total cash loan portfolio, respectively.

The Group's largest 100 and 200 non-cash loan customers compose 41,22% and 52,73% of the total non-cash loan portfolio, respectively.

The Group's largest 100 ve 200 cash and non-cash loan customers represent 17,50% and 22,21% of the total "on and off balance sheet" assets, respectively.

Stage I and Stage II expected losses for credit risks of the Bank is TRY 2.605.035 (31 December 2018: TRY 2.244.820).

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Exposure Categories:	Current Period		Prior Period	
	Credit Risk Amount ⁽¹⁾	Average Risk Amount	Risk Amount ⁽¹⁾	Average Risk Amount
Conditional and unconditional exposures to central governments or central banks	125.735.774	124.400.202	110.371.526	103.462.066
Conditional and unconditional exposures to regional governments or local authorities	3.137.023	3.418.604	3.887.468	3.644.854
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	735.067	1.031.548	3.222.986	3.020.021
Conditional and unconditional exposures to multilateral development banks	61.819	69.304	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	9.613.528	10.565.900	15.181.630	12.794.943
Conditional and unconditional exposures to corporates	165.770.190	156.910.238	141.127.895	118.198.354
Conditional and unconditional retail exposures	88.950.562	85.308.495	73.203.463	70.252.474
Conditional and unconditional exposures secured by real estate property	75.089.042	69.935.742	70.334.762	66.237.125
Past due items	7.000.426	4.488.762	2.287.307	1.528.694
Items in regulatory high-risk categories	-	16.107	139.449	98.848
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Stock Investments	861.057	537.478	538.697	512.727
Other Receivables	22.963.553	21.564.186	17.661.893	14.857.533

⁽¹⁾ Includes the risk amounts after credit conversions.

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Profile of significant exposures by sectors:

Current Period	Risk Classifications ^{a)}													
	Conditional unconditional exposures to central governments or banks	Conditional unconditional exposures to regional governments or banks	Conditional unconditional exposures to administrative bodies and non-calculation undertakings	Conditional unconditional exposures to Multilateral Development Banks	Conditional unconditional exposures to banks and financial houses	Conditional unconditional exposures to corporates	Conditional unconditional exposures secured by real estate	Conditional unconditional exposures secured by property receivables	Items in regulatory categories	Stock investments	Other	TRV	FC	Total
Agriculture	550,000	-	-	70,223	78	2,823,316	1,095,089	1,236,440	343,126	-	199,501	4,755,491	2,102,183	6,278,374
Farming and Stockbreeding	354,095	-	319	-	78	1,508,372	627,001	786,982	58,374	-	139,827	2,036,338	1,370,644	3,406,982
Forestry	39,905	-	2	-	1,727	243,971	243,971	46,740	7759	-	89,660	361,940	12,624	374,534
Fishery	67,601	-	69,902	-	-	1,292,897	224,177	470,418	27,019	-	120	1,777,443	79,666	2,496,659
Manufacturing	83,412,588	30,203,513	621,795	1074,315	446,938	77,804,223	21,814,716	24,047,760	3,581,160	-	2,711,389	143,877,067	74,800,650	217,653,717
Mining and Quarrying	337,359	-	-	-	-	69,373	16,586	89,146	8,575	-	988	283,269	27,278	310,538
Production	83,200,191	30,203,513	621,694	1074,315	446,938	64,650,943	21,599,682	21,883,504	3,827,622	-	2,789,965	138,527,145	63,693,642	202,191,077
Electricity, Gas and Water	178,788	-	-	-	-	12,383,807	88,448	2,082,800	389,963	-	1,386	4,061,372	11,883,730	15,445,022
Construction	2,198	-	-	-	-	17,611	16,188	4,354	358	-	3	24,533	39	24,572
Services	71,423,949	29,748	414	13,403	6,557,483	65,738,709	15,545,634	16,640,169	2,267,418	-	1198	84,688,000	53,894,609	138,582,609
Wholesale and Retail Trade	4,544,598	-	51	7,946	-	21,905,387	10,409,374	6,975,362	946,800	-	15,060	31,607,034	13,000,544	44,807,578
Accommodation and Dining	10,441,448	10	185	124	-	8,279,910	148,7682	6,566,881	302,252	-	260	4,063,191	13,677,861	17,681,052
Transportation and Information and Communication	233,683	-	-	382	-	27,069,950	485,043	402,424	234,791	-	759	2,053,989	2,012,942	4,066,931
Financial institutions	495,887	-	-	-	6,557,483	2,897,878	579,640	353,887	27,425	-	1198	729,721	4,288,832	7,374,287
Real Estate and Rental Activities	5,660,976	-	122	1,766	-	28,292,302	2,223,117	1,520,919	705,27	-	96,871	9,326,860	2,407,5740	39,412,600
Professional Services	34	-	-	-	-	116,923	7662	3,251	-	-	10	1,275,54	357	1,279,11
Educational Services	347,023	29,728	26	3,865	-	143,359	95316	881,35	46,623	-	2,200	2,247,49	806,655	3,053,804
Health and Social Services	34,627,428	86,762	42,635	3,640	1,981,730	19,502,181	50,478,335	33,161,189	808,384	-	859,859	19,226,430	106,488,612	52,690,471
Other	125,725,774	3,137,023	735,067	6,619	9,619,528	165,770,190	88,960,862	75,009,042	7,000,426	-	861,057	22,969,553	309,455,612	190,462,249,918,041

^{a)} Risk amounts in the table represents the credit risk amounts before the risk mitigation after conversion and risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

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Analysis of maturity-bearing exposures according to remaining maturities⁽¹⁾:

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	34.068.397	1.679.200	1.728.317	3.669.305	84.590.555
2. Conditional and unconditional exposures to regional governments or local authorities	36.606	7.960	26.390	151.453	2.914.614
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	113.937	19.980	65.612	127.115	408.423
4. Conditional and unconditional exposures to Multilateral Development Banks	1.913	158	728	5.341	53.679
5. Conditional and unconditional exposures to banks and brokerage houses	8.028.199	43.291	110.752	202.699	1.228.587
6. Conditional and unconditional exposures to corporates	22.426.892	9.580.316	12.626.391	23.237.487	97.899.104
7. Conditional and unconditional retail exposures	9.736.351	2.065.254	3.407.571	10.853.167	62.888.219
8. Conditional and unconditional exposures secured by real estate property	2.793.085	1.539.504	2.424.503	8.638.646	59.693.304
9. Past due items	7.000.426	-	-	-	-
10. Items in Regulatory High-Risk Categories	-	-	-	-	-
11. Stock Investments	861.057	-	-	-	-
12. Other Items	19.877.168	324	917	2.083	3.083.061
Total	104.944.031	14.935.987	20.391.181	46.887.296	312.759.546

⁽¹⁾Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	1.076.863	1.172.870	1.962.225	5.029.589	101.129.979
2. Conditional and unconditional exposures to regional governments or local authorities	59.483	15.347	35.149	268.548	3.508.941
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	561.337	38.004	24.494	250.653	2.348.498
4. Conditional and unconditional exposures to Multilateral Development Banks	-	-	-	-	-
5. Conditional and unconditional exposures to banks and brokerage houses	6.258.408	95.975	84.047	195.583	8.547.617
6. Conditional and unconditional exposures to corporates	15.156.299	6.293.531	11.863.455	23.243.367	84.571.243
7. Conditional and unconditional retail exposures	5.045.053	1.712.444	2.897.652	8.278.047	55.270.267
8. Conditional and unconditional exposures secured by real estate property	6.428.222	2.516.455	4.611.594	10.074.353	46.704.137
9. Past due items	2.277.675	-	15	170	9.447
10. Items in Regulatory High-Risk Categories	-	-	-	-	139.449
11. Stock Investments	538.697	-	-	-	-
12. Other Items	50.755	375.674	191.166	151.962	16.892.336
Total	37.452.792	12.220.300	21.669.797	47.492.272	319.121.914

⁽¹⁾Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

Islamic International Rating Agency (IIRA) country ratings are taken into account in calculating the Bank's capital adequacy. For other portfolios, the ratings given by the Fitch Ratings are used for the counterparties resident abroad.

Islamic International Rating Agency (IIRA) notes are used in the "Central Government or Receivables from Central Banks" portfolio. Fitch Ratings' rating grades are used for the risk classes listed below, provided that they are resident abroad.

- Receivables on banks and intermediary institutions
- Receivables on regional governments or local authorities
- Receivables on administrative bodies and other non-commercial undertakings
- Receivables on multilateral development banks
- Corporate Receivables

The relevant risk classification is used in determining the risk weights on a receivable that is classified as per the second section, Article 8 of the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks. In the absence of a specific rating, the provisions of paragraph a,b and c of Article 9 of the regulation mentioned should be used.

In the 26th Article of the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies, IIRA grades are used in the below table of maturity in determining the credit quality level of the country grades, central government and central banks receivables.

In the case of other risk classes included in the table, Fitch Ratings notes are taken into account if the rated party is a foreign resident, the supervisor of the relevant country has equivalent regulation and supervision structure, authorized in the country notes.

Implementation of the risk weights to receivables from Regional Governments or local authorities are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weights to receivables from multilateral development banks except those listed in the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks, are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weight for unrated receivables from banks and intermediary institutions can not be lower than the risk weight of receivables from sovereigns which they are settled in.

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Credit Quality Grade and Rating Matching Table								
Credit Quality Grade	IIRA		Fitch					
	Rating	Exposures to Central Governments or Central Banks	Rating	Exposures to administrative bodies and other non-commercial undertakings	Other Public Institutions and Organizations	Exposures with Original Maturities Less Than 90 Days	Exposures with Original Maturities More Than 90 Days	Corporate Receivables
1	AAA	0%	AAA	0%	20%	20%	20%	20%
	AA+		AA+					
	AA		AA					
	AA-		AA-					
2	A+	20%	A+	20%	50%	20%	50%	50%
	A		A					
	A-		A-					
3	BBB+	50%	BBB+	50%	100%	20%	50%	100%
	BBB		BBB					
	BBB-		BBB-					
4	BB+	100%	BB+	100%	100%	50%	100%	100%
	BB		BB					
	BB-		BB-					
5	B+	100%	B+	100%	100%	50%	100%	150%
	B		B					
	B-		B-					
6	CCC+	150%	CCC+	150%	150%	150%	150%	150%
	CCC		CCC					
	CC		CC					
	C		C					
	D		D					

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Receivables from consolidated private sector :

Country Name	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
TURKEY	233.955.780	-	233.955.780
MACEDONIA	2.005.470	-	2.005.470
VIRGIN ISLAND (US)	1.851.015	-	1.851.015
SERBIA	1.452.729	-	1.452.729
TRNC	413.554	-	413.554
MALTA	183.802	-	183.802
OTHERS ⁽¹⁾	314.572	-	314.572

* Risk-Weighted Assets TRY 150 Million (Full TRY) are grouped under OTHER headings.

Exposures by Consolidated risk weights:

Current Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	4%	Deductions from Equity
1. Exposures before Credit Risk Mitigation	94.789.688	-	4.981.802	-	29.377.066	153.349.499	223.637.881	809.084	-	496.684	606	-	11.332
2. Exposures after Credit Risk Mitigation	109.701.870	-	4.981.794	44.268.679	63.236.681	89.047.339	187.549.970	634.418	-	496.684	606	-	11.332

Prior Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	4%	Deductions from Equity
1. Exposures before Credit Risk Mitigation	74.137.076	-	9.941.657	-	32.993.033	129.600.006	190.598.044	139.449	-	547.811	-	-	272.304
2. Exposures after Credit Risk Mitigation	93.822.578	844.508	11.527.606	40.119.826	66.125.319	72.750.843	152.079.136	139.449	-	547.811	-	-	272.304

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Information by major sectors and type of counterparties:

Current Period	Credits ⁽⁴⁾		
	Significant Increase in Credit Risk (Stage II) ⁽¹⁾	Credit – Impaired Losses (Stage III) ⁽²⁾	Expected Credit Loss (IFRS 9) ⁽³⁾
Major Sectors /Counterparties			
Agriculture	135.710	134.957	108.881
<i>Farming and Stockbreeding</i>	125.416	106.205	91.644
<i>Forestry</i>	884	468	515
<i>Fishery</i>	9.410	28.284	16.722
Manufacturing	4.585.651	5.355.233	3.235.156
<i>Mining and Quarrying</i>	113.601	400.529	280.916
<i>Production</i>	4.423.368	4.412.984	2.693.836
<i>Electricity, Gas and Water</i>	48.682	541.720	260.404
Construction	4.900.510	2.470.468	1.674.684
Services	12.949.723	5.599.915	3.731.543
<i>Wholesale and Retail Trade</i>	4.687.630	2.993.474	2.131.936
<i>Accommodation and Dining</i>	1.773.177	679.275	451.288
<i>Transportation and Telecommunication</i>	772.347	219.059	140.973
<i>Financial Institutions</i>	598.581	14.320	27.413
<i>Real Estate and Rental Services</i>	4.764.455	1.124.598	677.695
<i>Professional Services</i>	69.481	13.135	10.301
<i>Educational Services</i>	105.893	430.273	194.533
<i>Health and Social Services</i>	178.159	125.781	97.404
Other	2.767.984	1.177.526	873.751
Total	25.339.578	14.738.099	9.624.015

⁽¹⁾Income accruals amounting to TRY 1.207.564 are not included in the table.

⁽²⁾Income accruals amounting to TRY 1.987.478 are not included in the table.

⁽³⁾Income accruals amounting to TRY 1.051.217 are not included in the table.

⁽⁴⁾Leasing receivables and factoring receivables are not included in the table.

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Prior Period	Credits ⁽³⁾		
	Significant Increase in Credit Risk (Stage II) ⁽¹⁾	Credit – Impaired Losses (Stage III) ⁽²⁾	Expected Credit Loss (TFRS 9)
Major Sectors /Counterparties			
Agriculture	64.089	111.085	95.410
<i>Farming and Stockbreeding</i>	45.205	98.231	84.737
<i>Forestry</i>	75	634	608
<i>Fishery</i>	18.809	12.220	10.065
Manufacturing	3.620.694	3.514.758	3.174.777
<i>Mining and Quarrying</i>	80.219	380.056	269.114
<i>Production</i>	3.046.630	3.129.795	2.892.720
<i>Electricity, Gas and Water</i>	493.845	4.907	12.943
Construction	3.582.220	1.143.815	1.146.633
Services	7.854.301	3.195.260	2.831.468
<i>Wholesale and Retail Trade</i>	3.059.057	2.078.831	1.718.848
<i>Accommodation and Dining</i>	756.180	547.878	411.419
<i>Transportation and Telecommunication</i>	433.496	94.339	100.072
<i>Financial Institutions</i>	848.267	11.384	70.776
<i>Real Estate and Rental Services</i>	2.521.579	343.596	417.590
<i>Professional Services</i>	43.507	10.767	8.760
<i>Educational Services</i>	97.696	21.470	22.996
<i>Health and Social Services</i>	94.519	86.995	81.007
Others	1.461.127	949.601	741.141
Total	16.582.431	8.914.519	7.989.429

⁽¹⁾ Income accruals amounting to TRY 723.658 are not included in the table..

⁽²⁾ Income accruals amounting to TRY 368.479 are not included in the table.

⁽³⁾ Leasing receivables and factoring receivables are not included in the table.

Movements in value adjustments and provisions:

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Stage III expected credit loss	6.782.554	4.054.788	1.411.037	-	9.426.305
2. Stage I and Stage II expected credit loss	2.244.820	542.649	182.434	-	2.605.035

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Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments ⁽¹⁾	Closing Balance
1. Stage III expected credit loss	4.886.081	1.814.758	37.273	118.988	6.782.554
2. Stage I and Stage II expected credit loss	2.185.709	462.311	-	(403.200)	2.244.820

* TFRS 9 includes ECL balances due to transition effect.

Overdue and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

The net value and type of collaterals of the loans amounting TRY 24.976.536 followed under loans and other receivables under close monitoring section is below (31 December 2018: TRY 16.311.877).

Collateral Types ⁽¹⁾	Net Value of Collateral Current Period
Real estate mortgage	11.541.948
Salary pledge, vehicle pledge and pledge of commercial undertaking	371.405
Financial collaterals (cash, securities pledge, etc.)	80.926
Cheque / bills	172.918
Sureties	4.109.100
Other	8.700.239
Total	24.976.536

⁽¹⁾ Income accruals amounting to TRY 1.207.564 are not included in the table.

Collateral Types ⁽¹⁾⁽²⁾	Net Value of Collateral Prior Period
Real estate mortgage	9.040.540
Salary pledge, vehicle pledge and pledge of commercial undertaking	346.327
Financial collaterals (cash, securities pledge, etc.)	1.122
Cheque / bills	73.795
Sureties	2.902.109
Other	3.947.984
Total	16.311.877

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered on the table above.

⁽²⁾ Income accruals amounting to TRY 723.658 are not included in the table.

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The net value and type of collaterals belongs to loans amounted TRY 14.738.099 followed under non-performing loans section is below (31 December 2018: TRY 8.914.518).

Collateral Types⁽²⁾	Net Value of Collateral Current Period
Cash	6.805
Mortgage	3.462.996
Pledge	405.400
Cheque / bills	12.735
Sureties	7.187.822
Other ⁽¹⁾	3.662.341
Total	14.738.099

⁽¹⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

⁽²⁾ Income accruals amounting to TRY 1.987.478 are not included in the table.

Collateral Types⁽²⁾	Net Value of Collateral Prior Period
Cash	4.638
Mortgage	2.108.062
Pledge	387.032
Cheque / bills	24.060
Sureties	4.321.922
Other ⁽¹⁾	2.068.804
Total	8.914.518

⁽¹⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized.

⁽²⁾ Income accruals amounting to TRY 368.479 are not included in the table.

III. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

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In accordance with “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”, the foreign currency position risk of the Group is measured by “standard method” and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. In addition, the value at risk limit determined by the Board of Directors of the Parent Bank for the value at risk including foreign currency risk is monitored daily and reported to the key management personnel. As a foreign currency risk management policy, the Parent Bank is not exposed to foreign exchange risk significantly and positions related to foreign currency risk are balanced with derivative transactions when necessary.

Announced current foreign exchange buying rates of the Bank as at 31 December 2019 and the previous five working days in full TRY are as follows:

	24.12.2019	25.12.2019	26.12.2019	27.12.2019	30.12.2019	31.12.2019
USD	5,9100000	5,9200000	5,9100000	5,9300000	5,9100000	5,9000000
CHF	6,0124000	6,0250000	6,0188000	6,0679000	6,0874000	6,0966000
GBP	7,6423000	7,6593000	7,6629000	7,7555000	7,7591000	7,7781000
JPY	0,0538574	0,0537593	0,0537615	0,0539829	0,0540500	0,0541523
EURO	6,5480000	6,5715000	6,5577000	6,6164000	6,6177000	6,6210000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before financial statement date are as follows:

	Monthly average
USD	5,8281818
CHF	5,9226682
GBP	7,6237727
JPY	0,0532374
EURO	6,4781045

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Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	16.354.329	13.042.249	3.444.798	32.841.376
Banks	1.227.948	1.435.172	992.832	3.655.952
Financial assets at fair value through profit and loss ⁽³⁾	-	64	9.890	9.954
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2.827.394	500.487	1.090.869	4.418.750
Loans ⁽²⁾	48.838.724	38.870.469	3.488.044	91.197.237
Subsidiaries, associates and entities under common control	476.980	-	-	476.980
Financial assets measured at amortized cost	6.680.149	12.231.169	262.767	19.174.085
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	201.549	201.549
Intangible assets	-	-	-	-
Other assets ⁽¹⁾	1.805.726	1.737.713	92.552	3.635.991
Total assets	78.211.250	67.817.323	9.583.301	155.611.874
Liabilities				
Bank deposits	9.160.439	4.189.063	500.838	13.850.340
Foreign currency deposits	60.282.800	51.347.396	12.109.505	123.739.701
Money market balances	2.356.660	594.634	-	2.951.294
Funds provided from other financial institutions	8.350.631	4.392.018	14.246	12.756.895
Bonds issued	-	10.512.530	-	10.512.530
Sundry creditors	224.539	237.443	31.637	493.619
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	6.698.274	542.814	241.942	7.483.030
Total liabilities	87.073.343	71.815.898	12.898.168	171.787.409
Net balance sheet position	(8.862.093)	(3.998.575)	(3.314.867)	(16.175.535)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	8.232.005	(64.451)	3.132.568	11.300.122
Financial derivative assets ⁽⁴⁾	9.662.721	8.011.214	4.032.321	21.706.256
Financial derivative liabilities ⁽⁴⁾	1.430.716	8.075.665	899.753	10.406.134
Non-cash loans ⁽¹⁾	29.073.296	18.430.536	3.095.932	50.599.764
Prior period				
Total assets	65.485.213	68.428.923	10.704.454	144.618.590
Total liabilities	65.061.244	73.121.732	7.799.701	145.982.677
Net balance sheet position	423.969	(4.692.809)	2.904.753	(1.364.087)
Net off-balance sheet position				
Financial derivative assets	223.198	2.534.947	(1.995.069)	763.076
Financial derivative assets	1.065.746	5.996.311	1.250.482	8.312.539
Financial derivative liabilities	842.548	3.461.364	3.245.551	7.549.463
Non-cash loans ⁽¹⁾	12.618.873	16.362.849	1.714.234	30.695.956

⁽¹⁾ Non-cash loans are not included in the off-balance sheet position items.

⁽²⁾ Includes TRY 233.440 of foreign currency indexed loans and their accruals (31 December 2018: TRY 764.208).

⁽³⁾ In accordance with the provisions of "Regulation on Calculation and Implementation of Foreign Currency Net General Position / Equity Standard Ratio by Banks on Consolidated and Unconsolidated Basis"; foreign currency intangible assets TRY 38.734, prepaid expenses TRY 337, and in liabilities equity TRY 636.140 were not taken into account in foreign currency risk calculation.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounting to TRY 954.621 and swap precious metal purchase transactions amounting to TRY 2.149.575; Financial derivative liabilities include forward precious metal sale transactions amounting to TRY 132.599. In addition, derivative transactions within the scope of forward foreign exchange purchase and sale are included.

