

*In good times and in bad times. In sickness and in health.
Halkbank is always on your side.*

 **HALKBANK**

Annual Report 2020

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470 Directory

This past year, 2020, will be remembered with the pandemic that created extraordinarily challenging conditions across the entire world.

Someone had to go the extra mile during these indescribably difficult times. As Halkbank, we had no choice but to heroically fight the challenges. Because millions of people needed us, particularly the productive segment of the economy.

For this reason, we worked hard day and night. We raised hopes and dreams with our great efforts and support. As a result, we grew not only on paper, but also in the hearts.

Heroes always on the job...

On the evening of March 11, 2020, the first coronavirus case was announced in Turkey. This marked the beginning of a new period for our country and our Bank. Our economy had to come out of this challenging period with minimal impact. We were on the job as the heroes of the people.






680
(TRY BILLION)
TOTAL
ASSETS

**The third bank
by assets**





***We shine our light
to illuminate our
country...***

We almost never turned our lights off since March 11. We worked with great performance in our head office as well as in our homes. Because Turkey needed our light to illuminate the darkness.



2.5 MILLION
NEW
CUSTOMERS

**2.5 million new
customers during
the pandemic period**

A man with glasses and a dark shirt is focused on operating a blue and silver power tool, likely a drill or router, on a workbench. The background is dark and industrial. A blue circular graphic is overlaid on the left side of the image, containing white text.

21.6%
MARKET
SHARE

**Record-breaking
market share of
21.6% in SME
Banking**



***As long as our
lights are on...***

As we worked day and night to provide a life line to the economy, lights began to turn on one by one at the businesses. Every lira of our lending turned to labor and every drop of sweat to value.



1,007

**Domestic
branches**

**HALKBANK'A GİTTİM,
HEMEN DÖNECEĞİM :)**

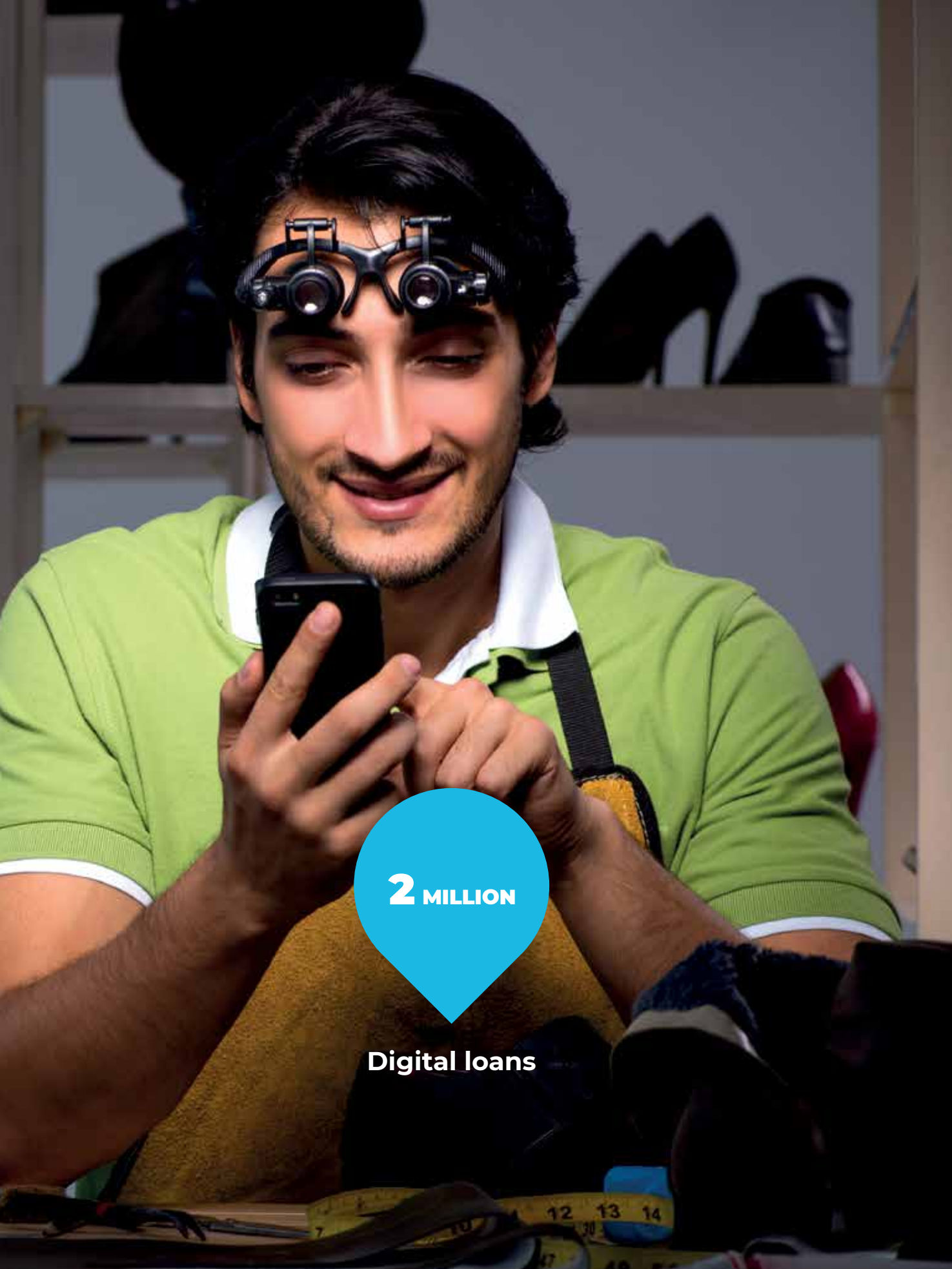
***Our branches
became solution
centers...***

Our branches in every corner of Turkey hosted those in need. Our customers, as well as people who were not yet our customers, showed up in our branch in no time. Our branch employees devotedly tended to everybody one by one and were foul-weather friends for them.



***We inspired hope
for 24 hours...***

We were on the job not just during business hours, but at all times through our digital channels. During this period we inspired hope through our labor as well as our technology. We expeditiously finalized millions of loan applications.



2 MILLION

Digital loans

Mehmet Bey'e
kredisi için
dönüş yapılacak

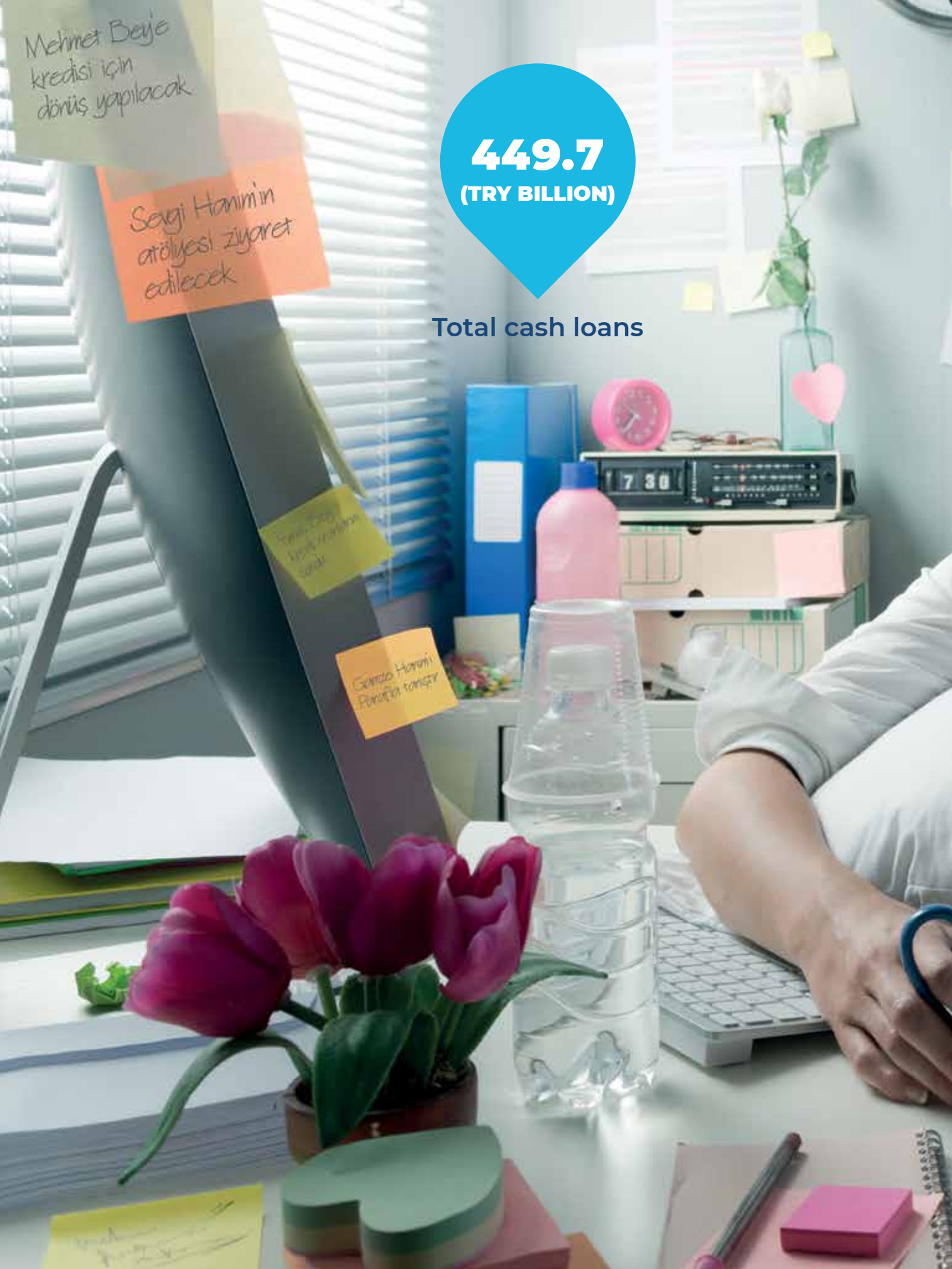
Sevgi Hanımın
atölyesi ziyareti
edilecek