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IV. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK

Loss that may arise due to asset-liability and interest-sensitive assets mismatches based on the repricing (interest rate change) periods of the off-balance sheet positions represent the interest rate risk. Among the positions subject to these risks, those evaluated in trading accounts are taken into account in market risk, while positions in banking books are subject to interest rate risk calculations arising from banking books.

Loss that may arise due to asset-liability and interest-sensitive assets mismatches based on the repricing (interest rate change) periods of the off-balance sheet positions represent the interest rate risk. Among the positions subject to these risks, those evaluated in trading accounts are taken into account in market risk, while positions in banking books are subject to interest rate risk calculations arising from banking books.

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates):

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	1,211,251	-	-	-	-	34,102,736	35,313,987
Banks	1,703,123	75,925	26,233	25	-	2,358,667	4,163,973
Financial assets at fair value through profit and loss	967	2,131	43,028	64	-	16,259,573	16,305,763
Money market placements	87,138	-	-	-	-	-	87,138
Financial assets at fair value through other comprehensive income	6,287	3,064,929	4,705,821	6,210,378	1,152,228	155,047	15,294,690
Loans ⁽¹⁾	79,286,442	47,433,244	82,557,824	68,879,279	12,361,233	22,876,655	313,394,677
Financial assets measured at amortised cost ⁽⁴⁾	1,093,097	23,928,321	7,588,857	17,565,511	22,295,336	-	72,471,122
Other assets ^{(1) (4)}	2,463,410	1,051,857	1,714,880	1,828,684	187,799	4,353,847	11,600,477
Total assets	85,851,715	75,556,407	96,636,643	94,483,941	35,996,596	80,106,525	468,631,827
Liabilities							
Bank deposits	13,223,458	8,494,169	6,062	-	-	5,981,240	27,704,929
Other deposits	155,025,988	47,071,325	17,657,100	1,957,470	16,198	51,254,541	272,982,622
Money market balances	52,715,358	590,314	-	-	-	33,669	53,339,341
Sundry creditors	3,189,863	34	-	-	-	3,190,908	6,380,805
Bonds issued	2,050,069	8,708,287	1,371,317	6,895,630	-	268,829	19,294,132
Funds provided from other financial institutions ⁽²⁾	1,852,476	5,131,640	4,388,711	2,241,874	478,803	74,366	14,167,870
Other liabilities ⁽¹⁾⁽²⁾	1,114,772	65,474	18,330,452	95,511	10,888,695	44,267,224	74,762,128
Total liabilities	229,171,984	70,061,243	41,753,642	11,190,485	11,383,696	105,070,777	468,631,827
Balance sheet long position	-	5,495,164	54,883,001	83,293,456	24,612,900	-	168,284,521
Balance sheet short position	(143,320,269)	-	-	-	-	(24,964,252)	(168,284,521)
Off-balance sheet long position	611,253	1,663,639	7,773,732	88,667	5,546,352	21,390,139	37,073,782
Off-balance sheet short position	(21,238)	(424,625)	(7,917,232)	(1,049,537)	(5,546,352)	(21,376,900)	(36,335,884)
Total position	(142,730,254)	6,734,178	54,739,501	82,332,586	24,612,900	(24,951,013)	737,898

⁽¹⁾ TRY 52,340 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 317,460 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

⁽²⁾ Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

⁽³⁾ Funds provided from other financial institutions include borrowings.

⁽⁴⁾ Accruals and provisions are presented within non-bearing interest column.

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Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	16.093.521	-	-	-	-	19.486.203	35.579.724
Banks	3.170.150	-	15.421	-	-	1.960.600	5.146.171
Financial assets at fair value through profit and loss	50.564	27.363	56.535	185	21.478	14.382.810	14.538.935
Money market placements	65.318	-	-	-	-	-	65.318
Financial assets at fair value through other comprehensive income	29.872	821.692	1.130.375	2.180.907	591.312	110.654	4.864.812
Loans ⁽¹⁾	39.128.094	34.164.780	99.547.841	61.694.102	14.155.806	14.141.162	262.831.785
Financial assets measured at amortised cost ⁽⁴⁾	537.372	10.945.489	7.402.692	10.247.672	19.739.535	7.458.585	56.331.345
Other assets ^{(1) (4)}	2.288.676	1.091.349	933.479	1.636.020	299.373	2.614.689	8.863.586
Total assets	61.363.567	47.050.673	109.086.343	75.758.886	34.807.504	60.154.703	388.221.676
Liabilities							
Bank deposits	8.733.726	1.535.846	14.896	-	-	20.733.926	31.018.394
Other deposits	120.338.792	46.331.914	17.657.731	1.021.878	18.037	34.192.774	219.561.126
Money market balances	37.173.264	854.887	-	-	-	190.118	38.218.269
Sundry creditors	2.423.899	29.785	84.089	111.421	-	2.260.212	4.909.406
Bonds issued	1.492.975	1.956.694	2.495.116	10.208.711	-	192.717	16.346.213
Funds provided from other financial institutions ⁽²⁾	1.166.612	5.804.740	4.209.579	3.149.178	753.878	190.493	15.274.480
Other liabilities ⁽¹⁾⁽²⁾	1.150.250	22.679	1.774.367	14.529.699	6.870.185	38.546.608	62.893.788
Total liabilities	172.479.518	56.536.545	26.235.778	29.020.887	7.642.100	96.306.848	388.221.676
Balance sheet long position	-	-	82.850.565	46.737.999	27.165.404	-	156.753.968
Balance sheet short position	(111.115.951)	(9.485.872)	-	-	-	(36.152.145)	(156.753.968)
Off-balance sheet long position	1.131.188	1.413.449	4.506.341	1.139.324	3.208.897	13.021.620	24.420.819
Off-balance sheet short position	(745.075)	(1.049.773)	(4.084.721)	(1.983.234)	(3.208.897)	(12.906.156)	(23.977.856)
Total position	(110.729.838)	(9.122.196)	83.272.185	45.894.089	27.165.404	(36.036.681)	442.963

⁽¹⁾ TRY 98.345 of deferred tax assets is disclosed under the non-bearing interest column in other assets and TRY 455.760 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

⁽²⁾ Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

⁽³⁾ Funds provided from other financial institutions include borrowings.

⁽⁴⁾ Accruals and provisions are presented within non-bearing interest column.

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2. Average interest rates applied to financial instruments:

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	-	-	10,00
Banks ⁽¹⁾	0,18	1,09	-	10,06
Financial assets at fair value through profit and loss	-	4,76	-	11,80
Money market placements	-	-	-	11,37
Financial assets at fair value through other comprehensive income	2,78	5,15	-	18,15
Loans ⁽²⁾	5,21	7,04	3,10	13,93
Financial assets measured at amortised cost	4,77	5,93	-	19,62
Liabilities				
Bank deposits	0,35	2,49	-	9,12
Other deposits ⁽⁴⁾	0,45	1,86	0,25	9,87
Money market borrowings	2,21	6,61	-	11,37
Sundry creditors ⁽³⁾	-	-	-	4,50
Bonds issued	-	4,38	-	14,45
Funds provided from other financial institutions ⁽⁴⁾	1,21	3,26	3,10	11,99

⁽¹⁾ Interest rates are calculated using weighted average method for placements as of the balance sheet date.

⁽²⁾ Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.

⁽³⁾ Declared maximum deposits interest rate with a maturity of 12 months as of 31 December 2019.

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2019.

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT.

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Prior Period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	2,00	-	13,00
Banks ⁽¹⁾	0,19	2,22	-	19,58
Financial assets at fair value through profit and loss	-	6,62	-	19,73
Money market placements	-	-	-	22,00
Financial assets at fair value through other comprehensive income	4,05	5,83	-	22,81
Loans ⁽²⁾	5,09	7,22	1,54	16,25
Financial assets measured at amortised cost	-	5,61	-	21,93
Liabilities				
Bank deposits	2,72	5,30	-	24,33
Other deposits ⁽⁴⁾	2,45	4,53	0,25	18,82
Money market borrowings	-	4,55	-	23,35
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	16,87
Funds provided from other financial institutions ⁽⁴⁾	1,37	3,17	1,40	21,95

⁽¹⁾ Interest rates are calculated using weighted average method for placements as of the balance sheet date.

⁽²⁾ Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.

⁽³⁾ Declared maximum deposits interest rate with a maturity of 12 months as of 31 December 2018.

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2018.

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT.

3. The interest rate risk of the banking book items:

The interest rate risks incurred due to interest-sensitive positions in the Parent Bank's trading and banking books are managed within the scope of the "Policies for the Management of Interest Rate Risk" which is approved by the Board of Directors. Interest-sensitive positions in the trading accounts are evaluated within the scope of market risks, while positions other than trading accounts are subject to interest rate risk arising from banking books.

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Interest rate risks are measured on a daily basis using the standard shock method due to the net positions created by the assets and liabilities in the banking books and off-balance sheet positions in the relevant maturity brackets according to repricing periods. Measurement results are daily reported to the Parent Bank's Top Management and related business units. Statutory reporting is made on a monthly basis in accordance with the "Regulation on Measurement and Evaluation of the Interest Rate Risk Arising from Banking Books by Standard Shock Method" published in the Official Gazette dated 23 August 2011 and numbered 28034.

According to the mentioned regulation, the ratio of losses incurred due to economic value changes after interest shocks to own funds - legal maximum rate - is limited to 20%. On the other hand, the Parent Bank's internally determined limit and risk appetite levels are monitored on a daily basis, provided that they are below the legal maximum rate.

The below table indicates the changes in the economic value that occurred after the interest rate shocks applied on the basis of foreign currency types and their ratio to statutory equity.

Current Period			
Currency	Applied Shock (+/- x base point)	Gains/(Losses)	Gains/Shareholders' Equity -Losses/Shareholders' Equities
1 TRY	500	(7.837.303)	(16,84%)
	(400)	7.628.456	16,39%
2 EUR ¹⁾	200	1.367.969	2,94%
	(200)	(1.859.217)	(3,99%)
3 USD	200	(1.558.638)	(3,35%)
	(200)	2.184.010	4,69%
Total (For negative shocks)		7.953.249	17,09%
Total (For positive shocks)		(8.027.972)	(17,25%)
Prior Period			
Currency	Applied Shock (+/- x base point)	Gains/(Losses)	Gains/Shareholders' Equity -Losses/Shareholders' Equities
1 TRY	500	(4.147.592)	(11,17%)
	(400)	3.990.457	10,75%
2 EUR ¹⁾	200	610.795	1,64%
	(200)	(654.359)	(1,76%)
3 USD	200	(1.027.985)	(2,77%)
	(200)	1.493.270	4,02%
Total (For negative shocks)		4.829.368	13,01%
Total (For positive shocks)		(4.564.782)	(12,30%)

¹⁾ Other currencies are shown under EUR

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V. EXPLANATIONS ON THE CONSOLIDATED POSITION RISK OF SHARES

Information on the carrying value, fair value, market value and capital requirement amounts of equity investments resulting from banking accounts:

Equities	Comparison			The Amount of Capital Requirement
	Balance Sheet Value	Fair Value Change	Market Value	
Stock investment excluding A,B,C,D group	593.234 ⁽¹⁾	482.671 ⁽²⁾	-	106.945

⁽¹⁾ Includes TRY 84.000 of unconsolidated subsidiary, TRY 498.132 of associates accounted for under the equity method and TRY 11.102 of unconsolidated associates.

⁽²⁾ It represents the fair value of Demirhalk Bank N.V. whose balance sheet value is TRY 482.671. It is taken from the valuation report of Demirhalk Bank N.V. prepared as of 31 December 2019.

Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

Portfolio	Revaluation surplus in the fair value			Unrealized gains and losses		
	Realized gains (losses) in the current period	Total	Included in supplementary capital	Total	Included in total core capital	Included in supplementary capital
1. Private equity investments	-	-	-	-	-	-
2. Share certificates quoted on a stock exchange	-	-	-	-	-	-
3. Other share certificates	-	47.283	47.283	-	-	-
Total	-	47.283	47.283	-	-	-

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

VI. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

The liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open position cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

The liquidity risks of the Parent Bank are managed within the framework of risk and transaction limits approved by the Board of Directors and the duties and responsibilities of the units related to liquidity risk management are notified in written. Within this scope, limits determined in terms of TRY and FC are followed for gap values according to certain maturity tranches for liquidity analysis. On the other hand, for Treasury transactions; There are upper limits on TL and FX terms in all maturities in the over-the-counter market, upper limits on repo and reverse repo transactions that can be realized in TRY and FC terms with maximum FX position limits on all maturities in the interbank market, and maximum limits on foreign currency position, forward and swap transactions.

Liquidity risk analyzes (gap analysis, core deposit reports, etc.) are conducted on a daily basis and shared with the Bank's top management and related departments. Periodical stress tests are performed in line with the Parent Bank's liquidity management policies.

On the other hand, metrics within the scope of "Liquidity Emergency Action Plan" (LEAP) approved by the Board of Directors and early warning indicators related to these metrics are monitored on a daily basis. Written actions, if required, to be taken as part of this plan are determined. In extent with LEAP, necessary actions and their priority for possible liquidity stress/crisis have been determined and Liquidity Risk Committee have been established.

The extension of the maturity structure of term deposits which reflects the primary funding source for the Bank, the development of new products encouraging savings and the protection of core deposit levels have been implemented as a strategic objective. Limits have been determined for issuing bonds based on Turkish Lira to provide long term funding resource for the purposes of extending maturity structure of liabilities besides deposits.

For the purposes of utilizing advantage of the new borrowing facilities in line with the needs of the Parent Bank, alternative funding resources are evaluated in parallel with the close monitoring of price/cost movements in international capital markets and with convenient conditions.

The reduction of liquidity risk is provided by effective collateral management structure. The Parent Bank participates in the organized markets (CBRT, BIST and TAKASBANK). Debt upper limits and balance sheet size are determined under certain criteria by the relevant authorities. Existing limits available to use are continuously monitored with the cooperation of Treasury Management Middle Office and Treasury Operations Department through the Parent Bank's projected and instant liquidity needs under the condition that depositing and/or withdrawing additional collateral.

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According to “Regulation for Banks’ Liquidity Coverage Ratio Calculations”, for the purposes of foreign currency and total liquidity coverage ratio (“LCR”), banks are required to have the ability to cover net cash outflows with high quality liquid assets. Mentioned ratios are calculated by using high quality liquid assets divided by net cash outflows to be realized within 30 days based on TRY+FC and FC. According to the mentioned Regulation, the legal minimum limits of the LCR ratio on both unconsolidated and consolidated basis should be 100% for TRY+FC and 80% for FC.

Consolidated high quality liquid assets are composed of 40,78% accounts held by the CBRT and the Central Banks of the foreign branches, 54,80% securities considered as high quality liquid assets and 4,41% cash and cash equivalents.

The consolidated main funding source of the Parent Bank is deposits, other funding sourced are money market borrowings, securities issued and subordinated debt instruments, funds borrowed, and the rest consists of other sources.

As in the previous period, derivative transactions did not cause a net cash outflow that would negatively affect the liquidity position. The estimated cash outflows from derivative financial instruments and other liabilities calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, are TRY 725.331.

Each of the consolidated subsidiaries manage their own liquidity risk and liquidity adequacy is ensured on a consolidated basis.

Liquidity ratios and its daily changes monitored under calculated “Liquidity Coverage Ratio” and “Liquidity Emergency Action Plan” within the scope of the Regulation on “Banks’ Liquidity Coverage Ratio Calculation” prepared by BRSA and then they are notified to the Parent Bank Audit Committee and the Asset-Liability Committee regularly.

Throughout the current period, Group’s Liquidity Coverage Ratio’s lowest and highest values and the weeks these values are monitored are given in the table below:

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Month	(%)	Related Month	(%)
Maximum	04.11.2019		23.12.2019	
	10.11.2019	472,92	29.12.2019	140,62
Minimum	23.12.2019		21.10.2019	
	29.12.2019	244,80	27.10.2019	110,95

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Current Period	Total Unweighted Value ⁽¹⁾		Total Weighted Value ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			72.824.781	39.251.981
Cash Outflows				
Retail and Small Business Customers, of which;	144.569.260	64.357.830	12.699.612	6.435.783
Stable Deposits	35.146.280	-	1.757.314	-
Less Stable Deposits	109.422.980	64.357.830	10.942.298	6.435.783
Unsecured wholesale funding , of which;	109.040.551	52.961.355	50.872.366	21.964.452
Operational Deposits	22.628.120	7.762.180	5.657.030	1.940.545
Non-operational Deposits	81.274.523	43.547.291	40.810.706	18.426.433
Other Unsecured Funding	5.137.908	1.651.884	4.404.630	1.597.474
Secured Funding			-	-
Other cash outflows, of which;	9.198.620	6.220.014	4.794.794	3.890.018
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	978.601	1.958.389	978.601	1.958.389
Obligations related to structured financial products	121.539	-	121.539	-
Commitments related to debts to financial markets and other off-balance sheet obligations	8.098.480	4.261.625	3.694.654	1.931.629
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet				
Obligations	106.603.993	44.754.049	8.453.339	3.650.641
Total Cash Outflows			76.820.111	35.940.894
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	25.588.872	8.662.940	16.768.143	6.946.360
Other Cash Inflows	187.398	20.159.549	187.398	20.159.549
Total Cash Inflows	25.776.270	28.822.489	16.955.541	27.105.909
			Total Adjusted Value	
Total HQLA Stock			72.824.781	39.251.981
Total Net Cash Outflows			59.864.570	10.168.128
Liquidity Coverage Ratio (%)			121,78%	394,75%

⁽¹⁾ Calculated by simple arithmetic average, daily consolidated average calculated for the last three months of the liquidity coverage ratio.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Prior Period	Total Unweighted Value ⁽¹⁾		Total Weighted Value ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			53.741.958	26.678.480
Cash Outflows				
Retail and Small Business Customers, of which;	117.269.450	44.798.170	10.455.442	4.479.817
Stable Deposits	25.430.060	-	1.271.503	-
Less Stable Deposits	91.839.390	44.798.170	9.183.939	4.479.817
Unsecured wholesale funding , of which;	102.988.536	45.361.867	42.324.808	19.856.835
Operational Deposits	35.321.672	10.662.628	8.830.418	2.665.657
Non-operational Deposits	62.158.485	31.683.085	28.644.497	14.650.858
Other Unsecured Funding	5.508.379	3.016.154	4.849.893	2.540.320
Secured Funding			-	-
Other cash outflows, of which;	8.025.355	4.873.951	3.868.181	2.600.740
Derivatives cash outflow and liquidity needs related to market* valuation changes on derivatives or other transactions	330.890	723.519	330.890	723.519
Obligations related to structured financial products	58.314	-	58.314	-
Commitments related to debts to financial markets and other off-balance sheet obligations	7.636.151	4.150.432	3.478.977	1.877.221
Other revocable off-balance sheet commitments and contractual obligations.	91.205	-	91.205	-
Other irrevocable or conditionally revocable off-balance sheet obligations	99.572.967	42.704.063	7.900.145	3.477.943
Total Cash Outflows			64.639.781	30.415.335
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	26.146.432	11.739.757	18.447.182	9.836.588
Other Cash Inflows	164.036	2.013.894	164.036	2.013.894
Total Cash Inflows	26.310.468	13.753.651	18.611.218	11.850.482
			Total Adjusted Value	
Total HQLA Stock			53.741.958	26.678.480
Total Net Cash Outflows			46.028.563	18.564.853
Liquidity Coverage Ratio (%)			116,85%	144,62%

⁽¹⁾ Calculated by simple arithmetic average, daily consolidated average calculated for the last three months of the liquidity coverage ratio.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Presentation of assets and liabilities according to their remaining maturities:

The Bank follows up and measures the consistency of payments comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	4.341.316	30.822.609	-	150.062	-	-	-	35.313.987
Banks	2.522.131	1.577.235	33.312	26.233	25	5.037	-	4.163.973
Financial assets at fair value through profit and loss	8.716	967	2.130	16.147.107	68	-	146.775	16.305.763
Receivables from Money market	-	87.138	-	-	-	-	-	87.138
Financial assets at fair value through other comprehensive income	-	58	21.884	4.600.819	9.112.338	1.405.244	155.047	15.294.690
Loans	18.490.682	20.048.261	16.411.998	79.241.930	142.952.534	36.249.272	-	313.394.677
Financial assets measured at amortised cost	-	756.789	1.553.976	3.743.512	34.850.595	31.566.250	-	72.471.122
Other assets ⁽²⁾	299.597	2.711.272	1.475.471	2.242.049	1.633.559	287.614	2.950.915	11.600.477
Total assets	25.662.442	56.004.329	19.498.071	106.151.712	188.549.119	69.513.417	3.252.737	468.631.827
Liabilities								
Bank deposits	6.066.738	13.123.091	8.508.642	6.458	-	-	-	27.704.929
Other deposits	48.281.713	156.986.074	45.614.499	20.039.248	2.024.949	36.139	-	272.982.622
Funds provided from other financial institutions ⁽³⁾	18	891.855	1.006.528	4.084.214	5.181.511	3.003.744	-	14.167.870
Money market balances	-	52.744.394	4.947	-	-	590.000	-	53.339.341
Bonds issued	-	1.154.408	7.105.778	3.403.317	7.630.629	-	-	19.294.132
Sundry creditors	80.375	2.649.672	125.359	676.974	2.152.786	29.053	666.586	6.380.805
Other liabilities ⁽¹⁾	1.574.520	4.421.427	244.771	19.100.566	2.135.037	13.524.348	33.761.459	74.762.128
Total liabilities	56.003.364	231.970.921	62.610.524	47.310.777	19.124.912	17.183.284	34.428.045	468.631.827
Liquidity gap	(30.340.922)	(175.966.592)	(43.112.453)	58.840.935	169.424.207	52.330.133	(31.175.308)	-
Net off balance sheet position	-	(12.504)	16.212	161.060	573.130	-	-	737.898
Derivative financial assets	-	15.933.967	3.170.567	5.162.933	1.713.612	11.092.703	-	37.073.782
Derivative financial liabilities	-	(15.946.471)	(3.154.355)	(5.001.873)	(1.140.482)	(11.092.703)	-	(36.335.884)
Non-cash loans	27.943.882	3.072.636	9.160.038	31.876.345	16.382.132	2.582.797	-	91.017.830
Prior Period								
Total Assets	10.552.904	49.562.729	17.639.883	96.759.477	140.606.047	63.269.381	9.831.255	388.221.676
Total Liabilities	54.386.534	175.132.693	52.971.540	41.638.496	21.162.901	11.570.306	31.359.206	388.221.676
Liquidity Gap	(43.833.630)	(125.569.964)	(35.331.657)	55.120.981	119.443.146	51.699.075	(21.527.951)	-
Net off balance sheet position	(291)	44.055	(118.416)	(8.676)	526.291	-	-	442.963
Derivative financial assets	98.324	8.307.418	1.331.178	4.617.257	3.648.848	6.417.794	-	24.420.819
Derivative financial liabilities	(98.615)	(8.263.363)	(1.449.594)	(4.625.933)	(3.122.557)	(6.417.794)	-	(23.977.856)
Non-cash loans	2.434.918	3.388.326	6.216.271	29.870.469	16.520.370	25.239.621	-	83.669.975

⁽¹⁾ Shareholders' equity is disclosed in other liabilities line under the undistributed column.