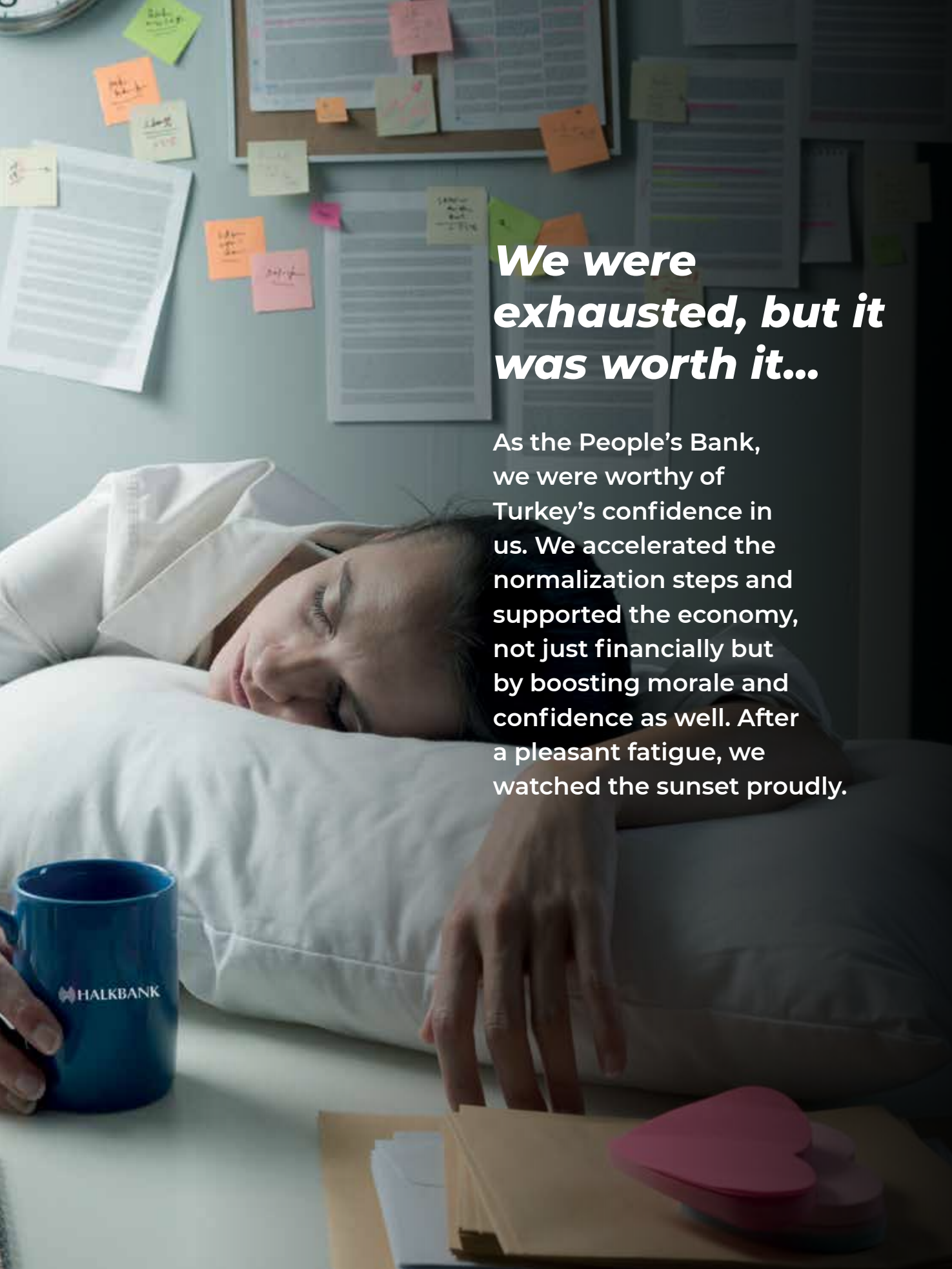
Yeni bir
proje başlatılacak

Gençler Hanımın
Pazarlığı tamam

449.7
(TRY BILLION)

Total cash loans





***We were
exhausted, but it
was worth it...***

As the People's Bank, we were worthy of Turkey's confidence in us. We accelerated the normalization steps and supported the economy, not just financially but by boosting morale and confidence as well. After a pleasant fatigue, we watched the sunset proudly.

HALKBANK IN FIGURES

680.0

TRY BILLION

**TOTAL
ASSETS**

449.7

TRY BILLION

**CASH
LOANS**

457.3

TRY BILLION

**TOTAL
DEPOSITS**

42.9

TRY BILLION

**SHAREHOLDERS'
EQUITY**

15.2%

**CAPITAL
ADEQUACY
RATIO**



1,007

**DOMESTIC
BRANCHES**



20,171

**TOTAL
EMPLOYEES**



4,060

ATMs



**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 FOR CUSTOMERS

Having become one of the strongest players in the industry thanks to the confidence of the Turkish people in accordance with the "We are the People first, then a Bank" principle, 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 TO SOCIAL WELFARE

Helping Turkey grow while growing with Turkey for 82 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 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 is working tirelessly to help Turkey reach its future goals.

HALKBANK'S VISION, MISSION, OBJECTIVES AND CORPORATE VALUES

Our Vision

Fulfilling all the requirements of universal banking to become a bank strong in the retail segment and the leader of SME bankings 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 banking 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

- 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.



HALKBANK IN BRIEF

Halkbank renders an unparalleled banking experience to its customers with 1,007 domestic branch locations, 6 overseas branches, 1 country office, 3 overseas representative offices, 4,060 ATMs, Telephone and Internet Banking channels and Mobile Banking applications as of the end of 2020.

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 82 years.

Rendering an unparalleled banking experience to its customers with 1,007 domestic branch locations, 6 overseas branches, 1 country office, 3 overseas representative offices, 4,060 ATMs, Telephone and Internet Banking channels and Mobile Banking applications as of the end of 2020, 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 21.6% and allocating 43% of its total cash loans to SMEs, Halkbank continues to be the biggest supporter of the Turkish economy.



Halkbank serves with innovative products and services as part of its global vision.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN 2020

Articles 6 and 12 of the Bank's Articles of Association were amended while Provisional Article 2 was terminated in 2020.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ ARTICLES OF ASSOCIATION MODIFICATIONS

OLD

Capital:

Article 6) (1) The Bank has adopted the registered share capital system in accordance with the provisions of the Capital Markets Law and started to apply the registered share capital system pursuant to authorization No. 8/346 dated 03/19/2015 of the Capital Markets Board.

(2) The Bank's registered share capital ceiling is 7,500,000,000 (Seven Billion Five Hundred Million) Turkish Liras represented by 750,000,000,000 (Seven Hundred Fifty Billion) shares, each with a 1 (One) Turkish Kuruş (Kr) (0.01 Turkish Lira) nominal value.

(3) The authorization granted by the Capital Markets Board of Turkey for the registered share capital ceiling is valid for 5 years, from 2015 to 2019. Even if at the end of 2019 the registered share capital ceiling is not reached, in order for the Board of Directors to approve a capital increase after 2019, the General Assembly would be required to give authorization for a new period (not exceeding 5 years) by obtaining an permission from the Capital Markets Board of Turkey for the previously authorized ceiling, or a new ceiling amount. If the said authorization is not obtained, then the capital increase can not be made with the Board of Directors' decision.

(4) The Bank's issued capital is 1,250,000,000 (One Billion Two Hundred Fifty Million) Turkish Liras, is free from collusion and has been fully paid-up. This share capital is represented by 125,000,000,000 (One Hundred Twenty Five Billion) shares, each with a 1 (One) Turkish Kuruş (0.01 Turkish Lira) nominal value.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ ARTICLES OF ASSOCIATION MODIFICATIONS

NEW

Capital:

Article 6) (1) The Bank has adopted the registered share capital system in accordance with the provisions of the Capital Markets Law and started to apply the registered share capital system pursuant to authorization No. 8/346 dated 03/19/2015 of the Capital Markets Board.

(2) The Bank's registered share capital ceiling is 10,000,000,000 (Ten Billion) Turkish Liras represented by 1,000,000,000,000 (One Trillion) shares, each with a 1 (One) Turkish Kuruş (Kr) (0.01 Turkish Lira) nominal value.

(3) The authorization granted by the Capital Markets Board of Turkey for the registered share capital ceiling is valid for 5 years, from 2020 to 2024. Even if at the end of 2024 the registered share capital ceiling is not reached, in order for the Board of Directors to approve a capital increase after 2024, the General Assembly would be required to give authorization for a new period (not exceeding 5 years) by obtaining an permission from the Capital Markets Board of Turkey for the previously authorized ceiling, or a new ceiling amount. If the said authorization is not obtained, then the capital increase can not be made with the Board of Directors' decision.

(4) The Bank's issued capital is 2,473,776,223.78 (Two Billion Four Hundred Seventy Three Million Seven Hundred Seventy Six Thousand Two Hundred Twenty Three Turkish Liras and Seventy Eight Kuruş) Turkish Lira, is free from collusion and has been fully paid-up. This share capital is represented by 247,377,622,378 (Two Hundred Forty Seven Billion Three Hundred Seventy Seven Million Six Hundred Twenty Two Thousand Three Hundred Seventy Eight) shares, each with a 1 (One) Turkish Kuruş (0.01 Turkish Lira) nominal value.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN 2020

(5) The Board of Directors is authorized to pass resolutions regarding share issues at a premium over the nominal value and to restrict preemptive rights of shareholders while avoiding unequal treatment.

(6) The shares representing the Bank's share capital are traced through book-entry registration pursuant to applicable principles of dematerialization.

Invitation and Announcement for General Assembly:

Article 12) (1) The General Assembly shall be called for a meeting by the Board of Directors or by those who are authorized in this regard as per applicable laws and regulations.

(2) The date, time, venue and agenda of the General Assembly meeting shall be announced in the Trade Registry Gazette of Turkey, in at least one newspaper that is circulated across the country, on the website of the Bank, on the Public Disclosures Platform (PDP) and also via other means as designated by the Capital Markets Board at least three weeks in advance of the date of the meeting excluding the dates of the announcement and the meeting.

(3) The invitation for the meeting shall not be sent separately via registered and reply-paid letter for the Bank's shares which are listed on the stock exchange.

(4) The invitation for the meeting shall be sent separately via registered and reply-paid letter for the Bank's dematerialized shares which are not traded on the stock exchange. However, the invitation for the meeting shall be sent via registered and reply-paid letter to such address, which are clearly known based on the records available in the Share Ledger, for those shares that are tracked collectively through the "Dematerialized Unknown Shareholders Account" at the Central Registry Agency.

Dematerialization of Shares:

Provisional Article 2) Pursuant to the provisions of the Capital Markets Law; dematerialized shares, which are tracked collectively through the "Dematerialized Unknown Shareholders Account" at the Central Registry Agency, shall be dematerialized by their holders in their own names and accounts by the end of 2014.

Shares that have not been dematerialized by shareholders in their own names and accounts shall be transferred to the Investors Indemnification Center as of the end of 2014 and shall thereafter be sold within the periods of time specified in the Law.

(5) The Board of Directors is authorized to pass resolutions regarding share issues at a premium over the nominal value and to restrict preemptive rights of shareholders while avoiding unequal treatment.

(6) The shares representing the Bank's share capital are traced through book-entry registration pursuant to applicable principles of dematerialization.

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Terminated.

Terminated.

Terminated.

SHAREHOLDING STRUCTURE

Halkbank has registered capital ceiling of TRY 10,000,000,000 and issued capital of TRY 2,473,776,223.78.

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 has registered capital ceiling of TRY 10,000,000,000 and issued capital of TRY 2,473,776,223.78.

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.

Issued capital increased from TRY 1,250,000,000 to TRY 2,473,776,223.78 as a result

of the capital increase that was made on May 20, 2020 through the private placement method without a public offering.

The Bank's controlling shareholder is the Turkey Wealth Fund with an equity stake of 75.29386473% (Address: Muallim Naci Cad. No: 22 Ortaköy/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⁾	1,862,601,723.78	75.29386473
Free Float ⁽¹⁾⁽²⁾	611,094,302.00	24.70289334
Other	80,198.00	0.00324193
Total	2,473,776,223.78	100.00000000

⁽¹⁾ Turkey Wealth Fund's shares corresponding to share capital of TRY 1,224,326,155.78 are eligible to be traded on the stock exchange.

⁽²⁾ The Free Float amount includes shares corresponding to share capital of TRY 64,815,876 that were repurchased in 2019 and in 2020 pursuant to the Bank's Board of Directors' Share Buy Back Resolutions dated August 29, 2018 and March 17, 2020, respectively.

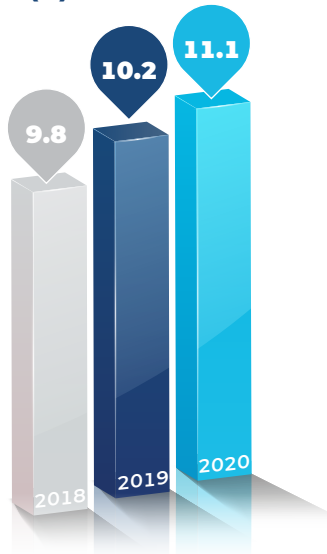
KEY FINANCIAL INDICATORS AND RATIOS

Halkbank's assets increased 48.8% as of year-end 2020 to reach TRY 680 billion. Over the same period, Halkbank raised its assets market share to 11.1% while shareholders' equity stands at TRY 42.9 billion.

Halkbank's Position in the Sector

Market Share (%)	2019	2020
Total Assets	10.2	11.1
Cash Loans	10.8	11.9
Securities	13.9	13.9
Deposits	11.1	12.6
Shareholders' Equity	6.5	7.1
Profit	3.5	4.3

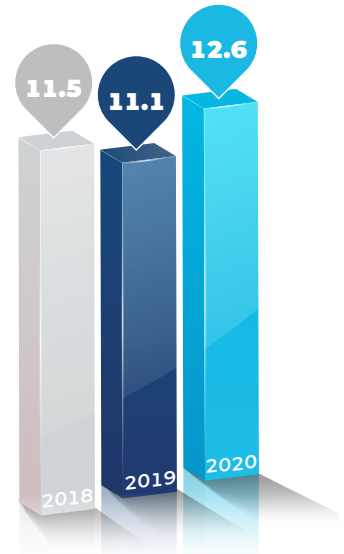
TOTAL ASSETS MARKET SHARE (%)



CASH LOANS MARKET SHARE (%)



DEPOSITS MARKET SHARE (%)

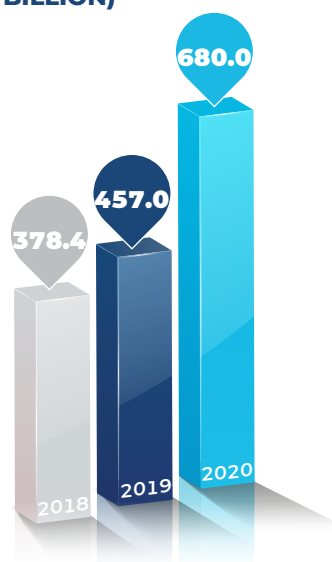


* Sector data dated December 31, 2020 and featured in the report was disclosed by BRSB on February 1, 2021.