⁽²⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets are disclosed in other assets under the undistributed column.

⁽³⁾ Funds provided from other financial institutions include borrowings.

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Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments ⁽¹⁾	Total
Liabilities							
Deposits	224.897.157	54.591.169	21.132.904	2.072.131	36.641	(2.042.451)	300.687.551
Funds provided from other financial intuitions	899.446	1.032.513	4.219.336	5.544.576	3.319.383	(847.384)	14.167.870
Money market borrowings	52.764.828	9.229	29.918	158.153	748.261	(371.048)	53.339.341
Securities issued	1.178.663	7.247.000	3.862.787	8.496.753	-	(1.491.071)	19.294.132
Funds	232.809	4.471	26.438	1.627.722	1.317.614	(50)	3.209.004
Total	279.972.903	62.884.382	29.271.383	17.899.335	5.421.899	(4.752.004)	390.697.898

⁽¹⁾Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments ⁽¹⁾	Total
Liabilities							
Deposits	182.643.839	49.115.829	19.099.012	1.146.346	19.202	(1.444.708)	250.579.520
Funds provided from other financial intuitions	986.565	1.827.056	4.041.735	6.160.067	3.206.289	(947.232)	15.274.480
Money market borrowings	35.305.672	348.648	108.059	2.292.146	703.800	(540.056)	38.218.269
Securities issued	1.691.031	1.915.256	3.073.272	11.429.907	-	(1.763.253)	16.346.213
Funds	178.780	4.497	118.765	311.297	2.260.831	(49)	2.874.121
Total	220.805.887	53.211.286	26.440.843	21.339.763	6.190.122	(4.695.298)	323.292.603

⁽¹⁾Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

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Analysis of Group's derivative financial instruments according to their remaining maturities:

Current Period: ⁽¹⁾	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts-Buy	1.629.947	878.352	879.250	2.279	-	3.389.828
Forward Contracts-Sell	1.979.327	1.313.154	881.542	2.278	-	4.176.301
Swaps-Buy	11.610.340	1.151.809	1.789.967	1.534.000	-	16.086.116
Swaps-Sell	13.791.267	1.146.479	1.626.617	960.870	-	17.525.233
Credit Default Swap-Buy	-	-	-	-	-	-
Credit Default Swap-Sell	-	-	-	-	-	-
Forward Precious Metal-Buy	508.892	445.729	-	-	-	954.621
Forward Precious Metal-Sell	132.599	-	-	-	-	132.599
Money Buy Options	1.085.237	675.013	-	-	-	1.760.250
Money Sell Options	1.086.024	674.240	-	-	-	1.760.264
Swaps Interest-Buy	20.000	70.000	2.493.714	177.333	11.092.704	13.853.751
Swaps Interest-Sell	20.000	70.000	2.493.714	177.333	11.092.704	13.853.751
Swaps Precious Metal-Buy	2.149.575	-	-	-	-	2.149.575
Swaps Precious Metal-Sell	-	-	-	-	-	-
Total	34.013.208	6.424.776	10.164.804	2.854.093	22.185.408	75.642.289

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 2.232.623.

Prior Period: ⁽¹⁾	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts-Buy	3.605.673	870.825	952.254	-	-	5.428.752
Forward Contracts-Sell	1.731.132	652.669	850.428	-	-	3.234.229
Swaps-Buy	5.474.414	447.174	1.003.129	1.370.200	-	8.294.917
Swaps-Sell	5.469.755	558.552	1.113.630	843.910	-	7.985.847
Credit Default Swap-Buy	-	-	-	-	-	-
Credit Default Swap-Sell	-	-	-	-	-	-
Forward Precious Metal-Buy	89.699	-	-	-	-	89.699
Forward Precious Metal-Sell	1.925.522	224.248	-	-	-	2.149.770
Money Buy Options	218.558	49.200	2.661.875	-	-	2.929.633
Money Sell Options	218.538	49.200	2.661.875	-	-	2.929.613
Swaps Interest-Buy	-	-	-	2.278.648	6.417.794	8.696.442
Swaps Interest-Sell	-	-	-	2.278.648	6.417.794	8.696.442
Total	18.733.291	2.851.868	9.243.191	6.771.406	12.835.588	50.435.344

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 2.036.669.

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VII. EXPLANATIONS ON THE CONSOLIDATED LEVERAGE RATIO

Summary comparison table between total assets and total risk in the consolidated financial statements prepared in accordance with TAS.

	Current Period	Prior Period
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS ⁽¹⁾	441.376.249	389.129.989
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽¹⁾	1.083.590	908.313
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments ⁽²⁾	42.549.277	21.772.910
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments ⁽²⁾	43.399.965	5.371.062
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items ⁽²⁾	2.342.071	1.438.564
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-	-
Toplam risk tutarı	585.384.107	494.815.162

⁽¹⁾ The amounts are represented in the table as of 31 December 2018 and 30 June 2019.

⁽²⁾ The amounts in the table represent three-month averages.

Leverage ratio calculated according to the article "Regulation Regarding the Measurement and Evaluation of Banks' Leverage Level" published in the Official Gazette No. 28812 dated 5 November 2013 is as follows.

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	Current Period ⁽¹⁾
On-Balance Sheet Items	
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	461.101.142
2. Assets that are deducted from core capital	(303.124)
3. Total on balance sheet exposures	460.798.018
Derivative exposures and credit derivatives	
4. Replacement cost associated with derivative financial instruments and credit derivatives	1.129.984
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	552.868
6. The total amount of risk on derivative financial instruments and credit derivatives	1.682.852
Investment securities or commodity collateral financing transactions	
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	4.415.652
8. Risk amount of exchange brokerage operations	-
9. Total risks related with securities or commodity financing transactions	4.415.652
Off -Balance Sheet Items	
10. Gross notional amount of off-balance sheet items	120.829.656
11. Adjustments for conversion to credit equivalent amounts	(2.342.071)
12. The total risk of off-balance sheet items	118.487.585
Capital and Total Exposures	
13. Tier 1 Capital	37.047.239
14. Total Exposures	585.384.107
Leverage Ratio	
15. Leverage Ratio	6,33

⁽¹⁾ The amounts in the table represent three-month average.

	Prior Period ⁽¹⁾
On-Balance Sheet Items	
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	383.368.941
2. Assets that are deducted from core capital	(250.620)
3. Total on balance sheet exposures	383.118.321
Derivative exposures and credit derivatives	
4. Replacement cost associated with derivative financial instruments and credit derivatives	1.063.489
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	303.383
6. The total amount of risk on derivative financial instruments and credit derivatives	1.366.872
Investment securities or commodity collateral financing transactions	
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.370.392
8. Risk amount of exchange brokerage operations	-
9. Total risks related with securities or commodity financing transactions	1.370.392
Off -Balance Sheet Items	
10. Gross notional amount of off-balance sheet items	110.398.141
11. Adjustments for conversion to credit equivalent amounts	(1.438.564)
12. The total risk of off-balance sheet items	108.959.577
Capital and Total Exposures	
13. Tier 1 Capital	28.740.329
14. Total Exposures	494.815.162
Leverage Ratio	
15. Leverage Ratio	5,81

⁽¹⁾ The amounts in the table represent three-month average.

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VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED BUSINESS SEGMENTATION

The Group's operations are grouped under the corporate, commercial, integrated banking and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Parent Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises (SMEs) as well as individual consumers. In this context, the Bank has no restrictions on the area in which it operates.

The Parent Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real persons without having any commercial or professional purposes other than their individual demands in the Parent Bank's application.

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the afore-mentioned classification.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

The following are the services provided by the Parent Bank to all of its customers:

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money market transactions,
- Rendering insurance agency transactions and individual pension services,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement organised by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments in the secondary market for the purpose of performing intermediary services,
- Acting as an operator in order to provide risk management systems related to technical support and consulting services,
- Providing technical support and consulting services to Bank's subsidiaries,
- Acting as a custodian in order to keep client's assets related to individual portfolio management of portfolio management companies,
- Acting as a portfolio management agency.

Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2019 are presented in the table below.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Current Period (1 January – 31 December 2019)	Corporate/ Commercial	Integrated	Treasury/ Investment ⁽¹⁾	Other ⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	12.397.599	24.910.172	9.698.902	662.062	47.668.735
Interest on loans	12.395.130	24.451.585	374.768	-	37.221.483
Interest income on marketable securities	-	440.623	8.756.754	-	9.197.377
Interest received from banks	-	-	344.109	-	344.109
Other interest income	2.469	17.964	223.271	662.062	905.766
Interest expense	7.172.263	14.622.240	13.847.507	365.396	36.007.406
Interest on deposits	7.127.917	14.165.507	1.718.465	-	23.011.889
Interest on borrowings	34.472	75.019	212.251	230.397	552.139
Interest on money market borrowings	-	189.927	9.197.353	57.966	9.445.246
Interest on marketable bonds issued	-	2.564.881	72.891	2.637.772	-
Other interest expense	9.874	191.787	154.557	4.142	360.360
Net interest income	5.225.336	10.287.932	(4.148.605)	296.666	11.661.329
Net fees and commissions income / (expenses)	1.080.148	1.383.476	465.462	(212.604)	2.716.482
Net trading profit / (loss) (Net)	25.263	554.155	(3.818.480)	11.308	(3.227.754)
Dividend income	-	-	14.025	416	14.441
Other income	1.018.591	583.321	992.658	2.222.951	4.817.521
Loans and other receivables' impairment loss	2.157.124	1.934.567	505.383	75.443	4.672.517
Other expenses	148.426	2.478.234	4.147.690	1.763.739	8.538.089
Income before taxes	5.043.788	8.396.083	(11.148.013)	479.555	2.771.413
Income tax provision	-	-	(278.849)	(199.691)	(478.540)
Net profit for the period	5.043.788	8.396.083	(11.426.862)	279.864	2.292.873
SEGMENT ASSETS (31 December 2019)					
Marketable securities ⁽²⁾	-	4.833.999	99.226.017	1.818	104.061.834
Derivative financial assets	-	211.149	940.843	-	1.151.992
Banks and money market receivables	-	570	4.247.494	2.592	4.250.656
Associates and subsidiaries (net)	-	-	593.234	-	593.234
Loans ⁽²⁾	112.937.819	179.703.613	9.261.100	-	301.902.532
Other assets ⁽²⁾	3.903.011	3.381.194	41.856.754	7.530.620	56.671.579
TOTAL ASSETS	116.840.830	188.130.525	156.125.442	7.535.030	468.631.827
SEGMENT LIABILITIES (31 December 2019)					
Deposits	101.179.185	174.651.324	24.857.042	-	300.687.551
Derivative financial liabilities	-	148.937	204.781	-	353.718
Money market balances	-	2.951.294	50.276.129	111.918	53.339.341
Loans	1.028.956	1.150.633	10.053.720	1.934.561	14.167.870
Marketable Securities issued	-	-	17.321.413	1.972.719	19,294.132
Other liabilities	1.667.559	8.660.217	31,669.750	3,193.209	45,190.735
Provisions and tax payable	229.542	288.258	2,864.624	18,668	3,401.092
Shareholders' equity	4,053.543	7,964.223	18,210.535	1,969.087	32,197.388
TOTAL LIABILITIES	108.158.785	195.814.886	155.457.994	9.200.162	468.631.827
OFF BALANCE SHEET ITEMS (31 December 2019)	48.049.351	54.395.175	94.648.935	19.729	197,113.190
Guarantees and surety ships	47,403.374	27,348.373	16,266.083	-	91,017.830
Commitments	645.977	9,433.236	22,586.752	19,729	32,685.694
Derivative financial instruments	-	17,613.566	55,796.100	-	73,409.666

⁽¹⁾ Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler A.Ş., Halk Gayrimenkul Yatırım Ortaklığı A.Ş., Halk Banka A.D. Beograd and Halk Banka A.D., Skopje transactions are presented under the Treasury / Investment column, Halk Hayat ve Emeklilik A.Ş., Halk Sigorta A.Ş., Halk Finansal Kiralama A.Ş., Halk Faktoring A.Ş. and Halk Varlık Kiralama A.Ş. activities presented under the Other column.

⁽²⁾ TFRS 9 Expected Loss Provisions presented in related lines.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Prior Period (1 January – 31 December 2018)	Corporate/ Commercial	Integrated	Treasury/ Investment ⁽¹⁾	Other ⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	8.986.726	20.166.245	7.788.094	676.610	37.617.675
Interest on loans	8.985.606	19.700.018	309.185	-	28.994.809
Interest income on marketable securities	-	441.185	6.633.254	77.108	7.151.547
Interest received from banks	-	6	666.599	-	666.605
Other interest income	1120	25.036	179.056	599.502	804.714
Interest expense	3.413.331	15.455.276	9.430.905	375.251	28.674.763
Interest on deposits	3.372.432	15.110.679	1.809.122	6.102	20.298.335
Interest on borrowings	9532	41.519	434.855	283.298	769.204
Interest on money market borrowings	-	184.063	5.596.092	15.395	5.795.550
Interest on marketable bonds issued	-	-	1.491.114	64.089	1.555.203
Other interest expense	31.367	119.015	99.722	6.367	256.471
Net interest income	5.573.395	4.710.969	(1.642.811)	301.359	8.942.912
Net fees and commissions income / (expenses)	692.490	979.116	415.222	(182.465)	1.904.363
Net trading profit / (loss) (Net)	15.028	1.024.491	(840.192)	32.156	231.483
Dividend income	-	-	12.788	389	13.177
Other income	152.172	318.097	503.147	1.565.301	2.538.717
Loans and other receivables' impairment loss	1.062.255	1.119.258	1.005.011	233.992	3.420.516
Other expenses	120.864	2.119.558	3.646.282	1.277.647	7.164.351
Income before taxes	5.249.966	3.793.857	(6.203.139)	205.101	3.045.785
Income tax provision	-	-	(218.543)	(146.150)	(364.693)
Net profit for the period	5.249.966	3.793.857	(6.421.682)	58.951	2.681.092
SEGMENT ASSETS (31 December 2018)					
Marketable securities ⁽²⁾	-	8.756.221	66.702.373	268.409	75.727.003
Derivative financial assets	-	102.003	960.078	-	1.062.081
Banks and money market receivables	-	2.088	5.208.415	986	5.211.489
Associates and subsidiaries (net)	-	-	515.868	-	515.868
Loans ⁽²⁾	94.240.858	152.062.318	7.973.928	-	254.277.104
Other assets ⁽²⁾	746.613	2.793.595	41.939.409	5.948.514	51.428.131
TOTAL ASSETS	94.987.471	163.716.225	123.300.071	6.217.909	388.221.676
SEGMENT LIABILITIES (31 December 2018)					
Deposits	81.197.300	141.103.733	28.278.487	-	250.579.520
Derivative financial liabilities	-	53.332	357.007	-	410.339
Money market balances	-	5.402.273	32.759.788	56.208	38.218.269
Loans	393.832	1.114.372	11.401.579	2.364.697	15.274.480
Marketable Securities issued	-	-	14.883.998	1.462.215	16.346.213
Other liabilities	1.184.135	7.070.252	23.963.880	273.130	32.491.397
Provisions and tax payable	246.071	288.821	2.489.232	2.336.094	5.360.218
Shareholders' equity	4.948.569	3.392.443	19.638.194	1.562.034	29.541.240
TOTAL LIABILITIES	87.969.907	158.425.226	133.772.165	8.054.378	388.221.676
OFF BALANCE SHEET ITEMS (31 December 2018)					
Guarantees and surety ships	46.377.673	23.260.633	14.031.669	-	83.669.975
Commitments	966.222	9.648.799	17.107.670	119.546	27.842.237
Derivative financial instruments	-	12.025.139	36.373.536	-	48.398.675

⁽¹⁾ Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ., Halk Gayrimenkul Yatırım Ortaklığı AŞ., Halk Banka A.D. Beograd and Halk Banka A.D., Skopje transactions are presented under the Treasury / Investment column, Halk Hayat ve Emeklilik AŞ., Halk Sigorta AŞ., Halk Finansal Kiralama AŞ., Halk Faktoring AŞ and Halk Varlık Kiralama AŞ activities presented under the Other column.

⁽²⁾ TFRS 9 Expected Loss Provisions presented in related lines.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

IX. EXPLANATIONS ON PRESENTATION OF THE CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value	Fair Value
	Current Period	Current Period
Financial Assets	429.164.724	430.765.538
Cash and Balances with the Central Bank of Turkey	35.313.987	35.313.987
Financial assets at fair value through P&L ⁽³⁾ ⁽⁴⁾	30.808	30.808
Banks	4.163.973	4.163.725
Money market placements	87.138	87.138
Financial assets at Fair Value through OCI ⁽¹⁾	14.743.521	14.743.521
Financial assets measured at amortised cost	72.471.122	72.057.460
Loans ⁽²⁾	297.317.430	299.332.154
Receivables from leasing transactions	2.922.013	2.922.013
Factoring receivables	2.114.732	2.114.732
Financial Liabilities	394.869.871	395.362.661
Deposits	300.687.551	300.993.083
Derivative financial liabilities held for trading	353.718	353.718
Funds provided from other financial intuitions	14.167.870	14.520.662
Money market borrowings	53.339.341	53.561.180
Securities issued	19.294.132	18.906.759
Miscellaneous payables	6.383.200	6.383.200
Lease payables	644.059	644.059

⁽¹⁾ "Equity investments not quoted on stock exchange" amounting to TRY 551.169 that are followed in financial assets at fair value through other comprehensive income are not included.

⁽²⁾ Net amount of follow-up loans has not been included in the table above.

⁽³⁾ The marketable securities amounting to TRY 170.874 that are not valued at market price, followed in financial assets at fair value through profit or loss are not included.

⁽⁴⁾ The securities lending transactions amounting to TRY 16.104.081 followed in financial assets at fair value through profit or loss are not included in the table.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

	Book Value	Fair Value
	Prior Period	Prior Period
Finansal Assets	360.427.511	346.870.595
Cash and Balances with the Central Bank of Turkey	35.579.724	35.579.724
Financial assets at fair value through P&L ^{(3) (4)}	97.151	97.151
Banks	5.146.171	5.145.043
Money market placements	65.318	65.318
Financial assets at Fair Value through OCI ⁽¹⁾	4.754.158	4.878.942
Financial assets measured at amortised cost	56.331.345	50.372.897
Loans ⁽²⁾	254.147.852	246.425.728
Receivables from leasing transactions	2.913.193	2.913.193
Factoring receivables	1.392.599	1.392.599
Finansal Liabilities	325.738.312	332.195.793
Deposits	250.579.520	252.283.543
Derivative financial liabilities held for trading	410.339	410.339
Funds provided from other financial intuitions	15.274.480	15.621.467
Money market borrowings	38.218.269	38.384.847
Securities issued	16.346.213	20.676.357
Miscellaneous payables	4.909.406	4.819.155
Lease payables	85	85

⁽¹⁾ "Equity investments not quoted on stock exchange" amounting to TRY 110.654 that are followed in financial assets at fair value through other comprehensive income are not included.

⁽²⁾ Net amount of follow-up loans has not been included in the table above.

⁽³⁾ Marketable securities amounting to TRY 66.205 that are not valued at market price, followed in financial assets at fair value through profit or loss are not included.

⁽⁴⁾ The securities lending transactions amounting to TRY 14.374.380 followed in financial assets at fair value through profit or loss are not included in the table.

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined at fair value, when the market prices are not available, quoted market prices of other marketable securities which are amortised with the same terms of interest maturity and other similar conditions are used.
- ii- The prevailing interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial intuitions and sundry creditors.

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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 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:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value:				
Financial Assets Measured at Fair Value through Profit/Loss ⁽²⁾ ⁽³⁾	30.808	-	-	30.808
Derivative financial assets	-	1.151.992	-	1.151.992
Financial Assets at Fair Value through Other Comprehensive Income ⁽¹⁾	14.743.521	-	-	14.743.521
Subsidiaries	-	-	84.000	84.000
Associates	-	-	509.234	509.234
Total Financial Assets	14.774.329	1.151.992	593.234	16.519.555
Financial Liabilities Measured at Fair Value:				
Derivative financial liabilities	-	353.718	-	353.718
Total Financial Liabilities	-	353.718	-	353.718

⁽¹⁾ Share certificates amounting to TRY 551.169 of “securities not quoted on the stock exchange” are not included in financial assets at fair value through other comprehensive income.

⁽²⁾ Marketable securities amounting to TRY 170.874 that are not valued at fair value, are not included in financial assets measured at fair value through profit/loss.

⁽³⁾ Securities lending transactions amounting to TRY 16.104.081 are not included in the financial assets measured at fair value through profit/loss.

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Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value:				
Financial Assets Measured at Fair Value through Profit/Loss ⁽²⁾ (4)	98.350	-	-	98.350
Derivative financial assets	-	1.062.081	-	1.062.081
Financial Assets at Fair Value through Other Comprehensive Income ⁽¹⁾	4.445.045	-	-	4.445.045
Subsidiaries	-	-	57.146	57.146
Associates ⁽³⁾	-	-	458.722	458.722
Total Financial Assets	4.543.395	1.062.081	515.868	6.121.344
Financial Liabilities Measured at Fair Value:				
Derivative financial liabilities	-	410.339	-	410.339
Total Financial Liabilities	-	410.339	-	410.339

⁽¹⁾ Share certificates amounting to TRY 419.767 of "securities not quoted on the stock exchange" in financial assets at fair value through other comprehensive income.

⁽²⁾ Marketable securities amounting to TRY 66.205 that are not valued at fair value, are not included in financial assets measured at fair value through profit/loss.

⁽³⁾ Securities lending transactions amounting to TRY 14.374.380 are not included in the financial assets measured at fair value through profit/loss.

The movement of financial assets in the third level are as follows:

	Current Period
Balance at the beginning of the period	515.868
Purchases during the year	1.750
Non-paid up shares	875
Valuation Difference	74.741
Transfers	-
Period End Balance	593.234
	Prior Period
Balance at the beginning of the period	405.316
Purchases during the year	375
Non-paid up shares	9.032
Valuation Difference	101.145
Transfers	-
Period End Balance	515.868

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X. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST

The Parent Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services.

The Group does not engage in fiduciary transactions.

XI. EXPLANATIONS ON THE CONSOLIDATED RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS

Explanations Related To Risk Management

The Parent Bank's business model creates a comprehensive risk profile that includes all units of the Bank. Credit risk is a key component of the risk profile. The Parent Bank effectively implements risk management policies and procedures for loan and other risks which is determined within the framework of risk capacity and appetite and approved by board of directors. Risk appetite and capacity, which are directly related to the Parent Bank's strategic objectives, are limited by legal rates therefore the Bank associated with them.

Regarding the risk management structure; The Internal Audit Department, Internal Control Department and Risk Management Department, which are units within the scope of internal systems, carry out their activities in accordance with the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process published in the Official Gazette No. 29057 dated 11 June 2014 and subject to the Board of Directors through the Audit Committee.

The structure of the internal systems determines the level of risk by identifying the risks that the bank is exposed to. The Department of Compliance, another unit within the scope of internal systems, performs the compliance function of the Parent Bank's activities regarding MASAK and Anti-Money Laundering and Prevention of Terrorist Financing. In this direction, the relevant units are responsible for monitoring, controlling and reporting risks, limited to their areas of responsibility. Outside of internal systems, Top Management is directly responsible to the Board of Directors for the risks to which the Parent Bank is exposed in relation to its duties.

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The Parent Bank is using information technologies and training documents openly and effectively for the dissemination and application of risk culture, and the development of bank staff is supported in line with this goal with face to face learning and e-learning. In addition, all personnel are regularly informed and aware of the risks that the Parent Bank is exposed to.

Risk measurement systems are based on accepted risk models and workflows for the identification, monitoring and reporting of risks in accordance with legislation. Methods and software that are in line with international standards are used for risk groups such as credit, market, operational and counterparty credit risk etc.

Within the scope of risk management activities, regular reporting and presentations are made by related units to the board of directors, asset-liability and audit committees and to the other committees, in order to manage the risks that the Parent Bank is exposed to more effectively, to support the decision making processes related to them, to create new strategies and policies.

The Parent Bank reports to the BRSA by applying the stress tests determined in accordance with the Internal Capital Adequacy Assessment Process (ICAAP). In addition, stress tests are carried out in line with the scenarios created by the risks exposed and the macroeconomic conditions. This test which is made by applying shocks for various risk factors, shows the results on risk weighted assets, own funds and capital adequacy ratio.

The Parent Bank monitors its effectiveness by closely monitoring the processes of managing and reducing the risks arising from the business model. The Parent Bank regularly revises the strategies it has established regarding these processes in line with the existing conditions and sets policies.

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Overview of RWA :

	Risk Weighted Amounts		Minimum Capital Requirements	
	Current Period	Prior Period	Current Period	Prior Period
1 Credit risk (excluding counterparty credit risk) (CCR)	297.590.914	252.966.471	23.807.273	20.237.318
2 Standardized approach (SA)	297.590.914	252.966.471	23.807.273	20.237.318
3 Internal rating-based (IRB) approach	-	-	-	-
4 Counterparty credit risk	5.804.936	3.625.642	464.395	290.051
5 Standardized approach for counterparty credit risk (SA-CCR)	5.804.936	3.625.642	464.395	290.051
6 Internal model method (IMM)	-	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-	-
9 Investments made in collective investment companies – mandate-based approach	-	-	-	-
10 Investments made in collective investment companies - %1250 weighted risk approach	-	-	-	-
11 Settlement risk	-	-	-	-
12 Securitization positions in banking accounts	-	-	-	-
13 IRB ratings-based approach (RBA)	-	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-	-
16 Market risk	12.630.875	3.869.238	1.010.470	309.539
17 Standardized approach (SA)	12.630.875	3.869.238	1.010.470	309.539
18 Internal model approaches (IMM)	-	-	-	-
19 Operational Risk	21.710.397	18.548.003	1.736.832	1.483.840
20 Basic Indicator Approach	21.710.397	18.548.003	1.736.832	1.483.840
21 Standard Approach	-	-	-	-
22 Advanced measurement approach	-	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.241.710	1.123.427	99.337	89.874
24 Floor adjustment	-	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	338.978.832	280.132.781	27.118.307	22.410.622

*Credit risk standard approach also includes the amounts which below discount threshold.

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Differences and Matching Between Accounting and Regulatory Scopes of Consolidation:

	Carrying values in financial statements prepared as per TAS	Carrying values for legal consolidation prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	
Assets							
Cash and Balances with the Central Bank	-	35.313.987	35.313.987	-	-	-	-
Derivative Financial Assets	-	1.151.992	1.151.992	-	335.485	-	-
Financial assets at fair value through profit and loss	-	16.305.763	201.682	-	-	40.569	16.104.081
Banks	-	4.153.852	4.153.852	-	-	-	-
Receivables from Money markets	-	87.138	87.138	-	-	-	-
Financial Assets at Fair Value Through OCI (net)	-	15.294.690	-	-	15.269.024	-	-
Loans	-	301.902.532	301.891.200	-	-	-	11.332
Receivables from factoring	-	2.114.732	2.114.732	-	-	-	-
Financial Assets Measured at Amortised Cost (net)	-	72.461.381	72.461.381	-	-	-	-
Subsidiaries (net)	-	509.234	509.234	-	-	-	-
Associates (net)	-	84.000	84.000	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-	-
Finance lease receivables	-	2.922.013	2.922.013	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-
Tangible Assets (net)	-	9.308.973	9.308.973	-	-	-	-
Intangible Assets (net)	-	205.259	-	-	-	213.176	-
Real estate for investment purpose (net)	-	1.104.463	-	-	-	-	-
Tax asset	-	60.411	60.411	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	-	1.076.418	1.076.418	-	-	230.241	-
Other assets	-	4.574.989	4.574.989	-	-	-	-
Total Assets	-	468.631.827	434.760.010	1.151.992	-	15.875.319	16.328.589
Liabilities							
Deposits	-	300.687.551	-	-	-	-	-
Derivative financial liabilities	-	353.718	-	-	-	219.817	-
Loans	-	14.167.870	-	-	-	-	-
Money market borrowings	-	53.339.341	-	4.415.413	-	-	-
Securities issued	-	19.294.132	-	-	-	-	-
Funds	-	3.209.004	-	-	-	-	-
Other Liabilities	-	25.967.002	-	-	-	283	-
Factoring payables	-	1.507	-	-	-	-	-
Finance lease payables	-	644.059	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-
Provisions	-	1.750.345	-	-	-	-	-
Tax Liability	-	1.650.747	-	-	-	-	-
Liabilities regarding assets held for sale and discontinued operations (net)	-	3.184.317	-	-	-	-	-
Subordinated Debt	-	12.184.846	-	-	-	-	-
Shareholders' equity	-	32.197.388	-	-	-	-	-
Total Liabilities	-	468.631.827	-	4.415.413	-	220.100	-

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Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements:

	Total	Credit risk	Securitization positions	Counterparty credit risk	Market Risk
1 Asset carrying value amount under scope of regulatory consolidation	468.631.827	434.760.010	-	1.151.992	15.875.319
2 Liabilities carrying value amount under regulatory scope of consolidation	468.631.827	-	-	4.415.413	220.100
3 Total net amount under regulatory scope of consolidation	-	434.760.010	-	5.567.405	15.655.219
4 Off-balance Sheet Amounts	197.113.190	123.703.524	-	454.106*	18.666.447
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	-	558.463.534	-	6.021.511	34.321.666

*Shows total potential credit risk amounts caused by derivative transactions.

Explanations of differences between accounting and regulatory exposure amounts:

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

Explanations Related to Counterparty Credit Risk

The Parent Bank provides the necessary definitions and classifications for the CCR that take into account the clearing and pre-clearing risk in relation to the management policies and procedures of the CCR, thereby managing these risks on a counterparty basis and across the bank.

The impact of the new products and activities on the Parent Bank's CCR level is assessed and these evaluations are included in the product / activity approval process.

The market, liquidity, compliance risk and operational risk that may be associated with the CCR are taken into account and the general / specific limit levels of the Parent Bank's transactions to the CCR are determined. These limits established within the framework of the CCR are regularly monitored. The Parent Bank uses risk mitigation techniques to the extent that it is appropriate, through applications such as margin taking and margin fulfillment.

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The Parent Bank uses methods and models in accordance with international standards for the identification, measurement, monitoring, control and reporting of the CCR. Independent scrutiny and supervision is carried out on the integrity, correctness and effectiveness of the CCR management systems. These activities are carried out by the Parent Bank's internal audit units and independent audit institutions.

Agreements entered into with counterparty financial institutions resulting in credit risk according to the attributes of the transaction are evaluated by taking into account ISDA framework and CSA framework for derivative transactions, GMRA framework for repurchase agreements. The risk is mitigated by receiving cash or other forms of collaterals as per the counterparty limits designated by the Board of Directors.

In secured lending and repo transactions, the haircut amounts are reduced from the counterparty limits. In cases whereby possible decreases or increases in ratings affects the current replacement cost, margin call agreements are used as a risk mitigator.

Counterparty Credit Risk (CCR) Approach Analysis:

	Replacement cost	Potential Future exposure	EEPE*	Alpha used for computing regulatory EAD	EAD post-CRM	Risk Weighted Amount
Standardised Approach - CCR (for derivatives)	1,151,669	454,106	-	1,40	1,605,775	1,211,417
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	4,415,413	4,056,274
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
Total					6,021,188	5,267,691

*Expected effective positive risk amount

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Capital requirement for credit valuation adjustment (CVA):

	EAD post-CRM	Risk weighted amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	1.605.775	523.520
Total subject to the CVA capital obligation	1.605.775	523.520

Standardised Approach - Counterparty Risk Per Risk Classification And Risk Weighted Amounts:

Risk weights / Risk Classifications	0%	10%	20%	50%	75%	100%	150%	2%	4%	Total Credit Risk
Claims on sovereigns and Central Banks	137.661	-	-	52.474	-	-	-	-	-	190.135
Claims on regional governments or local authorities	-	-	-	17	-	-	-	-	-	17
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	27	-	-	-	27
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	208.099	839.740	-	2.000.919	-	-	-	3.048.758
Claims on corporates	-	-	-	-	-	3.292.803	-	-	-	3.292.803
Claims included in the regulatory retail portfolios	-	-	-	-	12.969	-	-	-	-	12.969
Claims secured by residential property	-	-	-	-	-	-	-	-	-	-
Overdue 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	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Other Assets*	-	-	12	435	1.609	12.286	-	606	-	14.948
Toplam	137.661	-	208.111	892.666	14.578	5.306.035	-	606	-	6.559.657

*Includes the amounts that are not included in the assessment of the counterparty credit risk according to the measurement methods shown in the table "Central counterparty risks".

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Collaterals for Counterparty Credit Risk:

	Collateral for derivative transactions				Collateral for other transactions	
	Received Collaterals		Given Collaterals		Received Collaterals	Given Collaterals
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	65.414	-	-	-	-
Cash-foreign currency	-	302.986	-	51.243	16.610	113.900
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	368.400	-	51.243	16.610	113.900

Counterparty Credit Risk-Credit Derivatives:

None.

Exposures to Central Counterparties (CCP):

	Exposure at default (post-CRM)	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)		13.725
Exposures for trades at QCCPs (excluding initial margin and default)	14.913	13.690
(i) OTC Derivatives	447	220
(ii) Exchange-traded Derivatives	14.466	13.470
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	19	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	1.190	35
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

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Securitisations:

None.

Qualitative Disclosure on Credit Risk:

Credit risk, which is the most important risk profile of the Parent Bank's business model, refers to risks and losses arising from counterparty's failure to meet its obligations under contracts that the Parent Bank is a party to. Credit limits are set according to the risk appetite and capacity of the Bank.

Credit limits are assigned according to the customer's financial condition and credit need by the branches, regional credit committee, head of credit department, executive vice president in charge of loans, general manager, credit committee and board of directors revised whenever required. As part of its risk policies, the Parent Bank monitors limits designated by sectors and sub sectors.

Within the scope of internal systems, internal audit activities are carried out by the Board of Inspectors and the Internal Audit Department in order to ensure that the activities of the Parent Bank are carried out in accordance with the Parent Bank's policies in compliance with the legal regulations. The Risk Management Department, which is the risk unit within the internal systems, performs the functions of measuring, monitoring, controlling and reporting on the credit risk to which the Parent Bank is exposed to. These identified units are regularly reporting on the risks exposed to the Bank's Senior Management.

The Parent Bank, in the credit allocation process, restricts its risk exposure by working with highly creditworthy banks and institutions considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Parent Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Parent Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Parent Bank's risk is concentrated in Turkey. In loan procedure, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically with the Treasury department, concerning the off-balance sheet operations based on the customers and banks.

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Credit Quality of Assets:

	Gross carrying value as per TAS		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	16.725.577	302.245.040	12.031.340	306.939.277
2 Debt Securities*	-	87.984.794	27.041	87.957.753
3 Off-balance sheet exposures	-	123.703.524	288.481	123.415.043
4 Total	16.725.577	513.933.358	12.346.862	518.312.073

* As of 31 December 2019 TRY 16.104.081 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Changes in Stock of Default Loans and Debt Securities:

1 Defaulted loans and debt securities at end of the previous reporting period	9.282.998
2 Loans and debt securities defaulted since the last reporting period	9.327.134
3 Receivables back to performing status	(17.706)
4 Amounts written off	(15.516)
5 Other changes	(1.851.333)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	16.725.577

Additional Disclosure Related To The Credit Quality Of Assets:

Exposures Provisioned Against By Maturity:

Current Period	Demands	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total
Loans and Advances	18.490.682	20.048.261	16.411.998	79.241.930	142.952.534	36.249.272	313.394.677

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Exposures Provisioned Against By Major Regions:

31 December 2019	Non-Performing Loans	ECL (Stage 3)
Domestic	16.506.899	9.355.059
European Union (EU) Countries	104	66
OECD Countries	-	-
Off-Shore Banking Regions	-	-
USA, Canada	10	9
Other Countries	218.564	71.171
Total	16.725.577	9.426.305

Exposures Provisioned Against By Sectors:

Explained in Section 4 Information according to sectors and counterparties

Aging analysis of overdue but not impaired financial assets:

31 December 2019	
30-60 days overdue	1.647.668
60-90 days overdue	1.666.527
Total	3.314.195

Breakdown of restructured receivables based on whether or not provisions are allocated:

31 December 2019	
Loans Structured from Standard Loans	710.125
Loans Composed of Follow-up Loans	10.270.072
Loans Restructured from Non-Performing Loans	1.688.504

*Rediscounts are not included in the table.

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Qualitative Disclosure on Credit Risk Mitigation Techniques:

The risk mitigating factors used in the lending activities of the Parent Bank are listed below.

- Financial warranties (Treasury Bills, Government Bonds, Cash, Pledged Deposits, Gold, Pledged Securities)
- Guarantees
- Mortgage (Although mortgage lending in Basel II has been considered as a risk class, it has also been included in this section in terms of valuation methods and concentrations).

The financial guarantees in the Parent Bank are subject to valuation on a daily basis. The creditors' credits are monitored and assessed within the framework of credit revision schedules.

As long as the mortgage that constitutes the collateral of the credits continues to be related to the loan, the risk-guarantee balances will be monitored and revalued each year. Action plans are developed for the possibility of diminution in value of collaterals.

As per the BRSA regulations, guarantees given by the Treasury and banks are regarded as risk reduction elements and the creditworthiness of banks is regularly monitored.

The Parent Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation.

The Parent Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques.

Financial collaterals that are composed of cash or similar assets and instruments of a high credit quality as well as real estate mortgages have been used in credit risk mitigation.

There is no on-balance sheet or off-balance sheet offsetting.

Credit Risk Mitigation Techniques- Overview:

	Exposures carrying amount as per TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans ⁽²⁾	159.266.779	147.672.498	93.409.196	19.138.765	15.836.236	-	-
2 Debt Instruments ⁽¹⁾	87.957.753	-	-	-	-	-	-
3 Total	247.224.532	147.672.498	93.409.196	19.138.765	15.836.236	-	-
4 Of which defaulted	3.727.701	3.571.571	2.682.525	1.042.226	970.593	-	-

⁽¹⁾ As of 31 December 2019, TRY 16.104.081 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

⁽²⁾ The amount valued in accordance with TAS includes Leasing Receivables and Factoring Receivables.

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Information about the Banks' Use of Ratings in Calculating Credit Risk by Using Standard Approach to Credit Risk:

Explained in risk classifications related to Article 6 of Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks in Section 4 Credit risk section.

Standardised Approach- Credit Risk Exposure and Credit Risk Mitigation Techniques:

Risk Classification	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns and Central Banks	107.914.407	453.088	124.663.850	1.071.924	12.396.851	9,86%
Claims on regional governments or local authorities	3.103.067	88.806	3.098.450	38.573	1.568.511	50,00%
Claims on administrative bodies and other non-commercial undertakings	562.945	469.813	547.468	187.599	735.067	100,00%
Claims on multilateral development banks	-	-	57.854	3.965	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	7.774.547	2.693.045	7.774.547	1.838.981	5.810.485	60,44%
Claims on corporates	128.634.761	72.298.510	120.245.995	45.524.195	165.160.073	99,63%
Claims included in the regulatory retail portfolios	96.231.787	35.623.563	82.057.132	6.893.430	66.712.922	75,00%
Claims secured by residential property	42.973.196	2.773.980	42.973.196	1.295.483	15.494.038	35,00%
Claims secured by commercial property	27.852.948	4.628.202	27.852.948	2.967.415	15.410.181	50,00%
Overdue loans	7.443.942	1.180.808	6.465.393	535.033	6.226.901	88,95%
Higher risk categories decided by the Board	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	22.954.081	1.161.695	22.953.591	9.962	13.516.448	58,86%
Equity share investments	861.057	-	861.057	-	1.606.083	186,52%
Total	446.306.738	121.371.510	439.551.481	60.366.560	304.637.560	%60,94

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Standardised Approach- Claims By Risk Classification And Risk Weights

Risk Classification	%0	%10	%20	%35*	%50	%75	%100	%150	%200	%250	%2	%4	Total risk amount (pt-CCF and CRM)
Claims on sovereigns and Central Banks	101.141.172	-	-	-	24.395.502	-	199.100	-	-	-	-	-	125.735.774
Claims on regional governments or local authorities	-	-	-	-	3.137.023	-	-	-	-	-	-	-	3.137.023
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	735.067	-	-	-	-	-	735.067
Claims on multilateral development banks	61.819	-	-	-	-	-	-	-	-	-	-	-	61.819
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	3.380.431	-	2.196.209	-	4.036.282	-	-	-	606	-	9.613.528
Claims on corporates	-	-	446.324	-	506.116	-	164.817.750	-	-	-	-	-	165.770.190
Claims included in the regulatory retail portfolios	-	-	-	-	-	88.950.562	-	-	-	-	-	-	88.950.562
Claims secured by residential property	-	-	-	44.268.679	-	-	-	-	-	-	-	-	44.268.679
Claims secured by commercial property	-	-	-	-	30.820.363	-	-	-	-	-	-	-	30.820.363
Overdue loans	-	-	-	-	2.181.468	-	4.184.540	634.418	-	-	-	-	7.000.426
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	364.373	-	-	496.684	-	-	861.057
Other receivables	8.498.879	-	1.155.039	-	-	96.777	13.212.858	-	-	-	-	-	22.963.553
Total	109.701.870	-	4.981.794	44.268.679	63.236.681	89.047.339	187.549.970	634.418	-	496.684	606	-	499.918.041

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Publicly Announced Qualitative Disclosure on Market Risk

The Parent Bank's market risks are managed within the framework of the "Policies Related to the Management of the Market Risk" approved by the Board of Directors, and the trading activities of the positions and portfolios subject to the market risks are carried out in accordance with the "Policy and Application Procedures regarding the Management of the Positions Held for the Trading Strategy".

The Parent Bank's market risks are measured by two methods, namely the standard method and the risk measurement method. In statutory reporting, the standard method is used in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" published in the Official Gazette dated 23 October 2015 and numbered 29511. In addition, the risk measurement model and the value at risk (VAR) are measured in accordance with the "Communiqué on Calculation of Market Risk and Risk Measurement Models and Evaluation of Risk Measurement Models" published in the Official Gazette dated 23 October 2015 and numbered 29511.

Within the scope of the Parent Bank's "Policies for the Management of Market Risks"; VAR based limit and risk appetite has been determined and VAR results calculated by historical simulation method have been associated with statutory equity. The level of compliance with these limits is monitored daily. On the other hand, periodic stress tests are applied for market risks.

Concerning market risks, the results obtained by both the standard method and the risk measurement model and the level of compliance with the limits are reported to the Parent Bank's Top Management and related business units on a daily basis.

The following table discloses the amounts that are calculated using the standard method in relation to the Group's market risk.

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Market Risk: Standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	5.299.250
Equity risk (general and specific)	285.800
Foreign exchange risk	7.014.388
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	31.437
Scenario approach	-
Securitization	-
Total	12.630.875

Information related to Operational Risk:

The value at operational risk is calculated according to the basic indicator approach and once a year with year-end data.