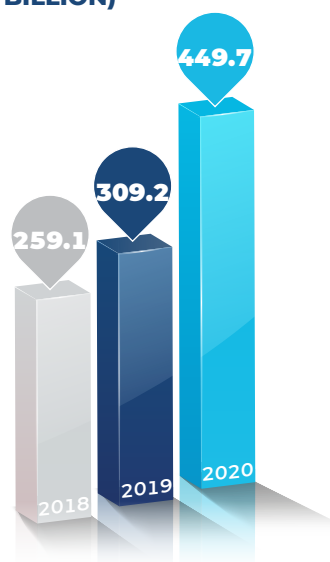
Key Financial Indicators (TRY Million)	2019	2020	Change (%)
Total Assets	457,045	680,026	48.8
Liquid Assets	38,239	65,622	71.6
Cash Loans	309,208	449,745	45.5
Securities	102,734	159,200	55.0
Total Deposits	297,734	457,286	53.6
Shareholders' Equity	32,197	42,931	33.3
Net Interest Income	10,612	18,753	76.7
Net Fee and Commission Income	2,778	2,615	-5.9
Gross Profit	1,968	3,230	64.1
Net Profit	1,720	2,600	51.1

Key Ratios (%)	2019	2020
Interest Bearing Assets/Total Assets	84.3	84.6
Cash Loans/Total Assets	67.7	66.1
Non-performing Loans/Total Cash Loans (Gross)	5.15	3.76
Cash Loans/Deposits	103.9	98.4
Average Return on Assets	0.4	0.5
Average Return on Equity	5.6	6.9
Capital Adequacy Ratio	14.3	15.2

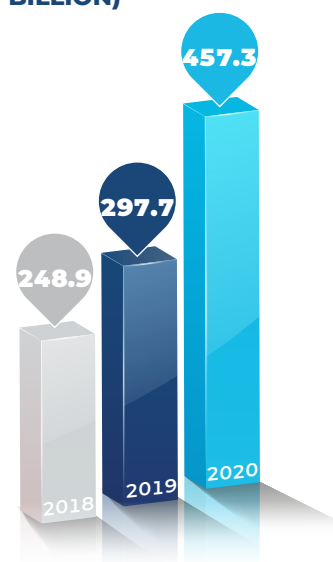
**TOTAL ASSETS
(TRY BILLION)**



**CASH LOANS
(TRY BILLION)**



**TOTAL DEPOSITS
(TRY BILLION)**



* Cash loans include rediscount loans and gross non-performing loans. The corresponding amounts for 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.

People's banking started in Turkey with the establishment of Halkbank.



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.

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 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 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

Thanks to the major strides made in recent years, Halkbank 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.

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. Bids placed by domestic and international investors for the Bank's floated shares amounted to 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%. 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.

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 North Macedonia. Aiming to be one of North Macedonia’s top three banks, Halkbank operates in the country under the name of Halk Banka A.D. Skopje. In 2012, Halk Banka A.D. Skopje acquired Ziraat Banka A.D. Skopje.

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.



Striving 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.

MILESTONES

Halkbank's issued capital was raised from TRY 1,250,000,000 to TRY 2,473,776,223.78.

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.

- 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 North Macedonia in 2011 and operates in the country under the name of 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.

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

- Halkbank 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.

2019

- The number of domestic branches reached 1,000.

2020

- Halkbank's issued capital was raised from TRY 1,250,000,000 to TRY 2,473,776,223.78.

CHAIRMAN'S ASSESSMENT

As Halkbank, in accordance with our responsible banking approach, we complemented the policies put in place resolutely by Turkey's economic administration.

Esteemed Stakeholders,

The start of the administration of the vaccines developed against the pandemic in the last quarter of 2020 across the world marked a turning point in the fight against the COVID-19 pandemic. Besides, the developments regarding the new coronavirus variants discovered in the United Kingdom turned the global expectations on the health side of the fight toward a cautious optimism. This situation should be interpreted as that we need to continue abiding by the rules concerning protection from the virus as vaccination efforts also progress rapidly in Turkey.

When we glance at the developments from the economic perspective, the World Bank revised its 2020 global growth forecasts from minus 5.2% to minus 4.3% in consideration of early signs of

recovery. Despite the concerns about the coronavirus mutations, 2021 is projected to bring positive growth. The World Bank is forecasting 4.0% growth for the global economy in 2021. The developed country central banks, led by the Fed and the ECB, are also projected to continue low interest rates and expansionary monetary policies throughout 2021.

Owing to its robust health care system and the dedicated efforts of its health care professionals, Turkey performed well in the fight against the pandemic with its means in terms of protecting the public health and boosting economic resilience. While the Central Bank of Turkey pursued an expansionary monetary policy until the last quarter to lessen the pandemic's damage to the economy, the Government launched the TRY 562 billion Economic Stability

Shield Programme which entailed direct payments, credit guarantee fund, tax cuts and tax deferrals. During the nine-month period from the first case in March to the end of 2020, TRY 45.5 billion were paid to employees and households as part of the social protection shield.

Thanks to these measures, the Turkish economy grew 6.7% in Q3 despite the impacts of the coronavirus pandemic. During the same period, the European Union contracted 4.3%. Turkey was also the only country in the Organization for Economic Co-operation and Development (OECD) to register positive growth in Q3. Even though the pace of the economic activity slowed down in Q4 due to the Central Bank's monetary tightening to rein in the currency-driven rise in inflation, the Turkish economy is projected to finish the year with one percent growth.



As Halkbank, in accordance with our responsible banking approach, we also complemented the policies put in place resolutely by Turkey's economic administration. We continued to stand in solidarity with our employees and customers during the challenging conditions of Q4 of 2020. We helped to boost the resilience of our SMEs and artisans with all of our strength. Our digital transformation efforts

increased access to financial services and comprehensiveness, which further bolstered Halkbank's mission. We will continue to work and serve our country in accordance with this approach that constitutes the essence of our corporate identity and culture. In 2021, we strive to be a part of the sustainable growth planning of Turkey's economy and to contribute to this planning. We will continue to create value for our people and

our economy in the upcoming period with our employees, customers and stakeholders. I would like to express my gratitude to our employees and to all of our stakeholders who have contributed to and supported our results during this period.

Sincerely,

R. Süleyman ÖZDİL
Chairman

GENERAL MANAGER'S ASSESSMENT

I can proudly state that, as Halkbank, we assumed a major responsibility in the ability of the Turkish economy to sustain its momentum in 2020. We stood by the real sector for more production, employment and exports.



TURKISH ECONOMY'S 2021 GROWTH FORECAST

The IMF's World Economic Outlook Report projects 6% growth for Turkey in 2021, which affirms the dynamism of the Turkish economy and demonstrates the power of the policy mix that is currently being implemented.

Esteemed Stakeholders,

In 2020 the pandemic left its mark on the banking industry on a global scale, similar to many other industries. The core motivation of the finance industry was to lessen the adverse economic impacts of the pandemic. As many developed countries suffered double-digit contraction rates during the year, the central banks announced large asset purchase programs and cut interest rates aggressively to overcome this devastating period. The governments focused on synchronizing monetary and fiscal policies by unveiling large fiscal stimulus packages that also included direct cash payments.

International finance institutions began to release promising projections in their economic forecasts in response to successful vaccine trial results in the last quarter of the year. We also believe that the global economy can recover quickly in the period ahead after the hiccups in the vaccination

campaign are straightened out and the pandemic-driven challenges in the global supply chains are resolved.

Turkey's banking industry managed to survive this global challenge with minimal damage. Robust policy coordination and the industry's rapid adaptation to the digital transformation are the primary reasons for this.

Turkey's experience in crisis management limited the adverse effect of the pandemic. In comparison to the other countries, Turkey managed to support both the economy and the finance industry more strongly. Major industry and company support operations were conducted with the meticulous and selective support from our government and the Central Bank. The Turkish economy recorded positive growth in Q1 due to the delayed arrival of the pandemic in Turkey; registered merely a single-digit contraction in Q2 as opposed to a deeper slump in the world economy in general; and began to recover quickly in the second



Turkey's banking industry managed a strong showing during the pandemic.

half of the year, as a result of which Turkey stood out as one of the fastest growing economies. The IMF's World Economic Outlook Report, published in January, projects 6% growth for Turkey in 2021, which affirms the dynamism of the Turkish economy and demonstrates the power of the policy mix that is currently being implemented.