	2 PP Amount	1 PP Amount	CP Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	10.107.156	11.921.941	12.707.538	11.578.878	15	1.736.832
Value at Operational Risk (Total * 12,5%)						21.710.397

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XII. EXPLANATIONS ON REMUNERATION POLICIES

1. Disclosures related with Remuneration Committee

The Parent Bank's Remuneration Committee is comprised of two non-executive directors. The committee has convened for once during the year. The duties and responsibilities of the Committee include the following:

- The scope and structure of the Parent Bank's operations and strategies ensure the effectiveness of a wage policy and wage policy that is consistent with its long-term goals and risk management structures, prevents excessive risk taking and contributes to effective risk management.
- Controls and follows the remuneration practices on behalf of the Board of Directors
- Ensures accordance of ethical values, strategical targets and internal balance of the Parent Bank with the wage policy.
- Evaluates the remuneration policy and its practices in the context of risk management and submits proposals to the Board of Directors.
- Fulfills the other duties specified in the related regulations.

The Parent Bank has received consultancy service from a company within the framework of the activities for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Parent Bank's board members, senior management and the Parent Bank personnel deemed to perform the functions having material impact on the Parent Bank's risk profile are considered as critical key directors; and by the end of 2019, the number of critical key directors is 45.

2. Information on the design and structure of remuneration process

The Parent Bank relies on the following values while managing its Remuneration Policy.

- Based on fair and balanced performance targets,
- Balance within the Parent Bank in terms of wage application to ensure competitiveness within the sector,
- To increase the efficiency of rewards by emphasizing the concepts of job size, performance and contribution to work,

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Remuneration Committee at its meeting in December 2019 has revised the remuneration policy and practices. It has been observed that, total benefits paid to the members of the Parent Bank's Board of Directors, senior management and other staff are in line with the Parent Bank's ethical values, internal balances and strategic objectives in 2019. Regardless of the performance of the units that are audited by internal audit, the benefits of are determined on the basis of the general wage increase rate set by the Parent Bank.

According to the growing and evolving organizational structure of the Parent Bank, the Parent Bank is working with a consulting firm on a project about review of its human resources applications and comparing with other banks in the industry.

3. Evaluation about how the bank's remuneration processes take the current and future risks into account

The Parent Bank follows the Risk Management Principles while implementing the remuneration processes.

4. Evaluation about how the Parent Bank associates variable remunerations with performance

The Parent Bank's variable payments as performance bonuses are mostly made to the personnel working at the branches and Regional Directorships. The paid amounts are not exceed a certain percentage of the monthly fixed fees. No performance premium payments are made to other members of the bank that are considered to have performed a function that has a significant effect on the risk profile of the bank and the members of the board of directors and senior managers who are designated as critical key personnel but only a dividend payment is made up to twice of the gross monthly salary of all personnel with the decision of the General Assembly of the Parent Bank.

5. Evaluation about the bank's methods to adjust remunerations according to long-term performance

In the Parent Bank, there are no variable remunerations (performance premium, gesture, etc.) to be deferred due to long-term performance for the critical key personnel.

6. Evaluation about the instruments used by the bank for variable remunerations and the purposes of use of such instruments

In the Parent Bank, cash and non-cash instruments are not used for the payment, wherefore no variable remunerations (performance premium, gesture, etc.) to be deferred due to long-term performance for the critical key personnel.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

(1) Cash and Central Bank of the Republic of Turkey:

a) Information on balances with the CBRT:

	Current period	
	TRY	FC
Cash and foreign currency	1.370.369	2.490.953
CBRT	1.102.242	29.720.567
Other ⁽¹⁾	-	629.856
Total	2.472.611	32.841.376

	Prior period	
	TRY	FC
Cash and foreign currency	1.259.820	3.332.074
CBRT	2.723.274	27.815.892
Other ⁽¹⁾	-	448.664
Total	3.983.094	31.596.630

⁽¹⁾ As of 31 December 2019, TRY 175.723 includes the reserve requirement held by the Central Bank of Macedonia and TRY 454.128 of the Central Bank of Serbia. (31 December 2018: includes the required reserve amounting to TRY 145.344 held by Central Bank of Macedonia, TRY 303.300 held by the Central Bank of Serbia.)

b) Information on balances with the Central Bank of the Republic of Turkey:

	Current period	
	TRY	FC
Demand unrestricted amount ⁽¹⁾	1.049.181	15.456.782
Time unrestricted amount	-	-
Time restricted amount	-	200.627
Other ⁽²⁾	53.061	14.063.158
Total	1.102.242	29.720.567

⁽¹⁾ Reserve deposits kept in CBRT.

⁽²⁾ Blocked reserve deposits kept in CBRT and Central Bank of TRNC.

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	Prior period	
	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.470.993	9.347.358
Time unrestricted amount	-	-
Time restricted amount	-	2.259.938
Other ⁽²⁾	252.281	16.208.596
Total	2.723.274	27.815.892

⁽¹⁾ Reserve deposits kept in CBRT.

⁽²⁾ Blocked reserve deposits kept in CBRT and Central Bank of TRNC.

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks operating in Turkey keep reserve deposits for their TRY liabilities held at TRY, US Dollar, Euro and/or standard gold and/or scrap gold with reserve deposit rates between 1%-7% varied according to their maturity compositions, for their FC liabilities at TRY, US Dollar, Euro and/or standard gold with reserve deposit rates between 5%-21% varied according to their maturity compositions. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to reserves held in TRY.

Starting from 4 September 2019, the interest related to the reserve requirements for banks held at TRY is paid as 1000 basis points for banks whose credit growth rate is at qualified reference interval, and 0 basis points for banks whose credit growth rate is out of the reference interval.

With the change dated 23 January 2015, it has been decided to apply a commission charge as of 1 February 2015 on the daily account balances of the banks denominated in EUR for reserve accounts and two days notice accounts held within CBRT. As of 27 July 2015 commission rates have been announced as zero percent on the CBRT website.

With the change on 2 May 2015 made by the CBRT, execution of interest payments has been started for USD denominated reserve requirements, reserve options and free reserves held at CBRT. The interest rate is set on daily basis within the frame of global and local financial market conditions. The applicable yearly interest rate is 0 percent (announced on 19 September 2019).

With the decision No.1005 dated 14 August 2018 of the TRNC, reserve requirement ratio is between 0,4% and 0,7% for TRY liabilities and for foreign currency liabilities. With the decision No.1072 dated 27 December 2019 of the Central Bank of the TRNC, reserve requirement ratio will be applied between 4,25% to 7,25% for the Turkish currency and foreign currency liabilities as of 31 December 2019.

With the Board of Directors decision No. 126/11 dated 2011 of the Central Bank of Macedonia, reserve requirement ratio is 8% for MKD currency liabilities, 15% for foreign currency liabilities and 50% for foreign indexed liabilities.

According to the Official Gazette of Serbia No. 76/2018 of the Central Bank of Serbia, banks maintain reserve requirement of 5% for short term liabilities with maturities less than two years and 0% for long term liabilities with maturities more than two years, 20% for short term foreign currency liabilities with maturities less than two years and 13% for long term foreign liabilities with maturities more than two years and 100% for foreign currency index liabilities.

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(2) Financial assets at fair value through profit and loss:

a) Financial assets at fair value through profit and loss blocked/given as collateral:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	2.167.331	-
Total:	2.167.331	-

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	14.375.207	-
Total:	14.375.207	-

b) Financial assets at fair value through profit and loss subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	13.561.277	-
Total:	13.561.277	-

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	-	15.763
Total:	-	15.763

c) Positive differences related to the derivative financial assets at fair value through profit and loss:

	Current Period	
	TRY	FC
Forward transactions	-	53.516
Swap transactions	3.695	1.091.646
Futures transactions	-	-
Options	1	3.134
Other	-	-
Total	3.696	1.148.296

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Positive differences related to the derivative financial assets held for trading:

	Prior Period	
	TRY	FC
Forward transactions	-	204.002
Swap transactions	-	857.985
Futures transactions	-	-
Options	9	85
Other	-	-
Total	9	1.062.072

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period	
	TRY	FC
Banks		
Domestic banks	302.916	1.117.127
Foreign banks	205.105	2.538.825
Branches and offices abroad	-	-
Total	508.021	3.655.952

	Prior Period	
	TRY	FC
Banks		
Domestic banks	6.675	2.642.815
Foreign banks	174.717	2.321.964
Branches and offices abroad	-	-
Total	181.392	4.964.779

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b) Information on foreign banks:

	Unrestricted Balance	Restricted Balance
	Current Period	Current Period
EU Countries	1.238.760	62.908
USA and Canada	207.492	-
OECD Countries	180.162	53.825
Offshore Banking Regions	314	-
Other	337.486	662.983
Total	1.964.214	779.716

	Unrestricted Balance	Restricted Balance
	Prior Period	Prior Period
EU Countries	681.473	42.554
USA and Canada	730.596	-
OECD Countries	180.591	2.889
Offshore Banking Regions	522	-
Other	607.836	250.220
Total	2.201.018	295.663

(4) Information on financial assets at fair value through other comprehensive income:

a) Financial assets at fair value through other comprehensive income subject to repurchase agreements or blocked/given as collateral

a.1. Information on financial assets at fair value through other comprehensive income and blocked/given as collateral:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	-	1.999.958
Total	-	1.999.958

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	564.582	168.246
Total	564.582	168.246

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a.2. Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	810.717	-
Total	810.717	-

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	45.539	392.500
Total	45.539	392.500

b) Information on financial assets at fair value through other comprehensive income:

	Current Period
Debt securities	15.139.662
<i>Quoted on a stock exchange</i>	14.614.159
<i>Not quoted</i>	525.503
Share certificates	172.328
<i>Quoted on a stock exchange</i>	129.381
<i>Not quoted</i>	42.947
Impairment provision(-)	17.300
Total	15.294.690

	Prior Period
Debt securities	4.758.820
<i>Quoted on a stock exchange</i>	4.362.283
<i>Not quoted</i>	396.537
Share certificates	128.077
<i>Quoted on a stock exchange</i>	87.532
<i>Not quoted</i>	40.545
Impairment provision(-)	22.085
Total	4.864.812

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(5) Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Group:

	Current period	
	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	425.076	-
Total	425.076	-

	Prior period	
	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	364.003	-
Total	364.003	-

b) Information on the first and second group loans including loans that have been restructured or rescheduled:

Cash Loans	Loans under close monitoring			
	Standard Loans	Restructured Loans and Receivables		Refinance
Loans Not Subject to restructuring		Loans with Revised Contract Terms		
Non-specialized loans	218.835.022	12.843.091	99.771	10.170.124
<i>Corporation loans</i>	126.409.597	9.267.493	41.629	10.156.767
<i>Export loans</i>	14.071.531	280.090	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	1.457.594	1.475.000	-	-
<i>Consumer loans⁽¹⁾</i>	47.863.937	866.015	57.597	7.386
<i>Credit cards⁽²⁾</i>	6.139.029	464.100	545	-
<i>Other</i>	22.893.334	490.393	-	5.971
Specialized lending	47.922.688	1.863.373	-	177
Other receivables	-	-	-	-
Accruals	4.375.620	618.730	1.858	586.976
Total	271.133.330	15.325.194	101.629	10.757.277

⁽¹⁾ Includes TRY 317.581 personnel loans.

⁽²⁾ Includes TRY 107.495 personnel credit cards.

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	Standard Loans		Loans under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months expected loss provision	1.356.108	1.037.945	-	-
Significant Increase in Credit Risk	-	-	1.248.927	1.206.875

*The expected loss provisions for factoring receivables and receivables from leasing transactions are included in the table.

It is observed that the increase in the ECL allocated for the stage 1 loans is in parallel with the increase in the credit risk, and the ECL ratio is in line with the prior period.

It is seen that the increase in the ECL reserved for the stage 2 loans is due to the significant increase in the credit risk within the scope of TFRS 9 Standard and the increase in the Group's close monitoring figures.

c) Distribution of cash loans by maturity structure:

Current Period	Standard Loans	Loans under close monitoring	
		Loans with Revised Contract Terms	Refinance
Short-term Loans	47.108.804	1.799.389	347.801
Medium and Long-term Loans	224.024.526	13.525.805	10.511.105
Prior Period			
Short-term Loans	48.681.536	2.007.787	461.200
Medium and Long-term Loans	188.430.781	8.389.186	6.177.362

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d) Information on consumer loans, individual credit cards, personnel loans and credit cards⁽¹⁾:

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	548,125	44,517,031	45,065,156
<i>Real estate loans</i>	6,865	28,443,572	28,450,437
<i>Automobile loans</i>	4,954	270,544	275,498
<i>Consumer loans</i>	536,306	15,802,915	16,339,221
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	496	655,813	656,309
<i>Real estate loans</i>	-	252,686	252,686
<i>Automobile loans</i>	-	7,072	7,072
<i>Consumer loans</i>	496	396,055	396,551
<i>Other</i>	-	-	-
Consumer loans- FC	12,109	1,505,308	1,517,417
<i>Real estate loans</i>	86	452,434	452,520
<i>Automobile loans</i>	52	4,782	4,834
<i>Consumer loans</i>	11,001	984,604	995,605
<i>Other</i>	970	63,488	64,458
Individual credit cards-TRY	3,672,274	540	3,672,814
<i>Installment</i>	1,373,015	540	1,373,555
<i>Non-installment</i>	2,299,259	-	2,299,259
Individual credit cards-FC	536	90,336	90,872
<i>Installment</i>	5	90,336	90,341
<i>Non-installment</i>	531	-	531
Personnel loans-TRY	21,068	239,546	260,614
<i>Real estate loans</i>	-	238	238
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	21,068	239,308	260,376
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	21,152	21,152
<i>Real estate loans</i>	-	19,108	19,108
<i>Automobile loans</i>	-	98	98
<i>Consumer loans</i>	-	1,946	1,946
<i>Other</i>	-	-	-
Personnel loans-FC	356	35,459	35,815
<i>Real estate loans</i>	38	24,832	24,870
<i>Automobile loans</i>	-	19	19
<i>Consumer loans</i>	315	10,521	10,836
<i>Other</i>	3	87	90
Personnel credit cards-TRY	105,407	-	105,407
<i>Installment</i>	36,764	-	36,764
<i>Non-installment</i>	68,643	-	68,643
Personnel credit cards-FC	87	2,001	2,088
<i>Installment</i>	-	2,001	2,001
<i>Non-installment</i>	87	-	87
Overdraft accounts-TRY (Retail customers)	1,159,618	-	1,159,618
Overdraft accounts-FC (Retail customers)	71,340	7,514	78,854
Total	5,591,416	47,074,700	52,666,116

⁽¹⁾ Interest income accruals are not included in the table above.

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Prior Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	414.777	38.974.313	39.389.090
<i>Real estate loans</i>	6.689	24.164.588	24.171.277
<i>Automobile loans</i>	2.259	206.044	208.303
<i>Consumer loans</i>	405.829	14.603.681	15.009.510
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	2.514	310.799	313.313
<i>Real estate loans</i>	23	1.252	1.275
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	2.491	309.547	312.038
<i>Other</i>	-	-	-
Consumer loans- FC	4.765	1.411.248	1.416.013
<i>Real estate loans</i>	536	537.132	537.668
<i>Automobile loans</i>	65	8.147	8.212
<i>Consumer loans</i>	3.182	776.990	780.172
<i>Other</i>	982	88.979	89.961
Individual credit cards-TRY	3.472.907	1.457	3.474.364
<i>Installment</i>	1.229.512	1.457	1.230.969
<i>Non-installment</i>	2.243.395	-	2.243.395
Individual credit cards-FC	367	81.348	81.715
<i>Installment</i>	68	81.348	81.416
<i>Non-installment</i>	299	-	299
Personnel loans-TRY	13.206	217.270	230.476
<i>Real estate loans</i>	-	402	402
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	13.206	216.868	230.074
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	49	4.849	4.898
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	49	4.849	4.898
<i>Other</i>	-	-	-
Personnel loans-FC	370	37.317	37.687
<i>Real estate loans</i>	34	32.958	32.992
<i>Automobile loans</i>	-	144	144
<i>Consumer loans</i>	336	4.058	4.394
<i>Other</i>	-	157	157
Personnel credit cards-TRY	89.185	-	89.185
<i>Installment</i>	30.146	-	30.146
<i>Non-installment</i>	59.039	-	59.039
Personnel credit cards-FC	65	1.692	1.757
<i>Installment</i>	1	1.692	1.693
<i>Non-installment</i>	64	-	64
Overdraft accounts-TRY (Retail customers)	1.207.349	-	1.207.349
Overdraft accounts-FC (Retail customers)	64.732	175	64.907
Total	5.270.286	41.040.468	46.310.754

⁽¹⁾ Interest income accruals are not included in the table above.

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e) Information on commercial installments loans and corporate credit cards⁽¹⁾:

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.028.247	37.237.477	38.265.724
<i>Business premises loans</i>	2.997	624.487	627.484
<i>Automobile loans</i>	32.702	671.338	704.040
<i>Consumer loans</i>	992.548	35.941.652	36.934.200
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	164.263	1.141.395	1.305.658
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	135	135
<i>Consumer loans</i>	-	42.947	42.947
<i>Other</i>	164.263	1.098.313	1.262.576
Commercial installment loans - FC	774.910	20.026.406	20.801.316
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	115.130	18.022.986	18.138.116
<i>Other</i>	659.780	2.003.420	2.663.200
Corporate credit cards-TRY	2.728.827	-	2.728.827
<i>Installment</i>	1.035.348	-	1.035.348
<i>Non-installment</i>	1.693.479	-	1.693.479
Corporate credit cards-FC	191	3.475	3.666
<i>Installment</i>	-	3.475	3.475
<i>Non-installment</i>	191	-	191
Overdraft accounts-TRY (Commercial customers)	2.227.970	-	2.227.970
Overdraft accounts-FC (Commercial customers)	17.349	-	17.349
Total	6.941.757	58.408.753	65.350.510

⁽¹⁾ Interest income accruals are not included in the table above.

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Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.018.833	26.689.452	27.708.285
<i>Business premises loans</i>	-	601.301	601.301
<i>Automobile loans</i>	13.787	411.033	424.820
<i>Consumer loans</i>	1.005.046	25.677.118	26.682.164
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	55.368	231.986	287.354
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	1.233	1.233
<i>Consumer loans</i>	142	117.988	118.130
<i>Other</i>	55.226	112.765	167.991
Commercial installment loans - FC	835.560	18.666.194	19.501.754
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	166.857	16.554.597	16.721.454
<i>Other</i>	668.703	2.111.597	2.780.300
Corporate credit cards-TRY	1.833.272	-	1.833.272
<i>Installment</i>	598.184	-	598.184
<i>Non-installment</i>	1.235.088	-	1.235.088
Corporate credit cards-FC	45	2.974	3.019
<i>Installment</i>	-	2.974	2.974
<i>Non-installment</i>	45	-	45
Overdraft accounts-TRY (Commercial customers)	2.572.296	-	2.572.296
Overdraft accounts-FC (Commercial customers)	17.740	-	17.740
Total	6.333.114	45.590.606	51.923.720

[¶] Interest income accruals are not included in the table above.

f) Loans by customers:

	Current Period
Public	6.777.183
Private	290.540.247
Total	297.317.430
	Prior Period
Public	7.288.472
Private	246.859.380
Total	254.147.852

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g) Domestic and foreign loans⁽¹⁾:

	Current Period
Domestic loans	288.462.207
Foreign loans	8.855.223
Total	297.317.430
	Prior Period
Domestic loans	247.171.753
Foreign loans	6.976.099
Total	254.147.852

⁽¹⁾ Non-performing loans are not included in the tables above

h) Loans granted to subsidiaries and associates:

None.

i) Credit-impaired losses (Stage III):

	Current Period
Loans and receivables with limited collectability	1.082.761
Loans and receivables with doubtful collectability	2.011.855
Uncollectible loans and receivables	6.331.689
Total	9.426.305

* Stage III provisions for non-performing receivables from factoring and leasing transactions are included in the table.

Special provision for loans:

	Prior Period
Specific provisions	
Loans and receivables with limited collectability	834.885
Loans and receivables with doubtful collectability	628.542
Uncollectible loans and receivables	5.319.127
Total	6.782.554

* Stage III provisions for non-performing receivables from factoring and leasing transactions are included in the table.

The reasons of increase in the expected loss provision for the Parent Bank's Stage 3 loans are additions to non-performing loan portfolio and increasing loss given default ratio after initial transferring date to non-performing loan portfolio.

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j) Information on non-performing loans (Net):

j.1. Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Gross amounts before provisions	157.114	102.114	1.429.276
Rescheduled loans	157.114	102.114	1.429.276

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period			
Gross amounts before specific provisions	64.295	150.712	1.304.294
Rescheduled loans and other receivables	64.295	150.712	1.304.294

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j.2. Information on the movement of non-performing loans:

Current Period:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	1.807.751	1.259.139	6.216.108
Additions (+)	7.544.830	886.617	895.687
Transfers from other categories of loans under follow-up (+)	-	5.811.681	3.008.790
Transfers to other categories of loans under follow-up (-)	5.982.219	2.838.252	-
Collections (-)	463.266	591.043	804.609
Write-offs (-)	9.944	177	15.516
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	2.897.152	4.527.965	9.300.460
Provision (-)	1.082.761	2.011.855	6.331.689
Net balance on balance sheet	1.814.391	2.516.110	2.968.771

* Non-performing receivables from factoring and leasing transactions are included in the table.

Prior Period:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	679.089	768.024	5.176.799
Additions (+)	3.394.752	142.222	150.873
Transfers from other categories of loans under follow-up (+)	-	1.911.433	1.557.483
Transfers to other categories of loans under follow-up (-)	1.968.548	1.500.368	-
Collections (-)	411.282	247.433	669.589
Write-offs (-)	-	-	-
Sold (-)	-	-	72.258
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	113.740	185.261	72.800
Current period end balance	1.807.751	1.259.139	6.216.108
Provision (-)	834.885	628.542	5.319.127
Net balance on balance sheet	972.866	630.597	896.981

* Non-performing receivables from factoring and leasing transactions are included in the table.

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j.3. Information on foreign currency non-performing loans and other receivables:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	594.128	1.423.503	3.141.179
Provisions(-)	261.369	848.736	1.847.342
Net balance in the balance sheet	332.759	574.767	1.293.837
Prior period			
Balance at the end of the period	653.299	291.437	2.304.979
Specific provisions(-)	347.223	175.060	2.062.220
Net balance in the balance sheet	306.076	116.377	242.759

* Non-performing receivables from factoring and leasing transactions are included in the table.

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j.4. Gross and net amounts of non-performing loans according to user groups:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	1.814.391	2.516.110	2.968.771
Loans to granted real persons and legal entities (Gross)	2.897.152	4.527.965	9.300.460
Provisions (-)	1.082.761	2.011.855	6.331.689
Loans to granted real persons and legal entities (Net)	1.814.391	2.516.110	2.968.771
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior Period (Net)	972.866	630.597	896.981
Loans to granted real persons and legal entities (Gross)	1.807.751	1.259.139	6.216.108
Provisions (-)	834.885	628.542	5.319.127
Loans to granted real persons and legal entities (Net)	972.866	630.597	896.981
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

* Non-performing receivables from factoring and leasing transactions are included in the table.

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

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	178.457	480.977	276.827
Interest Accruals and Valuation Differences	297.411	919.761	770.306
Provision (-)	118.954	438.784	493.479
Prior Period (Net)	59.796	83.049	27.138
Interest Accruals and Valuation Differences	113.740	185.261	72.800
Provision (-)	53.944	102.212	45.662

l) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

The Parent Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and principle receivables from loans.

m) Explanations on write-off policy:

As per the provisions of TFRS 9 Financial Instruments Standard and the Provisions Communique of the BRSA dated 27 November 2019, banks are allowed to derecognize the portion of the loans under follow-up in loan Group 5 which no reasonable expectation remains.

With respect to this, no follow-up loan was derecognised yet in the current period on the grounds that there was no reasonable expectation of the Parent Bank.

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(6) Information on financial assets measured at amortised cost:

a) Information on financial assets measured at amortised cost blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Financial assets measured at amortised cost blocked/given as collateral:

	Current Period	
	TRY	FC
Bills	-	-
Government bonds and similar securities	3.044.934	9.849.904
Other	-	-
Total	3.044.934	9.849.904

	Prior Period	
	TRY	FC
Bills	-	-
Government bonds and similar securities	37.236.634	2.464.985
Other	10.110	-
Total	37.246.744	2.464.985

a.2. Financial assets measured at amortised cost subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	35.754.611	4.806.422
Total	35.754.611	4.806.422

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	2.194.216	8.214.062
Total	2.194.216	8.214.062

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b) Information on public sector financial assets measured at amortised cost:

	Current Period
Government bonds	72.004.446
Treasury bills	262.767
Other public sector debt securities	153.396
Total	72.420.609
	Prior Period
Government bonds	56.057.685
Treasury bills	196.413
Other public sector debt securities	15.610
Total	56.269.708

c) Information on financial assets measured at amortised cost:

	Current Period
Debt securities	72.471.122
<i>Quoted on a stock exchange</i>	72.208.355
<i>Not quoted</i>	262.767
Impairment provision (-)	-
Total	72.471.122
	Prior Period
Debt securities	56.331.345
<i>Quoted on a stock exchange</i>	56.134.932
<i>Not quoted</i>	196.413
Impairment provision (-)	-
Total	56.331.345

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d) Movement of financial assets measured at amortised cost within the year:

	Current Period	Prior Period
Beginning balance	56.331.345	21.987.099
Foreign currency differences on monetary assets	1.484.018	2.031.757
Purchases during the year ⁽¹⁾	22.126.905	39.018.124
Disposals through sales and redemptions ⁽²⁾	(7.471.146)	(6.705.635)
Impairment provision (-)	-	-
Balance at the end of the period	72.471.122	56.331.345

⁽¹⁾ Interest income accrual differences between 31 December 2019 amounting to TRY 9.632.018 and 31 December 2018 amounting to TRY 7.474.620 has been included in purchases row.

⁽²⁾ The financial assets of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ measured at amortised cost, classified by the Parent Bank in the subsidiaries in the prior period and in non-current assets held for sale in the current period, are shown under "Disposals through sales and redemptions" line in the financial assets.

(7) Information on associates (Net):

a) The reasons behind unconsolidated associates being out of consolidation scope:

The non-financial investments in associates are accounted for under cost method of accounting since reliable fair values cannot be determined.

b) Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Kredi Kayıt Bürosu AŞ ⁽¹⁾	Istanbul	18,18	18,18
2. Bankalararası Kart Merkezi AŞ ⁽²⁾	Istanbul	18,95	18,95
3. Platform Ortak Kartlı Sistemler A.Ş.	Istanbul	33,33	33,33

⁽¹⁾ The financial data is obtained from 31 December 2019 unaudited financial statements.

⁽²⁾ The financial data is obtained from 31 December 2019 audited financial statements.

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Information related to the associates as sorted above⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	332.447	174.875	192.972	12.387	-	11.378	41.206	-
2.	151.277	91.498	70.414	5.591	-	26.624	15.953	-
3.	5.250	5.250	-	-	-	-	-	-

c) Information on consolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demir-Halk Bank NV	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	33,12
3. Türk P ve I Sigorta AŞ	Istanbul	16,67	16,67

Information related to the associates as sorted above⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽²⁾
1.	10.266.337	1.589.934	27.285	347.963	2.141	101.743	84.803	482.671
2.	53.950	53.147	29	5.534	-	3.088	1.659	-
3.	80.919	26.555	1.699	1.680	-	12.255	3.891	-

⁽¹⁾ The financial data is obtained from 31 December 2019 financial statements used in consolidation.

⁽²⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 December 2019.

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Movement of associates:

	Current Period
Balance at the beginning of the period	458.722
Movements during the period	50.512
<i>Purchases</i>	1.750
<i>Bonus shares obtained profit from current year's share</i>	875
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfers</i>	-
<i>Revaluation decrease (-) / increase</i>	47.887
<i>Impairment Provisions (-)/ Reversals</i>	-
Balance at the end of the period	509.234
Capital commitments	-
Share percentage at the end of the period (%)	-
	Prior Period
Balance at the beginning of the period	353.138
Movements during the period	105.584
<i>Purchases</i>	375
<i>Bonus shares obtained profit from current year's share</i>	3.032
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfers</i>	-
<i>Revaluation decrease (-) / increase</i>	102.177
<i>Impairment Provisions (-)/ Reversals</i>	-
Balance at the end of the period	458.722
Capital commitments	-
Share percentage at the end of the period (%)	-

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d) Sectorial information and related carrying amounts of associates:

	Current Period
Banks	476.980
Insurance companies	4.427
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	16.725
Other non- financial investments	11.102
	Prior Period
Banks	431.547
Insurance companies	2.069
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	15.754
Other non- financial investments	9.352

e) Associates quoted to a stock exchange:

None.

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(8) Information on subsidiaries (Net):

a) Information on consolidated subsidiaries ⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ	Halk Osiguranje AD, Skopje
CORE CAPITAL										
Paid in Capital	104.000	349.000	412.000	928.000	323.000	452.226	96.000	213.395	100	62.369
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-	-
Share premium	-	134	-	49.945	-	11.633	-	99.004	-	-
Reserves	23.490	26.973	131.559	66.857	14.959	287.031	15.008	296.936	622	64.793
Other Comprehensive Income according to TAS	10.535	-	-	858.140	-	6.830	10	37.830	-	-
Profit / Loss	86.307	223.157	386.680	54.977	(74.240)	63.466	65.091	24.200	1.070	(31.715)
Net Profit	86.307	288.393	362.146	54.977	47.980	58.989	45.115	24.200	845	(18.209)
<i>Prior Period Profit/Loss</i>	-	(65.236)	24.534	-	(122.220)	4.477	19.976	-	225	(13.506)
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	-	-	-	-	-	-	-	-	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	642	1.299	24	95	613	-	-	-	-
Leasehold Improvements (-)	-	-	419	2.726	-	9.497	-	6.523	-	-
Intangible Assets (-)	1.424	4.789	3.128	306	1.679	8.530	1.060	15.023	3	-
Total Core Capital	222.908	593.833	925.393	1.954.863	261.945	802.546	175.049	649.819	1.789	95.447
SUPPLEMENTARY CAPITAL	-	-	-	-	39.593	13.011	27.156	7.749	-	-
CAPITAL	222.908	593.833	925.393	1.954.863	301.538	815.557	202.205	657.568	1.789	95.447
NET AVAILABLE CAPITAL	222.908	593.833	925.393	1.954.863	301.538	815.557	202.205	657.568	1.789	95.447

⁽¹⁾ The financial data is obtained from 31 December 2019 financial statements used in consolidation.

There is no internal capital adequacy assessment approach for the subsidiaries.

Paid in capital (domestic) has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

Paid in capital (international) has been indicated as local currency in articles of incorporation and registered in trade registry.

Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items.

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Extraordinary reserves are the status reserves which have been appropriated with the General Assembly decision after distributable profit have been transferred to legal reserves.

Legal reserves are the status reserves which have been appropriated from distributable profit in accordance with the Turkish Commercial Code no. 6102.

b) Unconsolidated subsidiaries, reasons for not consolidating if any and information on total needed shareholder's equity that is subjected to minimum capital requirements:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" and non-financial subsidiary is not included in the consolidation.

c) Information on unconsolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Bileşim Alternatif Dağ. Kan. AŞ ⁽¹⁾	Istanbul	100,00	100,00

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
1.	79.045	49.587	11.607	7.463	-	13.252	11.542	84.000

⁽¹⁾ The financial information of Bileşim Alternatif Dağ. Kan. AŞ is presented from its financial statements as of 31 December 2019.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

d) Information on consolidated subsidiaries (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,96	100,00
2. Halk Sigorta AŞ	Istanbul	89,18	95,32
3. Halk Hayat ve Emeklilik A.Ş	Istanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ ^{(2),(3)}	Istanbul	79,33	79,36
5. Halk Finansal Kiralama AŞ	Istanbul	100,00	100,00
6. Halk Banka AD, Skopje	Macedonia	99,29	99,29
7. Halk Faktoring AŞ	Istanbul	97,50	100,00
8. Halkbank A.D. Beograd	Serbia	100,00	100,00
9. Halk Varlık Kiralama AŞ	Istanbul	100,00	100,00
10. Halk Osiguruvanje A.D., Skopje	Macedonia	-	99,29

Information related to the subsidiaries as sorted above ⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
1.	404.668	224.332	9.226	108.145	6.424	86.307	57.733	294.882
2.	3.068.007	598.622	15.856	377.510	55.599	288.393	145.122	576.996
3.	1.671.977	928.940	12.215	246.684	25.202	362.146	305.840	2.000.000
4.	2.392.407	1.931.733	1.562.697	3.704	-	54.977	83.202	814.812
5.	3.142.488	263.624	4.264	325.847	-	47.980	(112.634)	385.000
6.	5.953.954	820.573	130.412	203.672	12.822	58.989	54.688	818.264
7.	2.131.919	176.109	2.281	340.024	-	45.115	67.679	231.075
8.	3.892.380	671.365	88.136	129.366	17.263	24.200	15.697	610.948
9.	1.651.782	1.792	3	-	-	845	837	2.900
10.	97.447	95.447	11.137	347	76	(13.506)	-	37.189

⁽¹⁾ The financial data is obtained from 31 December 2019 financial statements used in consolidation.

⁽²⁾ Halk Gayrimenkul Yatırım Ortaklığı A.Ş is valued at stock price.

⁽³⁾ The Parent Bank's subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

TÜRKİYE HALK BANKASI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period (before elimination)	4.332.481	3.626.708
Movements during the period	(1.071.254)	705.773
<i>Purchases⁽¹⁾⁽²⁾</i>	109.320	310.098
<i>Bonus shares obtained profit from current year's share</i>	171.789	266.211
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer⁽³⁾</i>	(2.576.996)	(39.375)
<i>Revaluation increase</i>	926.276	236.002
<i>Reversals / Provisions(-) for impairment</i>	185.231	(161.627)
<i>Currency Differences on Valuation of Foreign Subsidiaries</i>	113.126	94.464
Share capital elimination of subsidiaries	(3.177.227)	(4.275.335)
Balance at the end of the period	84.000	57.146
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ Between 1 January – 31 March 2019, The Bank paid TRY 89.974 for 0,13% shares of Halkbank A.D. Beograd, and increased its shares to 99,29%.

⁽²⁾ Between 1 January – 31 March 2019, The Bank paid TRY 19.346 for 100% shares of Halkbank A.D. Skopje.

⁽³⁾ The bank reclassified its shares of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş., which was classified as subsidiary in prior period, under the non-current assets held for sale and discontinued operations in the balance sheet.

e) Sectorial information on subsidiaries and the related carrying amounts:

	Current Period
Banks	1.429.212
Insurance companies	-
Factoring companies	231.075
Leasing companies	385.000
Financing companies	-
Other financial subsidiaries	1.112.594
Other non-financial subsidiaries	84.000

TÜRKİYE HALK BANKASI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

	Prior Period
Banks	987.369
Insurance companies	2.018.425
Factoring companies	138.296
Leasing companies	469.551
Financing companies	-
Other financial subsidiaries	661.694
Other non-financial subsidiaries	57.146

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period ⁽¹⁾
Quoted to domestic stock ⁽²⁾	814.812	925.185
Quoted foreign stock exchange	-	-

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company since Halk Sigorta AŞ does not have transaction depth on the Borsa İstanbul AŞ.

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

(9) Information on jointly controlled entities (joint ventures):

None.

(10) Information on finance lease receivables (Net):

a) Maturity structure of investments on financial lease:

	Current Period	
	Gross	Net
Less than 1 year	1.289.704	1.053.283
Between 1-4 years	1.748.564	1.413.713
More than 4 years	415.070	349.495
Total	3.453.338	2.816.491

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

	Prior Period	
	Gross	Net
Less than 1 year	1.285.510	1.020.557
Between 1-4 years	1.830.927	1.420.539
More than 4 years	648.917	472.097
Total	3.765.354	2.913.193

b) Information on gross investments of financial lease:

	Current Period
Gross financial lease investment	3.453.338
Unearned revenues from financial lease	(636.847)
Total	2.816.491

	Prior Period
Gross financial lease investment	3.765.354
Unearned revenues from financial lease	(852.161)
Total	2.913.193

c) Information on receivables from non- performing loans of financial lease:

	Current Period
Financial lease receivables with limited collectability	7.866
Financial lease receivables with doubtful collectability	2.517
Uncollectible financial lease receivables	563.940
Provisions	(429.208)
Total	145.115

	Prior Period
Financial lease receivables with limited collectability	265.322
Financial lease receivables with doubtful collectability	5.280
Uncollectible financial lease receivables	303.801
Specific provisions	(406.329)
Total	168.074

TÜRKİYE HALK BANKASI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

(11) Information on derivative financial assets for hedging purposes:

None.

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Revaluation Increase	Disposals(-)		Balance at the Transfer end of the period
Cost						
Immovable	3173.927	139.382	232.398	15.020	(30.421)	3.500.266
IFRS 16	-	1.037.737	-	201.345	(19.215)	817.177
Tangible assets purchased through financial lease	25.302	-	-	1191	-	24.111
Office machines	765.511	245.496	-	55.721	(16.153)	939.133
Fixed assets obtained due to non-performing loans	1.241.730	4.039.812	-	388.870	-	4.892.672
Lease hold improvements costs	201.413	52.596	-	458	(2.282)	251.269
Other	339.713	33.898	-	3.845	(6.526)	363.240
Total Cost	5.747.596	5.548.921	232.398	666.450	(74.597)	10.787.868
Accumulated depreciation (-)						
Immovable	234.249	16.822	32.911	2.913	(638)	280.431
IFRS 16	-	226.402	-	31.255	(5.690)	189.457
Tangible assets purchased through financial lease	24.731	-	-	773	-	23.958
Office machines	452.905	121.643	-	28.232	(11.333)	534.983
Fixed assets obtained due to non-performing loans	19.106	12.880	-	9.461	-	22.525
Lease hold improvements costs	118.955	36.532	-	2.695	(1.871)	150.921
Other	245.766	27.192	-	7.056	(917)	264.985
Total Accumulated Depreciation	1.095.712	441.471	32.911	82.385	(20.449)	1.467.260
Provision for impairment (-)						
Immovable	4.634	-	2.036	-	-	6.670
Fixed assets obtained due to non-performing loans	7.364	-	-	2.399	-	4.965
Total provision for impairment (-)	11.998	-	2.036	2.399	-	11.635
Net Book Value	4.639.886	5.107.450	197.451	581.666	(54.148)	9.308.973

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Prior Period	Balance at the end of the prior period	Current Year Additions	Revaluation Increase	Current Year Disposals	Transfer	Balance at the end of the period
Cost						
Immovable	2.822.273	133.410	230.173	11.929	-	3.173.927
Tangible assets purchased through financial lease	26.581	94	-	1.373	-	25.302
Office machines	641.336	205.083	-	80.908	-	765.511
Fixed assets obtained due to non-performing loans	743.605	674.609	-	181.237	4.753	1.241.730
Lease hold improvements costs	155.704	45.999	-	290	-	201.413
Other	328.707	31.881	-	23.449	2.574	339.713
Total Cost	4.718.206	1.091.076	230.173	299.186	7.327	5.747.596
Accumulated depreciation (-)						
Immovable	204.479	18.088	12.463	781	-	234.249
Tangible assets purchased through financial lease	25.893	228	-	1.390	-	24.731
Office machines	369.711	111.537	-	28.343	-	452.905
Fixed assets obtained due to non-performing loans	16.224	8.141	-	5.259	-	19.106
Lease hold improvements costs	91.269	29.362	-	1.676	-	118.955
Other	245.165	23.199	-	22.598	-	245.766
Total accumulated depreciation	952.741	190.555	12.463	60.047	-	1.095.712
Provision for impairment (-)						
Immovable	4.248	-	386	-	-	4.634
Fixed assets obtained due to non-performing loans	9.617	-	-	2.253	-	7.364
Total provision for impairment (-)	13.865	-	386	2.253	-	11.998
Net Book Value	3.751.600	900.521	217.324	236.886	7.327	4.639.886

(13) Information on other intangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	359.047	93.092	518	(30.093)	421.528
Total Cost	359.047	93.092	518	(30.093)	421.528
Accumulated Depreciation (-)					
Other intangible assets	175.636	65.919	9	(25.277)	216.269
Total Accumulated Depreciation	175.636	65.919	9	(25.277)	216.269
Net Book Value	183.411	27.173	509	(4.816)	205.259

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	288.907	71.536	1.396	-	359.047
Total Cost	288.907	71.536	1.396	-	359.047
Accumulated Depreciation (-)					
Other intangible assets	145.812	57.193	27.369	-	175.636
Total Accumulated Depreciation	145.812	57.193	27.369	-	175.636
Net Book Value	143.095	14.343	(25.973)	-	183.411

(14) Information on investment property:

	Current Period
Cost	
Opening Balance	1.057.058
Acquisitions	86.070
Transfer	51.300
Disposals	-
Impairment Provisions	-
Ending Balance	1.194.428
Accumulated Depreciation (-)	
Opening Balance	83.657
Additions	5.874
Disposals (-)	-
Impairment Provisions (-)	-
Transfer	434
Total Accumulated Depreciation (-)	89.965
Net Book Value	1.104.463

TÜRKİYE HALK BANKASI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

	Prior Period
Cost	
Opening Balance	988.280
Acquisitions	74.894
Transfer	-
Disposals	6.116
Impairment Provisions	-
Ending Balance	1.057.058
Accumulated Depreciation (-)	
Opening Balance	77.902
Additions	5.835
Disposals (-)	-
Impairment Provisions (-)	80
Transfer	-
Total Accumulated Depreciation (-)	83.657
Net Book Value	973.401

(15) Information on deferred tax assets:

Please refer to Section Five, Explanations Related To The Liabilities footnote (10).

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

(16) Information on assets held for sale and held from discontinued operations:

	Current Period ⁽¹⁾⁽²⁾
Cost	1.076.418
Accumulated Depreciation (-)	-
Net book value	1.076.418
Opening Balance	9.593
Acquisition	145.599
Transfer (Net)	929.156
Disposals (Net)	(7.930)
Revaluation Increase	-
Impairment (-) / Reversal	-
Depreciation (-)	-
Closing net book value	1.076.418
	Prior Period
Cost	9.593
Accumulated Depreciation (-)	-
Net Book Value	9.593
Opening Balance	790
Acquisition	8.907
Transfers (Net)	-
Disposals (Net)	(104)
Revaluation Increase	-
Impairment (-) / Reversal	-
Amortization Charge (-)	-
Net Book Value	9.593

⁽¹⁾ In the current period, the Parent Bank has classified Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ as non-current assets held for sale within the scope of TFRS 5 Non Current Assets Held for Sale and Discontinued Operations which was classified as subsidiaries in the prior period.

⁽²⁾ In the current period, the Parent Bank has classified the shares of Ojer Telekomünikasyon A.Ş. as Financial Asset at Fair Value through Profit Loss within the scope of TFRS 5 Standard for Non-current Assets Held for Sale and Discontinued Operations which was classified as Non-Current Assets Held For Sale in the prior period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 4.574.989 and does not exceed 10% of the balance sheet total (31 December 2018: TRY 5.501.323).