As a result of the monetary policy's emphasis on price stability and the Central Bank's bolstered credibility due to the

robust communication and transparency focused steps, foreign investors began buying lira-denominated assets and pricing in the domestic capital markets improved. Within this scope, improving inflation expectations and falling risk premiums led to an acceleration in portfolio investments. In line with the falling risk premiums, some large smart phone manufacturers will commence production in Turkey in Q1 as part of foreign direct investments, which created

the expectation that foreign resources will support the Turkish economy in 2021.

During this period the Turkish banking industry remained resilient, to the surprise of international analysts. State-of-the-art technology, skilled personnel and prudent risk management stemming from past experiences are the reasons for the Turkish banking industry's higher resilience compared to other countries.

GENERAL MANAGER'S ASSESSMENT

As Halkbank, we performed strongly in the field in terms of coordinating the incentives that helped boost Turkey's economic growth momentum.



MAJOR SUPPORTS FOR SMEs, TRADESMEN AND ARTISANS

We provided major supports for SMEs, tradesmen and artisans during 2020. We raised the share of the SME loans in the Bank's commercial loans to 52.7%, a very high level.

I can proudly state that, as Halkbank, we also assumed a major responsibility in the ability of the Turkish economy to sustain its momentum. We stood by the real sector for more production, employment and exports as part of our responsible banking approach. We performed strongly in the field in terms of coordinating the incentives that helped boost Turkey's economic growth momentum.

We provided major supports for SMEs, tradesmen and artisans during 2020. We raised the share of the SME loans in the Bank's commercial loans to 52.7%, a very high level. Our goal is to increase this share to 60% or above in 2021. We stood by our people via cash loans of TRY 322 billion in 2020. Further, we deferred the loan payments of 850 thousand small business and retail customers amounting to TRY 40.1 billion. In addition to two deferrals in the Ministry of Treasury and Finance interest-subsidized tradesmen loans

in 2020, we deferred them for an additional six months and provided relief to the tradesmen. Our fresh lending to the tradesmen and artisans in 2020 alone stands at TRY 42.7 billion while our tradesmen loan book as of year-end 2020 topped TRY 67.5 billion. Our total lending to 3.1 million tradesmen and artisans since 2002 reached TRY 161.3 billion. We will continue to support our tradesmen under all circumstances.

Making a big leap in the commercial card space during this period, we reached more than one million commercial card customers and rose to second place in the banking industry by the number of commercial cards in circulation. We also registered strong growth in the number of new customers, as we acquired 2.5 million new customers in 2020.

While performing our duty to our country, we notched up exemplary accomplishments for the overall banking industry

As Halkbank, our accomplishments in 2020 are our biggest reference for 2021. We will continue to realize our grand objectives one by one in 2021. Because we are the People first and then a Bank.



Our accomplishments are the result of the efforts of each and every member of the 20,171-strong Halkbank Family, including our 1,596 new colleagues who joined us in 2020.

with our 2020 performance. We became the third largest bank in the industry by assets, which we deem a critical success factor, while ranking second by loans and deposits. We raised our assets to TRY 680 billion with a 48.8% increase. Our total loans and deposits reached TRY 564.3 billion and TRY 457.3 billion, respectively. We announced TRY 2.6 billion net profit for the period.

A major share of these accomplishments can be attributed to our timely investments in digital transformation and the progress we have made in this regard. We should not forget that the real appreciation belongs to the entire Halkbank staff, thanks to their devotion, determination and hard work. This success story is the result of the efforts of each and every member of the 20,171-strong Halkbank Family, including our 1,596 new colleagues who joined us in 2020.

Esteemed Stakeholders,

As Halkbank, our accomplishments in 2020 are our biggest reference for 2021. We will continue to realize our grand objectives one by one in 2021. Because we are the People first and then a Bank. We derive the strength for our success from our deep-rooted culture. Having completed this globally challenging period with successful and exemplary results for our industry, we are empowered and emboldened to undertake greater initiatives in 2021. As it has been to date, our strongest supporters on this journey will continue to be our valued investors. On behalf of the Halkbank family, we thank you for your trust in us and we would like you to know that we are moving forward with confidence to attain our goals.

Sincerely,

Osman ARSLAN
General Manager

BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



(1) Recep Süleyman ÖZDİL

Chairman and Independent
Board Member

(2) Himmet KARADAĞ

Vice Chairman and Independent
Board Member

(3) Osman ARSLAN

General Manager and
Board Member

(4) Kerem ALKİN

Board Member

(5) Meltem TAYLAN AYDIN

Board Member

(6) Maksut SERİM

Board Member

(7) Ebubekir ŞAHİN

Board Member

(8) Sezai UÇARMAK

Board Member

(9) Mevlüt UYSAL

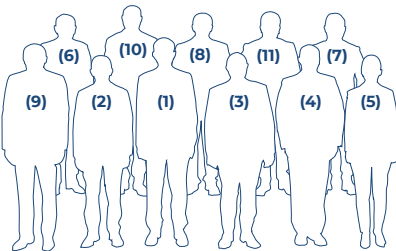
Independent Board Member

(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 TUNCA Y

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) Celal CANDAN

Deputy General Manager

(9) Olcay DOĞAN

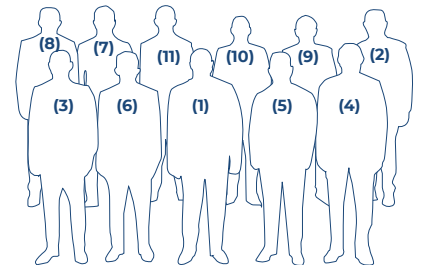
Group Manager

(10) Mehmet Zihni GÜVENER

Group Manager

(11) Olcay ATLIOĞLU

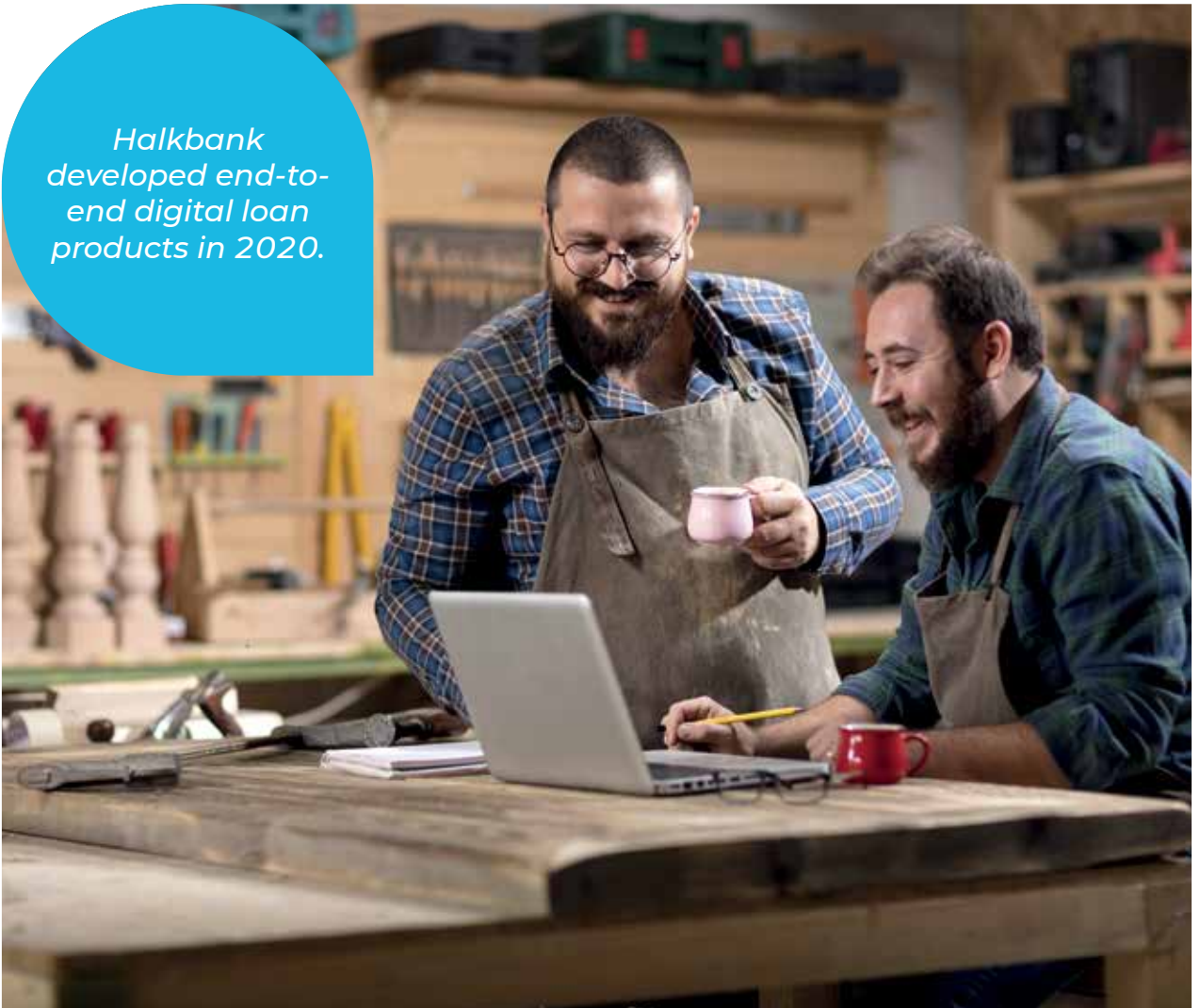
Group Manager



REVIEW OF OPERATIONS IN 2020

Improving its technology infrastructure and focusing on Digital Banking and alternative delivery channels in 2020, Halkbank offers the right products and suitable services to its customers.

*Halkbank
developed end-to-
end digital loan
products in 2020.*





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.

Continuing to grow in the Corporate and Commercial Banking segment in 2020, Halkbank prioritizes customer satisfaction and offers the right products and suitable services in line with the needs of its customers.

Halkbank's major goals include providing the products and services customers need via specialized staff 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 treats its customers' investments as the future of Turkey and contributes to Turkey's development within this understanding.

Increasing Corporate and Commercial Banking cash loans 24.4% year-over-year in 2020 to TRY 173.8 billion while total loans in the segment reached TRY 257.4 billion, Halkbank continued to finance projects that were in the 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.

Halkbank quickly integrated with the digitalized payment and collection systems in an effort to meet the changing customer demands and expectations due to the COVID-19 pandemic that made its presence felt particularly from Q2 on in Turkey and across the world.

The number of contracted institutions in the customer satisfaction-based collection and payment services ticked up 8% in 2020 compared to the previous year while the collection volume increased 21%.

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 18%, dealers by 34% and the collection amount increased by 50% when compared to the previous year.

REVIEW OF OPERATIONS IN 2020

Halkbank continued its uninterrupted support for the real sector with a large number of new products and services in an attempt to mitigate the impacts of the COVID-19 pandemic and to help enterprises stay in business and maintain their employment levels.



In 2020 Halkbank continued to lead innovation and play an active part in the success of SMEs thanks to its SME Banking initiatives.

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 a countrywide extensive branch network and over 2,700 Customer Representatives exclusively serving SMEs, Halkbank offered 24/7 uninterrupted service to SMEs with www.halkbankkobi.com.tr and www.halkbankkobigelisim.com.tr as well as continuously-improving digital channels such as the Corporate Internet Branch, Halkbank Mobile and Artisan and SME Dialogue. The Bank continued to leverage its technology infrastructure as a powerful competitive advantage.

In 2020 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, supporting job creation, 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.

Continuing to support the SMEs and tradesmen during COVID-19 in order to help all sectors impacted negatively by the pandemic survive and to mitigate the effects of the pandemic, Halkbank rolled out a large number of products as part of the economic stability shield and normalization measures.

As a result of these initiatives, despite the fiercely competitive SME Banking segment, Halkbank raised its market share in SME loans from 18.5% at year-end 2019 to 21.6% ⁽¹⁾ at the end of 2020 in a display of great accomplishment. Halkbank's lending to SMEs in 2020 account for 43% of its total cash loans.

⁽¹⁾ Calculations are based on the definition of SME in the Ministry of Industry and Technology's Regulation on the Definition, Attributes and Classification of Small and Medium Size Enterprises.



Full Support for the Real Sector during the Pandemic

One of the leading financial institutions in combating the COVID-19 pandemic, Halkbank continued its uninterrupted support for the real sector with a large number of new products and services in an attempt to mitigate the impacts of the pandemic and to help enterprises stay in business and maintain their employment levels.

Halkbank supported all customers adversely impacted by the pandemic, particularly in the manufacturing, logistics, education, tourism and services industries, with the KGF sponsored Stay in Business Loan Support-Lifeline Working Capital Loan. The Bank also launched the KGF sponsored Check Payment Support Loan and the Halkbank Check Limit Loan products to help businesses pay the checks they have drawn. In

addition, Halkbank supported the real economy with the Salary Payment Support Loan to help the enterprises adversely impacted by the pandemic maintain their employment levels and pay the salaries of their employees on time.

The Stay in Business Support-Lifeline Working Capital Loan was unveiled as part of the Economic Stability Shield Programme measures to support the sole proprietorships that are in the small business category, having difficulty accessing the credit facilities that they need and are registered with the Chamber of Commerce, Chamber of Industry, Chambers of Commerce and Industry, Commodity Exchanges, Chambers of Maritime Trade and Trade Associations.

Rolling out the KGF sponsored Tourism Support Package in an effort to support the tourism

industry, one of the sectors hit hardest by the pandemic and its supplier network, Halkbank also unveiled the Domestically Manufactured Commercial Vehicle Loan to support the auto industry.

Uninterrupted Service through Digital Channels during the Pandemic

Improving its digital banking infrastructure, Halkbank provided enterprises with the opportunity to apply for the Small Business Lifeline Loan on the www.halkbankkobi.com.tr website, get a disbursement without having to visit a branch and execute contract approvals digitally. In addition, business were enabled to perform other banking transactions through digital channels. During the most critical days of the fight against the pandemic, enterprises performed most of their banking transactions through the alternative channels such as the mobile branch, internet banking, ATM and SMS.

REVIEW OF OPERATIONS IN 2020

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.



In 2020 Halkbank continued to cooperate with trade associations and offer value-added generating products to SMEs.

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.

As part of this effort in 2020, Halkbank continued to offer solutions customized for individual industries and business lines with such products as the IVME Financing Package and Textiles-Apparel Manufacturing Value Loan for financing new or capacity increase/renovation investments, acquisition investments that entail the purchase of new and domestic machinery manufactured by selected industries and working capital needs arising from such investments; and the Domestically Manufactured Commercial Vehicle Loan Campaign and the Pre-owned Commercial Vehicle Loan

Campaigns to finance vehicle purchases of individuals and businesses under affordable terms.

In 2020 Halkbank continued to cooperate with trade associations and offer value-added generating products to SMEs. Support for the pharmacists continued with the Pharmacist Support Package as part of the cooperation with the Turkish Pharmacists' Association. Halkbank also supported the enterprises in other professional business lines with the TURMOB Loan Package that was put together as part of the partnership with TURMOB (Union of Chambers of Certified Public Accountants) and with the ATO Member Insurance Agents and Appraisers Support Package that was offered as part of the protocol signed with the ATO (Ankara Chamber of Commerce).

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 continued its financial support with 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.

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 helped companies to open letters of credit and perform other foreign trade transactions under affordable terms.

As part of the cooperation protocol it signed with a leading global e-commerce platform in 2020, Halkbank continued to provide 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 offering 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.

Halkbank provides 24/7 uninterrupted support to artisan and SME customers over the dedicated 0850 222 0 401 Artisan and SME Dialog phone line where they can gather information on products and services without visiting a branch, make appointments and utilize support services.

The www.halkbankkobigelisim.com.tr website also 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 2020. 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 the Stay in Business, Check Payment Support, Small Business Lifeline, Tourism Support, Micro Enterprises Support and COSME Loans. As part of the protocols, the Bank unveiled attractive loan packages for SMEs.

REVIEW OF OPERATIONS IN 2020

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 KGF-sponsored Micro Enterprises Support Package was put together to finance all contract or invoice-backed overhead costs, particularly salary and rent payments and cash needs of micro enterprises.

Halkbank created the KGF sponsored Information Technology and Software Industry Support Loan for the purpose of supporting the information technology and software industry that is among the strategic sectors, increasing the competitive and innovation capabilities of technology entrepreneurs, protecting the information technology and software firms adversely impacted by imports from unfair competition, accelerating the domestic and national technology initiative, mobilizing the local potential in the technology space and boosting the international competitiveness of the firms in the industry.