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on deposit / funds collected:

a) Information on maturity structure of deposits / funds collected:

Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	9.219.729	-	2.990.893	46.343.141	5.295.377	765.203	3.417.350	102.285	68.133.978
Foreign currency deposits	20.888.192	-	8.074.214	70.974.435	5.708.848	3.029.771	7.712.333	10.473	116.398.266
<i>Residents in Turkey</i>	15.592.099	-	5.517.721	64.590.897	4.877.379	1.719.671	3.585.841	9.997	95.893.605
<i>Residents abroad</i>	5.296.093	-	2.556.493	6.383.538	831.469	1.310.100	4.126.492	476	20.504.661
Public sector deposits	2.909.252	-	3.985.750	3.029.023	395.542	232.072	7.988	-	10.559.627
Commercial inst. deposits	8.213.189	-	17.383.957	24.671.785	1.233.091	434.244	2.039.145	-	53.975.411
Other inst. deposits	1.046.700	-	674.832	8.370.166	2.934.724	865.690	2.681.793	-	16.573.905
Precious metals	6.004.651	-	12.691	1.032.628	185.750	41.060	64.655	-	7.341.435
Interbank deposits	6.066.738	-	8.689.990	12.676.637	265.185	6.379	-	-	27.704.929
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	102.686	-	4.869.258	8.447.885	-	6.379	-	-	13.426.208
<i>Foreign banks</i>	5.935.216	-	264.609	3.607.708	62	-	-	-	9.807.595
<i>Participation banks</i>	28.836	-	3.556.123	621.044	265.123	-	-	-	4.471.126
Total	54.348.451	-	41.812.327	167.097.815	16.018.517	5.374.419	15.923.264	112.758	300.687.551

Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.742.223	-	1.948.028	45.655.985	4.207.981	2.061.570	792.495	101.935	61.510.217
Foreign currency deposits	13.897.192	-	8.911.804	53.784.069	7.669.456	3.401.033	6.795.722	11.268	94.470.544
<i>Residents in Turkey</i>	11.003.321	-	6.712.391	50.232.576	6.849.844	1.790.411	3.681.216	10.784	80.280.543
<i>Residents abroad</i>	2.893.871	-	2.199.413	3.551.493	819.612	1.610.622	3.114.506	484	14.190.001
Public sector deposits	2.920.272	-	2.293.652	3.890.644	1.257.655	1.186.540	16.715	-	11.565.478
Commercial inst. deposits	4.990.202	-	10.054.017	17.863.020	2.147.885	1.479.210	277.424	-	36.811.758
Other inst. deposits	736.010	-	344.876	5.478.120	2.459.517	2.055.496	571.269	-	11.645.288
Precious metals	3.132.484	-	1.446	353.335	16.328	22.150	32.098	-	3.557.841
Interbank deposits	20.673.730	-	952.694	9.035.768	179.870	38.214	138.118	-	31.018.394
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	116.071	-	370.152	6.526.936	17.765	4.116	6.247	-	7.041.287
<i>Foreign banks</i>	20.064.688	-	107.566	2.190.002	2.860	34.098	131.871	-	22.531.085
<i>Participation banks</i>	492.971	-	474.976	318.830	159.245	-	-	-	1.446.022
Total	53.092.113	-	24.506.517	136.060.941	17.938.692	10.244.213	8.623.841	113.203	250.579.520

TÜRKİYE HALK BANKASI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

b) Information on saving deposits in the scope of Saving Deposits Insurance Fund:

b.1. Amounts exceeding insurance limit:

b.1.1. Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit:

Saving deposits	Under the guarantee insurance	Exceeding the insurance limit
	Current Period	Current Period
Saving deposits	36.907.556	29.259.703
Foreign currency saving deposits	20.906.734	12.245.300
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	311.411	349.453
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

Saving deposits	Under the guarantee insurance	Exceeding the insurance limit
	Prior Period	Prior Period
Saving deposits	30.985.259	32.011.973
Foreign currency saving deposits	39.681.492	32.691.865
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current Period
Foreign branches' saving deposits and other accounts	225.517
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	7.073
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-

TÜRKİYE HALK BANKASI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

	Prior Period
Foreign branches' saving deposits and other accounts	215.452
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	6.165
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-

(2) Information on derivative financial liabilities held for trading:

Negative differences table related to the derivative financial liabilities held-for-trading:

	Current Period	
	TRY	FC
Forward transactions	-	26.906
Swap transactions	51	323.606
Future transactions	-	-
Options	283	2.872
Other	-	-
Total	334	353.384

	Prior Period	
	TRY	FC
Forward transactions	-	98.283
Swap transactions	-	302.066
Future transactions	-	-
Options	16	9.974
Other	-	-
Total	16	410.323

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(3) Information on funds borrowed:

a) Information on funds borrowed:

	Current Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	1.410.975	2.834.411
Foreign banks, institutions and funds	-	9.922.484
Total	1.410.975	12.756.895

	Prior Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	1.116.624	2.396.533
Foreign banks, institutions and funds	170.000	11.591.323
Total	1.286.624	13.987.856

b) Maturity structure of funds borrowed:

	Current Period	
	TRY	FC
Short-term	1.410.645	1.677.419
Medium and long-term	330	11.079.476
Total	1.410.975	12.756.895

	Prior Period	
	TRY	FC
Short-term	1.285.939	2.666.516
Medium and long-term	685	11.321.340
Total	1.286.624	13.987.856

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c) Additional disclosures related to the concentrations of the Group's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed: Main liability of the Group is deposits, which is composed of 22,66% of saving deposits and 38,71% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from money markets. The Group can borrow loans from institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Technology especially for constructing small industrial estates and organized industrial estates.

The Group's 49,99% of bank deposits and 45,33% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

	Current period	
	TRY	FC
Bills	4.745.320	-
Asset Back Securities	2.651.546	-
Bonds	1.384.736	10.512.530
Total	8.781.602	10.512.530
	Prior period	
	TRY	FC
Bills	2.164.993	-
Asset Back Securities	1.951.469	-
Bonds	204.912	12.024.839
Total	4.321.374	12.024.839

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Technology, funds from Ministry of Treasury and other funds.

a) Maturity structure of funds:

	Current Period	Prior Period
Short Term	1.135	1.080
Long Term	3.207.869	2.873.041
Total	3.209.004	2.874.121

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(6) Information on other liabilities:

Other liabilities balance does not exceed 10% of the balance sheet total. (31 December 2018: Other liabilities balance does not exceed 10% of the balance sheet total).

(7) Information on finance lease payables (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the TAS.

b) Explanation on finance lease payables:

	Current period	
	Gross	Net
Less than 1 year	-	-
Between 1-4 years	-	-
More than 4 years	-	-
Total	-	-

	Prior period	
	Gross	Net
Less than 1 year	-	-
Between 1-4 years	116	85
More than 4 years	-	-
Total	116	85

c) Explanations regarding operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	69.587	60.938	-	-
Between 1-4 years	213.886	176.372	-	-
More than 4 years	667.444	406.749	-	-
Total	950.917	644.059	-	-

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(8) Information on derivative financial liabilities for hedging purposes:

None.

(9) Explanations on provisions:

a) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

As of 31 December 2019 the Parent Bank does not have a provision amount of the currency differences on foreign currency indexed loans and finance lease receivables (31 December 2018: None).

b) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2019, the Group's specific provision for unindemnified non-cash loans balance is TRY 114.712 (31 December 2018: TRY 169.431).

c) Information on other provisions:

Total other provision balance amounting to TRY 562.945 (31 December 2018: TRY 1.025.015) consists of TRY 114.712 (31 December 2018: TRY 169.431) for specific provisions of unindemnified and unfunded non cash loans, TRY 173.769 (31 December 2018: 198.158) for stage 1 and 2 expected loss amount of non-cash loans, TRY 78.634 (31 December 2018: TRY 129.210) for legal cases filed against the Group, and TRY 195.830 (31 December 2018: TRY 77.216) of other provisions. (General provisions for 31 December 2018: TRY 451.000).

d) Movement of employee termination benefits:

Severance indemnity provision of the Parent Bank as of 31 December 2019 is calculated by an independent company by using the actuarial conjectures.

The amount calculated for the employee termination benefits of the Parent Bank as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Inflation Rate	8,20%	12,00%
Discount Rate	12,10%	16,30%
Estimated Real Wage Growth Rate	8,40%	12,20%

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Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	519.825	471.506
Charge for the year	54.319	46.834
Interest Expense	82.423	57.289
Actuarial gain/loss	83.488	(24.210)
Prior period service cost composed current period	1.618	760
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	4.961	3.288
Benefits paid within the period(-)	(52.243)	(35.642)
Total	694.391	519.825

e) Liabilities for employee benefits:

As of 31 December 2019, unused vacation accruals are TRY 137.260, personnel dividend provision is TRY 274.202, severance indemnity provision for Group personnel is TRY 694.391 and severance indemnity provision for outsourcing firms is TRY 27.895. (31 December 2018: TRY 107.557 for unused vacation accruals; TRY 519.825 for severance indemnity provision for Group personnel; TRY 20.277 for severance indemnity provision for outsources; TRY 278.959 for personnel dividend provision).

The Group's accounts for actuarial gains / losses under equity commencing from 1 January 2013.

f) Liabilities arising from retirement benefits:

f.1. Liabilities of pension funds founded as per the Social Security Institution:

None.

f.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees:

Based on the results of the actuarial reports prepared as of 31 December 2019, it was determined that there is no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı and T.C. Ziraat Bankası ve Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

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The above mentioned actuarial review, which was made in accordance with the principles of the related law, measures the present value of the liability as of 31 December 2019, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. Actuarial assumptions used in the calculation are given below.

Assumptions	Current Period	Prior Period
Discount Rate	9,8%	9,8%
Mortality Rate	CSO 1980 woman/man	CSO 1980 woman/man

Some of the Bank's personnel are the members of T. Halk Bankası Çalışanları Emekli Sandığı Vakfı, ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2019 the number of personnel who benefit from the Fund is 36.625 (31 December 2018: 36.012).

Below table shows the present values of premiums and salary payments as of 31 December 2019, by taking into account the health expenses within the Social Security Institution limits.

Transferable Pension and Medical Benefits:	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(3.113.389)	(2.561.914)
Net Present Value of Long Term Insurance Line Premiums	3.321.573	2.944.078
Net Present Value of Total Liabilities Other Than Health	208.184	382.164
Net Present Value of Health Liabilities	(659.388)	(538.003)
Net Present Value of Health Premiums	2.075.379	1.839.474
Net Present Value of Health Liabilities	1.415.991	1.301.471
Pension Fund Assets	3.304.716	2.469.532
General Administration Expenses (1%)	(37.728)	(30.999)
Amount of Actuarial and Technical Deficit	4.891.163	4.122.168

Plan assets are comprised as follows:

Total Assets	Current Period	Prior Period
Banks	1.890.018	1.386.529
Marketable Securities	1.136.573	908.197
Property and Equipment	104.141	112.560
Other	173.984	62.246
Total	3.304.716	2.469.532

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On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follows:

Change in Assumptions (%)

Assumptions	Pension Benefits	Death Benefits	Medical Benefits	Total
Discount rate+1	<(0,0%)	(19,0%)	(18,3%)	(18,3%)
Discount rate -1	0,0%	25,9%	24,8%	24,8%
Inflation rate +1	0,0%	26,2%	31,0%	31,0%
Inflation rate -1	<(0,0%)	(19,3%)	(21,9%)	(21,9%)

h) Insurance Technical Provisions (Net):

	Current period
Life-Mathematical Provisions	-
Provisions for unearned premium claims	26.900
Provision for outstanding claims	26.752
Provisions for unexpired risk reserves	-
Other	-
Total	53.652

	Prior period
Life-Mathematical Provisions	352.187
Provisions for unearned premium claims	649.756
Provision for outstanding claims	1.195.081
Provisions for unexpired risk reserves	17.019
Other	1.110
Total	2.215.153

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2019, the Group's corporate tax payable is amounting to TRY 431.563 and accounted for under corporate tax provision at the related date. (31 December 2018: TRY 44.287)

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a.2. Information on taxes payable:

	Current Period
Corporate tax payable	431.563
Income on securities tax	625.775
Property income tax	2.199
Banking and insurance transactions tax (BITT)	162.114
Foreign exchange transactions tax	4.360
Value added tax payable	3.830
Other	62.557
Total	1.292.398

	Prior Period
Corporate tax payable	44.287
Income on securities tax	419.083
Property income tax	1.879
Banking and insurance transactions tax (BITT)	188.173
Foreign exchange transactions tax	13
Value added tax payable	6.176
Other	42.338
Total	701.949

a.3. Information on premiums:

	Current Period
Social insurance premiums-employee	261
Social insurance premiums-employer	745
Bank social aid pension fund premium-employee	14.605
Bank social aid pension fund premium-employer	21.370
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	1.078
Unemployment insurance-employer	2.167
Other	663
Total	40.889

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	Prior Period
Social insurance premiums-employee	740
Social insurance premiums-employer	1.329
Bank social aid pension fund premium-employee	12.674
Bank social aid pension fund premium-employer	17.609
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	973
Unemployment insurance-employer	1.933
Other	465
Total	35.723

b) Deferred tax liability:

	Current Period	Prior Period
Deferred Tax Asset / (Liability)		
Provisions ⁽¹⁾	879.633	839.231
Revaluation of Financial Assets	(735.286)	(1.632.153)
Other	(409.467)	435.507
Deferred Tax Asset / Liability⁽²⁾:	(265.120)	(357.415)
Deferred tax accounted in shareholders' equity	(134.878)	(56.923)
Fair value differences for financial assets at through other comprehensive income	1.698	92.596
Actuarial gains and losses	15.060	(2.319)
Property Revaluation	(151.636)	(147.200)

⁽¹⁾ Provisions are comprised of the employee termination benefits and other provisions.

⁽²⁾ Net deferred tax liability amounting to TRY 265.120 consists of deferred tax assets which amounting to TRY 52.340 and deferred tax liabilities amounting to TRY 317.460.

(11) Information on liabilities regarding non current assets held for sale and discontinued operations:

Liabilities regarding assets held for sale and discontinued operations is amounting to TRY 3.184.317. (31 December 2018: TRY 2.030)

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(12) Explanations on the number of subordinated loans the Group used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

Information on Subordinated Loans	Current Period		Prior Period	
	TRY	FC	TRY	FC
To be included in the calculation of additional capital borrowings instruments	-	6.146.988	-	-
Subordinated loans	-	6.146.988	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.037.858	-	6.182.084	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.037.858	-	6.182.084	-
Total	6.037.858	6.146.988	6.182.084	-

* Detailed information is given in Section Four, footnote I.

(13) Information on shareholders' equity

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

There is an application of registered capital system and registered capital ceiling amount is TRY 7.500.000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

d) Information on additions from capital reserves to capital in the current period:

None.

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e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

f) Information on the Parent Bank's acquired shares:

The Parent Bank has repurchased shares amounting to TRY 262.384 shares within the scope of the Board of directors' decision dated 29 August 2018.

g) Indicators of the Group's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Group's equity due to the uncertainty of these indicators:

The Group has sustainable profitability and equity structure. There are no uncertainties that would impact the current position.

h) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	45.126	2.157
Valuation differences	45.126	2.157
Exchange rate difference	-	-
Financial assets at fair value through other comprehensive income	337.320	(83.834)
Valuation differences	337.320	(77.988)
Exchange rate difference	-	(5.846)
Total	382.446	(81.677)
	Prior Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	18.272	-
Valuation differences	18.272	-
Exchange rate difference	-	-
Financial assets at fair value through other comprehensive income	(39.253)	(154.979)
Valuation differences	(39.253)	(153.525)
Exchange rate difference	-	(1.454)
Total	(20.981)	(154.979)

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(14) Legal Reserves

	Current Period
I. Legal Reserve	1.477.618
II. Legal Reserve	686.765
Special Reserves	62.758
Share Buyback Reserve Fund	262.384
Total	2.489.525

	Prior Period
I. Legal Reserve	1.327.536
II. Legal Reserve	650.465
Special Reserves	40.738
Total	2.018.739

Extraordinary Reserves:

	Current Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	21.261.779
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital (-)	-
Total	21.261.779

	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	18.538.501
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital (-)	-
Total	18.538.501

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(15) Information on minority interest shares:

	Current Period
Paid-in Capital	211.047
Export Premium	10.389
Share Cancellation Profits	(26.162)
Marketable Securities Revaluation Fund	48
Legal Reserves	5.982
Extraordinary Reserves	9.196
Retained Earnings	48.662
Other Profit Reserves	1.928
Other Capital Reserves	898
Net Period Profit / Loss	25.265
Closing Balance	287.253

	Prior Period
Paid-in Capital	192.743
Export Premium	10.404
Share Cancellation Profits	(24.189)
Marketable Securities Revaluation Fund	48
Legal Reserves	4.274
Extraordinary Reserves	11.812
Retained Earnings	24.807
Other Profit Reserves	1.857
Other Capital Reserves	440
Net Period Profit / Loss	24.445
Closing Balance	246.641

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III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period
Commitments for credit card expenditure limits	16.772.843
Payment commitments for cheques	3.219.679
Loan granting commitments	3.138.339
Two days forward foreign exchange buy/sell transactions	2.232.623
Forward deposit purchase and sale commitments	-
Commitments for credit cards and banking services promotions	24.943
Tax and fund liabilities from export commitments	83.156
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	4.406.707
Total	29.878.290

Types of irrevocable commitments	Prior Period
Commitments for credit card expenditure limits	12.728.944
Payment commitments for cheques	2.661.413
Loan granting commitments	4.690.580
Two days forward foreign exchange buy/sell transactions	2.036.669
Forward deposit purchase and sale commitments	-
Commitments for credit cards and banking services promotions	31.409
Tax and fund liabilities from export commitments	65.280
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.983.131
Total	26.197.426

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b) Amount and nature of probable losses and commitments from the off-balance sheet items:

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current Period
Letters of credit	3.901.651
Bank acceptances	6.961.998
Other guarantees	2.807.693
Total	13.671.342

	Prior Period
Letters of credit	3.230.210
Bank acceptances	7.050.260
Other guarantees	1.991.690
Total	12.272.160

b.2. Certain guarantees, tentative guarantees, sureties and similar transactions:

	Current Period
Letters of certain guarantees	16.502.447
Letters of advance guarantees	4.510.376
Letters of tentative guarantees	761.085
Letters of guarantee given to customs offices	1.940.202
Other letters of guarantee	53.632.378
Total	77.346.488

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	Prior Period
Letters of certain guarantees	17.020.690
Letters of advance guarantees	6.136.162
Letters of tentative guarantees	819.908
Letters of guarantee given to customs offices	1.742.509
Other letters of guarantee	45.678.546
Total	71.397.815

b.3. Total non-cash loans:

	Current Period
Non-cash loans for providing cash loans	9.474.261
<i>Within one year or less original maturity</i>	2.389.105
<i>Within more than one year maturity</i>	7.085.156
Other non-cash loans	81.543.569
Total	91.017.830

	Prior Period
Non-cash loans for providing cash loans	7.320.589
<i>Within one year or less original maturity</i>	2.486.270
<i>Within more than one year maturity</i>	4.834.319
Other non-cash loans	76.349.386
Total	83.669.975

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b.4. Sectoral risk concentration of non-cash loans

	Current Period			
	TRY	(%)	FC	(%)
Agriculture	99.163	0,24	235.498	0,46
<i>Farming and Stockbreeding</i>	73.632	0,18	12.440	0,02
<i>Forestry</i>	715	-	-	-
<i>Fishery</i>	24.816	0,06	223.058	0,44
Manufacturing	8.403.481	20,80	23.770.562	46,98
<i>Mining and Quarrying</i>	164.007	0,41	505.185	1,00
<i>Production</i>	6.417.873	15,88	21.833.097	43,15
<i>Electricity, Gas and Water</i>	1.821.601	4,51	1.432.280	2,83
Construction	12.363.810	30,59	11.646.393	23,02
Services	17.803.261	44,05	14.506.963	28,67
<i>Wholesale and Retail Trade</i>	10.642.848	26,33	6.482.681	12,81
<i>Accommodation and Dining</i>	257.825	0,64	2.467.457	4,88
<i>Transportation and Telecom.</i>	605.619	1,50	4.399.013	8,69
<i>Financial Institutions</i>	3.540.351	8,76	50.906	0,10
<i>Real Estate and Rental Services</i>	2.269.193	5,61	948.855	1,88
<i>Professional Services</i>	14.340	0,04	745	0,00
<i>Educational Services</i>	100.488	0,25	82.850	0,16
<i>Health and Social Services</i>	372.597	0,92	74.456	0,15
Other	1.748.351	4,32	440.348	0,87
Total	40.418.066	100,00	50.599.764	100,00

	Prior Period			
	TRY	(%)	FC	(%)
Agriculture	87.601	0,23	105.647	0,22
<i>Farming and Stockbreeding</i>	64.687	0,17	15.333	0,03
<i>Forestry</i>	520	-	-	-
<i>Fishery</i>	22.394	0,06	90.314	0,19
Manufacturing	7.894.909	21,34	24.049.023	51,51
<i>Mining and Quarrying</i>	156.756	0,42	407.527	0,87
<i>Production</i>	5.271.059	14,25	22.857.583	48,96
<i>Electricity, Gas and Water</i>	2.467.094	6,67	783.913	1,68
Construction	11.899.549	32,17	10.185.078	21,82
Services	16.321.575	44,15	12.019.928	25,75
<i>Wholesale and Retail Trade</i>	8.616.472	23,31	5.411.509	11,61
<i>Accommodation and Dining</i>	165.427	0,45	1.606.864	3,44
<i>Transportation and Telecom.</i>	499.807	1,35	2.924.156	6,26
<i>Financial Institutions</i>	4.030.896	10,90	215.881	0,46
<i>Real Estate and Rental Services</i>	2.605.931	7,05	1.746.339	3,74
<i>Professional Services</i>	22.065	0,06	694	-
<i>Educational Services</i>	74.897	0,20	61.570	0,13
<i>Health and Social Services</i>	306.080	0,83	52.915	0,11
Other	781.644	2,11	325.021	0,70
Total	36.985.278	100,00	46.684.697	100,00

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b.5. Non-cash loans classified under I. and II. Group

	Group I		Group II	
	TRY	FC	TRY	FC
Non-Cash Loans	39.276.222	49.205.099	1.141.844	1.394.665
Letters of Guarantee	36.630.954	38.196.300	1.139.172	1.380.062
Bills of Exchange and Bank Acceptances	5.588	6.953.150	2.672	588
Letters of Credit	16.891	3.870.745	-	14.015
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	2.622.789	184.904	-	-

c) Information on derivative financial instruments:

	Derivative transactions according to purposes	
	Trading Derivatives Current Period	Derivative Financial Instruments held for Risk Management Current Period
Types of trading transactions		
Foreign Currency related Derivative Transactions (I):	42.465.369	-
Currency Forwards-Purchases/Sales	5.333.506	-
Currency Swaps-Purchases/Sales	33.611.349	-
Currency Futures-Purchases/Sales	-	-
Currency Options-Purchases/Sales	3.520.514	-
Interest Rate related Derivative Transactions (II)	27.707.502	-
Interest Rate Contracts	-	-
Interest Rate Swaps-Purchases/Sales	27.707.502	-
Interest Rate Options-Purchases/Sales	-	-
Interest Rate Futures-Purchases/Sales	-	-
Other Trading Derivatives (III) ⁽¹⁾	3.236.795	-
A. Total Trading Derivatives (I+II+III)	73.409.666	-
Derivative Financial Instruments held for Risk Management		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
FC investment in associates risk hedge	-	-
B. Total Derivative Financial Instruments held for Risk Management	-	-
Total Derivative Transactions (A+B)	73.409.666	-

⁽¹⁾ Other trading derivative transactions include forward precious metal purchase transactions amounting to TL 954.621, forward precious metal sale transactions amounting to TL 132.599, and swap precious metal purchase transactions amounting to TL 2.149.575.