The KGF-sponsored Micro Enterprises Support Package was put together to finance all contract or invoice-backed overhead costs, particularly salary and rent payments and cash needs of micro enterprises. As part of the package, micro enterprises' cash needs, Turkish lira-denominated Letters of Credit for goods purchases, DBS, Guaranteed Check demands and Commercial Credit Card spending were met.

KOSGEB Interest Support Loans

Halkbank and the Small and Medium Enterprises Development Organization of Turkey (KOSGEB) launched the KOSGEB SME Financing Program in 2020 to offer financial support under favorable terms to enterprises registered in the KOSGEB database that have a valid SME Certification. Under this program, a large number of SMEs and entrepreneurs financed their working capital needs at zero or very low interest rates and expanded their businesses.

In addition, the KOSGEB Elazığ and Malatya Provinces Emergency Support Loan and the KOSGEB Elazığ and Malatya Provinces Manufacturing Industry Working Capital Interest Support Program were rolled out in an effort to ease the pain of the earthquake that hit Elazığ and Malatya and to ensure the continuity of economic activities in these provinces. Halkbank also signed protocols with KOSGEB and KGF due to the flood disasters for the Istanbul-Esenyurt Emergency Support Loan and the Giresun Province and Rize-Çayeli Emergency Support Loan.



The Ministry of Treasury and Finance interest-subsidized loans entail a 50% interest discount rate.

Ministry of Treasury and Finance Interest-Subsidized Tradesmen Loan Facility

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 the Ministry of Treasury and Finance interest-subsidized working capital tradesmen loans 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.

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

An interest discount rate of 50% was applied for the Ministry of Treasury and Finance interest-

subsidized working capital and investment loans to tradesmen and artisan in 2020, while an interest discount rate of 100% was applied for the loans extended to those tradesmen and artisans active in professions that are near extinct, those with certificates of mastership who set up new businesses and young entrepreneur artisans and tradesmen.

Following the new amendment in 2020, the individual upper limits were between TRY 100 thousand and TRY 225 thousand, based on the risk groups of the cooperatives for the Ministry of Treasury and Finance interest-subsidized working capital loans to ESKKK partners and based on the borrowing customer's risk group for the Ministry of Treasury and Finance interest-subsidized direct loans.

REVIEW OF OPERATIONS IN 2020

As part of the Tradesmen Support Package, Halkbank disbursed TRY 18.7 billion worth of working capital loans to 755 thousand tradesmen and artisans and allocated TRY 10.5 billion worth of Paraf Tradesmen Card line of credit to 556 thousand tradesmen and artisans, for a total support of TRY 29.2 billion.



Halkbank's total Ministry of Treasury and Finance interest-subsidized tradesmen loans to the tradesmen and artisans soared 65% in 2020 to reach TRY 67,518 million by year-end.

Loans to 1,161,892 Tradesmen and Artisans

Halkbank's total Ministry of Treasury and Finance interest-subsidized tradesmen loans to the tradesmen and artisans soared 65% from TRY 41,042 million at year-end 2019 to reach TRY 67,518 million by year-end 2020.

As of year-end 2020, total Ministry of Treasury and Finance interest-subsidized tradesmen loans extended to tradesmen and artisans under ESKKK guarantee amounted to TRY 53,793 million, while total Ministry of Treasury and Finance interest-subsidized tradesmen loans without ESKKK guarantee granted directly by the Bank totaled TRY 13,727 million.

At the end of 2020, the Bank extended 100%-interest rate discounted (zero interest rate) loans totaling TRY 33.2 million. Of this total, TRY 27.9 million went to tradesmen and artisans who took out zero interest rate loans of up to TRY 30 thousand; TRY 1.1 million was allocated to tradesmen and artisans with mastership certification who were setting up new businesses; TRY 3 million was obtained by tradesmen and artisans operating in professions nearing

extinction and TRY 1.2 million was extended to young entrepreneurial tradesmen and artisans.

Halkbank offers Ministry of Treasury and Finance Interest-Subsidized Investment Loans 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 562 million for workplace purchases and TRY 248 million for motor vehicle acquisitions, for a total of TRY 810 million in investment loans as of year-end 2020.

In response to the January 24, 2020 earthquake, the installment payments of Ministry of Treasury and Finance interest-subsidized tradesmen loans extended prior to the earthquake to the tradesmen and artisans in the Malatya and Elazığ provinces and all of their districts and the Gerger and Sincik provinces of the Adiyaman province whose workplaces were damaged during the earthquake were deferred for one year without interest. In addition, customers meeting these criteria were offered five-year, zero-interest loans with an upper limit of TRY 50 thousand.



Halkbank allocated TRY 10.5 billion worth of Paraf Tradesmen Card line of credit to 556 thousand tradesmen and artisans.

In response to the August 23, 2020 flood disaster, the installment payments of Ministry of Treasury and Finance interest-subsidized tradesmen loans extended prior to the flood to the tradesmen and artisans in the Giresun province whose workplaces were damaged during the flooding were deferred.

A "Tradesmen Support Package" was offered as a relief to the tradesmen and artisans who are having difficulty accessing financing during the pandemic

and consisted of two products: 36-month "Working Capital Loan" with Treasury-subsidized interest, 4.5% interest rate per year, up to a six-month grace period and an upper limit of TRY 25 thousand; and "Paraf Tradesmen Card" with an upper limit of TRY 25 thousand, three-month grace period and 12-month installment opportunity. As of year-end 2020 within this scope, as part of the Tradesmen Support Package, the Bank disbursed TRY 18.7 billion worth of working capital loans to 755 thousand

tradesmen and artisans and allocated TRY 10.5 billion worth of Paraf Tradesmen Card line of credit to 556 thousand tradesmen and artisans, for a total support of TRY 29.2 billion.

Further, the installments of the Ministry of Treasury and Finance interest-subsidized tradesmen loans that the tradesmen and artisans who were impacted by the pandemic took out from Halkbank that were due between April 1, 2020 and September 30, 2020 were deferred.

REVIEW OF OPERATIONS IN 2020

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 retail loans reached TRY 82.7 billion, accounting for 18.4% of total cash loans.





RETAIL BANKING

In an effort to lend every support possible in the fight against the pandemic, Halkbank helped its customers access financing without having to visit a branch and take advantage of the opportunities available to them.

Adopting a customer-focused banking approach, Halkbank offers suitable solutions to customer's changing and diversifying needs with its 82 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 retail loans extended reached TRY 82.7 billion, corresponding to 18.4% 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 offering a diverse product lineup to capture a higher market share.

The Bank continued offering an array of diversified loan products to its customers including traditional consumer loans such as "General Purpose Loan for Healthcare Workers" for the healthcare sector, "Loan 155" for police officers, "Halk Day 2020" 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 2020 with personal loan products customized to meet their specific financing requirements. To this end, the Bank unveiled the "Personal Basic Needs Support Package" to finance the basic needs, such as healthcare, rent and bills (electric, water, natural gas) of customers who are either impacted or likely to be impacted, directly or indirectly, by the pandemic.

In an effort to lend every support possible in the fight against the pandemic and to help its customers access financing without having to visit a branch and take advantage of the opportunities available to them, Halkbank implemented additional developments in digital channels, updated credit business flows and increased the active utilization of the digital channels (SMS, Mobile, Web, Internet Branch, Dialog and IVR).

During the ongoing pandemic in 2020, in addition to supporting the retail customers, Halkbank also cooperated with businesses pursuant to protocols to support firms engaging in domestic production and the tourism industry and offered lower cost funding facilities to its customers.

To this end, the Bank rolled out the "Social Life Support Package" for customers' social life-related needs (furniture, electronics, white goods, home textiles, small appliances, residential paint, ceramics and door and window systems) and the "Vacation Support Loan Package" for customers who make vacation purchases from travel and tourism companies.

REVIEW OF OPERATIONS IN 2020

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.



As of year-end 2020,
1.2 million people
receive their salary
payments through
Halkbank.

In addition, as part of the protocol signed with the Turkish Pharmacists' Association, the "Pharmacist Support Package" was offered for the financial needs of retail customers who are payroll employees of pharmacies that are members of the Association.

Considering the payment difficulties customers may experience during this period, Halkbank provided its customers with outstanding retail loans and/or overdraft account balances with the opportunity to defer their loan payments for a period of up to three months. Deferral procedures were made available through digital channels without having to visit a branch.