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	Derivative transactions according to purposes	
	Trading Derivatives	Derivative Financial Instruments held for Risk Management
	Prior Period	Prior Period
Types of trading transactions		
Foreign Currency related Derivative Transactions (I):	28.766.322	-
Currency Forwards-Purchases/Sales	7.048.111	-
Currency Swaps-Purchases/Sales	15.858.965	-
Currency Futures-Purchases/Sales	-	-
Currency Options-Purchases/Sales	5.859.246	-
Interest Rate related Derivative Transactions (II)	17.392.884	-
Interest Rate Contracts	-	-
Interest Rate Swaps-Purchases/Sales	17.392.884	-
Interest Rate Options-Purchases/Sales	-	-
Interest Rate Futures-Purchases/Sales	-	-
Other Trading Derivatives (III) ⁽¹⁾	2.239.469	-
A. Total Trading Derivatives (I+II+III)	48.398.675	-
Derivative Financial Instruments held for Risk Management	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
FC investment in associates risk hedge	-	-
B. Total Derivative Financial Instruments held for Risk Management	-	-
Total Derivative Transactions (A+B)	48.398.675	-

⁽¹⁾ Other trading derivatives consist of forward precious metals buy and sale transactions amounting to TRY 89.699 and TRY 2.149.770, respectively.

d) Information on contingent liabilities and assets:

Group's commitments for the cheques given to customers are TRY 3.219.679 (31 December 2018: TRY 2.661.413).

e) Services provided on behalf of others:

None.

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IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	9.478.759	658.879
Medium and long term loans	20.851.434	5.322.112
Interest on non-performing loans	909.582	717
Premiums from resource utilization support fund	-	-
Total	31.239.775	5.981.708

⁽¹⁾ Includes fees and commissions obtained from cash loans.

	Prior Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	8.185.456	377.034
Medium and long term loans	15.461.224	4.705.540
Interest on non-performing loans	261.445	4.110
Premiums from resource utilization support fund	-	-
Total	23.908.125	5.086.684

⁽¹⁾ Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current Period	
	TRY	FC
CBRT	229.026	36.754
Domestic banks	26.307	4.034
Overseas banks	21.059	26.929
Head office and branches	-	-
Total	276.392	67.717

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	Prior Period	
	TRY	FC
CBRT	427.986	80.777
Domestic banks	106.347	31.104
Overseas banks	10.272	10.119
Head office and branches	-	-
Total	544.605	122.000

c) Interest income on marketable securities:

	Current Period	
	TRY	FC
Financial assets at fair value through profit or loss	15.265	1.292
Financial assets at fair value through other comprehensive income	1.361.763	160.953
Financial assets measured at amortised cost	6.810.309	847.795
Total	8.187.337	1.010.040

	Prior Period	
	TRY	FC
Financial assets at fair value through profit or loss	17.696	1.414
Financial assets at fair value through other comprehensive income	259.787	87.352
Financial assets measured at amortised cost	6.231.379	553.919
Total	6.508.862	642.685

d) Interest income from subsidiaries and associates:

None.

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(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period	
	TRY	FC
Banks	221.700	311.751
<i>CBRT</i>	-	-
<i>Domestic banks</i>	206.292	78.351
<i>Overseas banks</i>	15.408	233.400
<i>Overseas head office and branches</i>	-	-
<i>Other institutions</i>	10	18.678
Total	221.710	330.429

	Prior Period	
	TRY	FC
Banks	255.888	493.171
<i>CBRT</i>	1	-
<i>Domestic banks</i>	191.292	51.822
<i>Overseas banks</i>	64.595	441.349
<i>Overseas head office and branches</i>	-	-
<i>Other institutions</i>	11	20.134
Total	255.899	513.305

b) Interest expenses to subsidiaries and associates:

	Current period
Interest expenses to subsidiaries and associates	18.726
	Prior period
Interest expenses to subsidiaries and associates	16.848

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c) Information on interest expenses to marketable securities issued:

	Current period	
	TRY	FC
Interest on securities issued	1.929.024	708.748
Total	1.929.024	708.748
	Prior period	
	TRY	FC
Interest on securities issued	1.011.483	543.720
Total	1.011.483	543.720

d) Maturity structure of interest expenses on deposits:

Account name	Current Period							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	Time deposits		
TRY									
Bank deposits	465	1.270.555	691.658	29.048	2.538	-	-	-	1.994.264
Saving deposits	143	449.004	7.452.676	1.116.182	319.321	369.889	11.916	-	9.719.131
Public deposits	41	391.095	517.626	144.028	62.663	2.479	-	-	1.117.932
Commercial deposits	3	1.749.694	2.850.955	353.036	256.672	374.563	-	-	5.584.923
Other deposits	2	86.266	1.012.290	613.921	173.823	112.053	-	-	1.998.355
7 days call accounts	-	-	-	-	-	-	-	-	-
Total	654	3.946.614	12.525.205	2.256.215	815.017	858.984	11.916	-	20.414.605
Foreign currency									
Deposits	1.464	299.333	1.667.899	149.603	68.129	168.281	-	-	2.354.709
Bank deposits	45	232.691	-	-	-	-	-	-	232.736
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	53	7.188	972	520	1.106	-	-	9.839
Total	1.509	532.077	1.675.087	150.575	68.649	169.387	-	-	2.597.284
Grand total	2.163	4.478.691	14.200.292	2.406.790	883.666	1.028.371	11.916	-	23.011.889

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

Account name	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		
TRY								
Bank deposits	1.476	405.773	525.324	48.880	691	-	-	982.144
Saving deposits	5	317.695	7.368.649	310.727	119.538	59.977	9.931	8.186.522
Public deposits	106	268.493	544.146	101.996	271.430	3.570	-	1.189.741
Commercial deposits	19	1.234.280	3.529.934	342.693	183.702	38.034	-	5.328.662
Other deposits	-	122.682	1.346.118	193.824	396.049	5.747	-	2.064.420
7 days call accounts	-	-	-	-	-	-	-	-
Total	1.606	2.348.923	13.314.171	998.120	971.410	107.328	9.931	17.751.489
Foreign currency								
Deposits	1.726	142.699	1.724.489	121.576	101.256	143.581	394	2.235.721
Bank deposits	55	305.283	537	293	43	742	205	307.158
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	29	2.808	266	319	545	-	3.967
Total	1.781	448.011	1.727.834	122.135	101.618	144.868	599	2.546.846
Grand total	3.387	2.796.934	15.042.005	1.120.255	1.073.028	252.196	10.530	20.298.335

(3) Information on dividend income:

	Current Period
Financial Assets at Fair Value Through Profit or Loss	485
Financial Assets at Fair Value Through other Comprehensive Income	2.371
Other	11.585
Total	14.441

	Prior Period
Financial Assets at Fair Value Through Profit or Loss	379
Financial Assets at Fair Value Through other Comprehensive Income	3.936
Other	8.862
Total	13.177

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(4) a) Explanations on trading profit / loss (net):

	Current Period
Profit	49.224.043
Profit from the capital market operations	301.506
Profit on derivative financial instruments	8.953.732
Foreign exchange gains	39.968.805
Loss (-)	52.451.797
Loss from the capital market operations	6.579
Loss on derivative financial instruments	10.426.874
Foreign exchange losses	42.018.344
	Prior Period
Profit	55.546.634
Profit from the capital market operations	50.979
Profit on derivative financial instruments	5.911.938
Foreign exchange gains	49.583.717
Loss (-)	55.315.151
Loss from the capital market operations	17.898
Loss on derivative financial instruments	3.932.717
Foreign exchange losses	51.364.536

b) Information on derivative financial instruments

	Current period
Profit on derivative financial instruments	8.953.732
Effect of the change in foreign exchange on profit	8.640.729
Effect of the change in interest rate on profit	313.003
Loss on derivative financial instruments (-)	10.426.874
Effect of the change in foreign exchange on loss	10.154.504
Effect of the change in interest rate on loss	272.370
Profit/loss on derivative financial instruments	(1.473.142)
	Prior period
Profit on derivative financial instruments	5.911.938
Effect of the change in foreign exchange on profit	5.749.027
Effect of the change in interest rate on profit	162.911
Loss on derivative financial instruments (-)	3.932.717
Effect of the change in foreign exchange on loss	3.799.881
Effect of the change in interest rate on loss	132.836
Profit/loss on derivative financial instruments	1.979.221

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(5) Information on other operating income:

	Current period
Adjustments for prior period expenses	2.197.512
Insurance technical income	253
Income from the asset sale	115.340
Rent income	83.232
Other income	223.905
Total	2.620.242

	Prior Period
Adjustments for prior period expenses	461.355
Insurance technical income	1.512.044
Income from the asset sale	123.169
Rent income	63.122
Other income	329.680
Total	2.489.370

(6) Impairment losses on loans and other receivables:

Expected Credit Losses:

	Current Period
Expected Credit Loss	4.672.517
12 Month Expected Credit Loss (Stage 1)	334.685
Significant Increase in Credit Risk (Stage 2)	200.679
Non – Performing Loans (Stage 3)	4.137.153
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value through Other Comprehensive Income	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
Associates	-
Subsidiaries	-
Joint Ventures	-
Other	147.354
Total	4.819.871

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	Prior Period
Expected Credit Loss	2.598.891
<i>12 Month Expected Credit Loss (Stage 1)</i>	76.916
<i>Significant Increase in Credit Risk (Stage 2)</i>	458.938
<i>Non – Performing Loans (Stage 3)</i>	2.063.037
Marketable Securities Impairment Expense	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-
<i>Financial Assets at Fair Value through Other Comprehensive Income</i>	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
Other	821.625
Total	3.420.516

(7) Information on other operating expenses:

	Current Period
Reserve for employee termination benefits	101.973
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	2.036
Depreciation expenses of fixed assets	372.949
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	49.080
Impairment expense for equity shares subject to the equity method accounting	-
Impairment expense of assets that will be disposed of	-
Amortization expenses of assets that will be disposed of	11.509
Impairment expense for property and equipment held for sale	-
Other operating expenses	2.050.428
<i>Leasing Expenses on TFRS 16 Exceptions</i>	90.104
<i>Maintenance expenses</i>	69.920
<i>Advertisement expenses</i>	207.672
<i>Other expenses</i>	1.682.732
Loss on sales of assets	225
Other	974.447
Total	3.562.647

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	Prior Period
Reserve for employee termination benefits	75.141
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	387
Depreciation expenses of fixed assets	148.432
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	43.441
Impairment expense for equity shares subject to the equity method accounting	-
Impairment expense of assets that will be disposed of	-
Amortization expenses of assets that will be disposed of	7.846
Impairment expense for property and equipment held for sale	-
Other operating expenses	2.243.268
<i>Leasing Expenses on TFRS 16 Exceptions</i>	303.879
<i>Maintenance expenses</i>	59.724
<i>Advertisement expenses</i>	214.597
<i>Other expenses</i>	1.665.068
Loss on sales of assets	273
Other	2.027.804
Total	4.546.592

(8) Information on profit/loss from continuing and discontinued operations before taxes:

The amount of profit before tax consists TRY 11.661.329 (31 December 2018: TRY 8.942.912) of net interest income and TRY 2.716.482 (31 December 2018: TRY 1.904.363) of net fees and income. The profit from continuing operations before tax is amounting to TRY 2.406.259 (31 December 2018: TRY 3.032.795).

Discontinued operations profit before tax is TRY 365.154 (31 December 2018: TRY 12.990).

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(9) Information on tax provisions for continuing and discontinued operations:

For the period ended 31 December 2019, the Group's tax provision amounting to TRY 306.921 (31 December 2018: TRY 361.833) consists of TRY 477.171 (31 December 2018: TRY 175.752) of current tax charge and TRY 1.221.643 (31 December 2018: TRY 1.161.994) of deferred tax charge and TRY 1.391.893 (31 December 2018: TRY 975.913) of deferred tax benefit.

For the period ended 31 December 2019, the Group's deferred tax income from discontinued operations is amounting to TRY 171.619 (31 December 2018: TRY 2.860) consists of TRY 176.370 (31 December 2018: TRY 2.890) of current tax charge and TRY 4.751 (31 December 2018: TRY 30) of deferred tax benefit.

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

As of 31 December 2019, the Group's operating income after tax is amounting to TRY 2.099.338 (31 December 2018: TRY 2.670.962).

As of 31 December 2019, the Group's discontinued operations income after tax is amounting to TRY 193.535 (31 December 2018: TRY 10.130).

(11) Information on net profit/loss from continuing and discontinued operations:

a) Income and expenses from ordinary banking operations:

None.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss:

There is no issue to be disclosed.

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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(12) Minority interest profit/losses:

	Current Period
Minority interest profit/losses	25.265
	Prior Period
Minority interest profit/losses	24.445

(13) Other items in Income Statement:

The other items under Fees and Commissions Received and Fees and Commissions Paid generally consist of credit cards, insurance and other banking transaction commissions.

V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was previously recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

(1) Disclosures for the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement:

The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 19.142.631 (31 December 2018: TRY 9.775.972 increase) increase for the year 2019. The "others" item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 12.658.004 decrease for the year 2019 (31 December 2018: TRY 13.874.450 decrease)

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For the year ended 31 December 2018, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 2.353.847 increase (31 December 2018: TRY 5.233.224 increase). The average exchange rates of last five weekdays were taken into consideration as of the balance sheet date when calculating the effect of change in the exchange rates.

(2) Items used in determination of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

(3) The effect of any change in accounting policies:

None.

(4) Cash and cash equivalents balance at the beginning of the period:

	Current period	Prior period
Cash	35.579.724	36.681.377
<i>Cash in TRY and foreign currency</i>	4.591.894	2.208.130
<i>Central Bank and others⁽¹⁾</i>	30.987.830	34.473.247
Cash equivalents	5.195.753	7.597.218
<i>Demand and Time Deposits Up to 3 Months</i>	5.130.435	6.309.050
<i>Money Market Placements</i>	65.318	1.288.168
Total cash and cash equivalents	40.775.477	44.278.595
Reserve deposits in Central Bank of Turkey	(16.685.658)	(16.725.443)
Banks Blocked Amount	(387.741)	(325.226)
Accruals on reserve deposits in Central Bank of Turkey	(223.863)	(89.784)
Accruals on Money Markets Placements	-	(2.669)
Accruals on banks	(29.630)	(13.282)
Total Cash and Cash Equivalents	23.448.585	27.122.191

⁽¹⁾ Other items include cheques received and required reserves that are held at The Central Bank of Macedonia and the Central Bank of Serbia.

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(5) Cash and cash equivalents balance at the end of the period:

	Current Period	Prior Period
Cash	35.313.987	35.579.724
Cash in TRY and foreign currency	3.861.322	4.591.894
Central Bank and others ⁽¹⁾	31.452.665	30.987.830
Cash Equivalents	4.221.663	5.195.753
Demand and Time Deposits Up to 3 Months	4.134.525	5.130.435
Money Market Placements	87.138	65.318
Cash and Banks	39.535.650	40.775.477
Reserve deposits in Central Bank of Turkey	(14.726.441)	(16.685.658)
Banks Blocked Amount ⁽¹⁾	(490.951)	(387.741)
Accruals on reserve deposits in Central Bank of Turkey	(19.629)	(223.863)
Accruals on Money Markets Placements	-	-
Accruals on banks	(939)	(29.630)
Total Cash and Cash Equivalents	24.297.690	23.448.585

(1) Other items include cheques received and required reserves that are held at The Central Bank of Macedonia and the Central Bank of Serbia.

VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE PARENT BANK

(1) Volume of the Parent Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Information on the loans of the Parent Bank's risk group:

Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	-	-	-	-	-	-
Closing balance	-	329	-	-	-	-
Interest and commissions income	-	6	-	-	-	-

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

b) Deposits held by the Parent Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Deposits	Current Period	Current Period	Current Period
Beginning balance	42.260	-	-
Closing Balance	50.673	-	-
Interest expense on deposits	7.471	-	-

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Deposits	Prior Period	Prior Period	Prior Period
Beginning balance	21.542	-	-
Closing Balance	42.260	-	-
Interest expense on deposits	5.321	-	-

c) Forward and option contracts and similar transactions with the Parent Bank's risk group:

None.

TÜRKİYE HALK BANKASI A.Ş.

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(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

(2) Disclosures for risk group:

a) The relations of the Bank with the entities controlled by the Parent Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Parent Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

The branches of the Bank are agencies of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ. In addition, the Bank acts as an intermediary in Halk Yatırım Menkul Değerler A.Ş.'s activities within the scope of 'Intermediary Transmission to Order Transmission'.

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	Amount	% compared to the amounts in the financial statements
Cash loans	-	-
Non-cash loans	329	0,00%
Deposits	50.673	0,02%
Forward and option contracts	-	-
Banks and other financial institutions	-	-

Pricing of these transactions are in accordance with the general pricing policies of the Parent Bank and are in line with market rates.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel of the Group are TRY 30.459 as of 31 December 2019 (31 December 2018: TRY 28.606).

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

(1) Explanations on the Parent Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of Employees	Countries		
Domestic Branches	1000	18.895			
Abroad Agencies	3	4	IRAN		
			ENGLAND		
			SINGAPORE	Total Assets	Capital Legal
Overseas Branches	5	65	TRNC	1.338.340	-
Off-shore Branches	1	3	BAHRAIN	20.235.920	-

(2) Explanations on branch and agency openings or closings of the Bank:

The Parent Bank opened 18 domestic branches during the year 2019.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

As per the Board of Directors' decision dated February 4, 2020, it was decided to transfer 66,67% of the shares of the the Parent Bank's subsidiary, Bileşim Alternatif Dağıtım Kanalları A.Ş.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

SECTION VI: OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS

An indictment was filed against the Bank on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the Bank for violation of Iranian sanctions.

The Parent Bank sought leave the New York Southern District Court ("District Court") to make a "special appearance" in a proceeding to challenge the court's jurisdiction and rejection of the judge of the case. The District Court has denied that request. The Parent Bank appealed to the US Second Circuit Court of Appeals ("Court of Appeals") for mandamus regarding the District Court deciding to allow the respective special appearance.

The District Court was requested to suspend the hearings upon the District Court's requisition to continue the general hearings regarding the case. The District Court also denied that request. The Parent Bank also applied to the Court of Appeals for a mandamus for the approval of denied suspension request.

The Court of Appeals's appeal committee consisting of 3 judges granted a temporary stay on the District Court litigation until the resolution of the mandamus petition.

The appeal process for the suspension of the hearings before the Court of Appeals and the order of a high court for a special appearance is still ongoing.

The prosecution process is closely monitored by the Bank through specialized US law firms.

The appeal process of the case which resulted in conviction for the defendant former executive of the Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

The Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and money transfers are open and transparent, and easily be monitored by authorities. The Bank will continue to adopt the same policies of transparency and compliance with international regulations.

The Bank placed a high importance on this matter and established a separate "Compliance Department".

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(AMOUNTS EXPRESSED IN THOUSAND TURKISH LIRA (TRY) UNLESS OTHERWISE STATED.)

SECTION VII: AUDITORS' REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

The Parent Bank's publicly available consolidated audited financial statements and footnotes as at 31 December 2019 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 14 February 2020 is presented in front of the financial statements.

II EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

DIRECTORY

TRADE REGISTRATION NUMBER

862070

Istanbul Trade Registry Office

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CORPORATE E-MAIL

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CALL CENTER

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Halkbank Artisan and SME Dialogue 0850 222 0 401

HEAD OFFICE (MAIN)

Barbaros Mahallesi, Şebboy Sokak No: 4/1 34746

Ataşehir/Istanbul - TURKEY

Telephone: +90 (216) 503 70 70

- Department of Asset-Liability Management
- Department of Retail Loans
- Department of Retail Marketing
- Department of Budget and Reporting
- Department of Support and Purchasing Services
- Department of Foreign Transactions Operations
- Department of Digital Banking and Payment Systems
- Department of Artisans Banking
- Department of Financial Accounting
- Department of Halk Academy
- Department of Treasury Operations
- Department of Treasury Management
- Department of Legal Affairs
- Department of Human Resources
- Department of Construction Expertise and Real Estate Management
- Department of SME Loans-1
- Department of SME Marketing-1
- Department of SME Marketing-2

- Department of Credit Risk Monitoring
- Department of Credit Risk Liquidation-1
- Department of Credit Risk Liquidation-2
- Department of Credit Processes and Company Analysis
- Department of Loan Management and Special Loans
- Department of Corporate Communications
- Department of Corporate Architecture and Subsidiaries Coordination
- Department of Corporate and Commercial Loans-1
- Department of Corporate and Commercial Loans-2
- Department of Corporate and Commercial Marketing-1
- Department of Corporate and Commercial Marketing-2
- Department of Deposit Management and Marketing
- Department of Cashflow Management
- Department of Performance Management
- Department of International Banking and Financial Institutions
- Department of Tax Management and Payments
- Department of Investor Relations
- Department of Board of Directors Office Service

HEAD OFFICE (SUPPORT UNIT)

İçerenköy Mahallesi, Karaman Çiftlik Yolu Caddesi

No: 49 34752

Ataşehir/Istanbul - TURKEY

- Department of Internal Control
- Department of Central Operations
- Department of Risk Management
- Department of the Board of Inspectors
- Department of the Compliance

HEAD OFFICE (SUPPORT UNIT)

Barbaros Mahallesi, Mor Sümbül Sokak

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Ataşehir/Istanbul - TURKEY

DIRECTORY

- Department of Infrastructure Operation and Management
- Department of Branch Operations
- Department of Technological Architecture Management
- Department of Software Development

Söğütözü Mah. 2180 Cad. No: 63 C Blok Kat: 1
Çankaya/Ankara - TURKEY

- Department of SME Loans-2

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