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 2020, the Bank continued with the "My Sweet Home Loan," the "My Economical Home Mortgage Loan" and "Advantageous Home Loan"

packages to offer individuals payment plans at attractive interest rates so that they can become homeowners.

Focusing on creating featured products based on customer needs during the pandemic in 2020, Halkbank offered a loan up to 180 months under attractive interest rates with the "Advantageous Home Loan" campaign, as well as a special payment plan with a grace period of up to 12 months where accumulated interest from the grace period is spread equally to the remaining term of the loan.

Halkbank developed differentiated solutions at the request of retail home buyers as well as residential construction companies and participated in nearly 500 branded residential development projects in Istanbul and other large metropolitan areas.

The Bank offered a variety of campaigns and loan alternatives for developers and customers as part of the residential projects, including the "Don't Postpone Your Dreams, Turkey" campaign that offers a grace period of up to 24 months for Emlak Konut REIT projects and the "TOKI Discount Campaign" for customers who prefer to take advantage of the

discount by paying their debt to the Housing Development Administration of Turkey (TOKI).

Striving to provide specialized products when customers need them, Halkbank unveiled the “Public Housing Mortgage Loan” product for the financing needs of retail customers who buy homes that are being sold by the Directorate General of National Property pursuant to Law No. 4706.

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 2020.

In an attempt to support domestic auto manufacturing during the pandemic and to finance the new and pre-owned vehicle purchases of customers, Halkbank offered the “Vehicle Support Loan Package” with a six-month grace period option as part of the protocols inked with domestic vehicle manufacturers/brands that produce their vehicles in Turkey.

Special Solutions for Salary Payment Clients

The “Payroll 24 Consumer Loan” product, designed specifically for customers who collect their salary via Halkbank, continued to be offered in 2020 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.

Giving 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.”

Corporate Salary Payment

In 2020 Halkbank continued to expand its salary payment intermediation services and acquire new companies with high profitability potential. As of year-end 2020, 1.2 million people receive their salary payments through Halkbank.

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 2020 the Bank added the high-tech and innovative Dual Kart, which combines a debit card and a credit card under a single card, to its card lineup that already included the Paraf, Parafly and Parafree credit card products in the consumer segment as well as the Paraf Tradesmen, Paraf SME, Paraf Business and Paraf SME bearing a Turkish Pharmacists' Association logo in the commercial segment. In addition, Halkbank unveiled deferred tradesmen and SME credit cards products in order to support the tradesmen and SME customers during the pandemic as part of the incentive package.

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. In addition to campaign tracking and a large number of other features, the Paraf Mobile app was enriched with the NFC payment feature in May 2020 that enables payments with mobile phones.

REVIEW OF OPERATIONS IN 2020

The services offered on the Digital Banking channels provide customers a fast and convenient transaction experience without having to visit a branch as well as additional benefits that differentiate Halkbank from its peers.



The total annual transaction turnover of Halkbank ATMs rose 20% in 2020 to TRY 136.9 billion.

Halkbank continues to expand its POS presence through campaigns that meet the expectations of the industry and the member merchants in order to become a major player in the POS market and grow its member merchant network. Halkbank ranks sixth in the POS market with 9.72% market share. The Bank's POS turnover market share increased to 6.45% in 2020.

Number of Digital Banking Customers Climbs to 3.8 Million

The services offered on the Digital Banking channels provide customers a fast and convenient transaction experience without having to visit a branch as well as additional benefits that differentiate Halkbank from its peers. Tax Payments with Barcode, Social Security Institution (SGK) Payments with QR Code and IBAN Scanning with Camera are the functionalities that stand out within this scope.

Applications for the Personal Basic Needs Support Package were accepted from the Halkbank website while this loan was disbursed through Internet Banking. Other tasks performed through Internet Banking include the disbursement of the Tourism Support Package Loan,

applications for the Social Life Support Loans automation of the Tradesmen Loan application flows received from www.halkbankkobi.com.tr and automated processing of Tradesmen Loan and Paraf Tradesmen Card applications.

The number of active Digital Banking customers reached 3.8 million at the end of 2020.

The number of ATMs reached 4,060.

The expansion of the ATM network continued in 2020 based on the optimization criteria that were engaged as part of the TAM Project (Turkey ATM Center) that is projected to commence operation in 2021 as the State-Owned Banks Shared ATM Platform. The number of ATMs reached 4,060.

In 2020, Halkbank recorded 317.4 million transactions at its ATMs, up 2% from the previous year. Meanwhile, total annual ATM transaction turnover increased to TRY 136.9 billion, up 20%. With the newly installed and replaced automated teller machines, the number of Cash-Deposit ATMs rose to 3,678, up by 11%. Of Halkbank's ATM network, 91% are cash depositing ATMs while 25% are also recycle ATMs.



LOAN POLICIES, MONITORING AND LEGAL PROCEEDING

In line with the contemporary banking practices and Halkbank's goals and strategies, the rating systems for the Bank's commercial loan processes were simplified while many areas were automated.

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

Halkbank developed business flows to automate the loan appraisal, offer, allocation and disbursement processes in 2020 in an effort to eliminate the adverse impacts of the worldwide COVID-19 pandemic on Turkey's economy, markets, production and employment; to support the economy, facilitate the people's and the real sector's access to credit; and to transmit the products designed for this purpose to the real sector effectively and quickly.

In line with the contemporary banking practices and Halkbank's goals and strategies, the rating systems for the Bank's commercial loan processes were simplified while many areas were automated.

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.

Due to the developments in the industry and in the general economic environment as well as the impacts of the pandemic, Halkbank expeditiously completed the necessary regulatory updates and the systems infrastructure developments in order to monitor its portfolio quality, identify potential customer needs quickly and take the necessary actions. With the organizations created under the Regional Coordination Offices, collection processes were added to the monitoring function and a more proactive role was assumed in the field.

Despite the pandemic conditions in 2020, the Bank carried out coordinated efforts with other financial institutions in the industry by way of the business units that were expeditiously integrated into the Financial Restructuring Process (FRP) and successfully completed the restructuring process of a large number of customers.

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.

REVIEW OF OPERATIONS IN 2020

Halkbank continued to issue securities in 2020 in order to create alternative funding sources, diversify its product portfolio and customer base, maintain its robust capital position and to support its financial stability.

Armed with the dynamism and innovations necessitated by today's world, Halkbank continues to move forward more strongly with each passing year.





TREASURY MANAGEMENT AND INTERNATIONAL BANKING

Halkbank raised TRY 15.2 billion in 2020 through the issuance of commercial paper and corporate bonds directly to qualified investors without offering them to the public.

Armed with the dynamism and innovations necessitated by today's world, Halkbank continues to move forward more strongly with each passing year.

Managing liquidity proactively through accurate financial analyses and by closely monitoring the global developments, Halkbank managed to maintain its market leadership position in the industry again this year. Embracing the approach of pursuing maximum yield under optimal risk, Halkbank supports its customer-oriented approach with its product diversity thanks to its strong balance sheet and talented employee pool. The Bank is focused on digitalizing its services in line with the technological developments that are transforming the world.

Having successfully maintained the title "Turkish GDS Market Maker" since 2003, Halkbank remains an active player in primary and secondary capital markets in 2020 as well. The Bank played an important role in tenders with respect to the title of Market Maker of the Ministry of Treasury and Finance in public finance. 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 15.2 Billion of Security Issuance

Halkbank continued to issue securities in 2020 in order to create alternative funding sources, diversify its product portfolio and customer base, maintain its robust capital position and to support its financial stability. Within this scope, Halkbank raised TRY 15.2 billion in 2020 through the issuance of

commercial paper and corporate bonds directly to qualified investors without offering them to the public.

Introduced to the capital markets as a new product in 2019, the Turkish Lira Overnight Reference Rate (TLREF) was created to fill the need for a reference short-term Turkish Lira interest rate to serve as a floating interest rate benchmark, underlying asset, or benchmarking criterion in financial derivative products, borrowing instruments and various financial contracts. Halkbank was among the leading banks in TLREF indexed securities issuances, continuing in 2020 the issuances it started in 2019 and reaching TRY 2.2 billion issuance volume by the end of the year. 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.

REVIEW OF OPERATIONS IN 2020

Offering quality and high value-added services and products to its clients in the foreign trade segment, Halkbank effectively manages its extensive correspondent bank network comprised of some 1,200 banks in 115 countries.



Halkbank trades derivatives markets products for risk hedging as well as yield purposes.

Strong, Innovative and Customer-Oriented Approach

In 2020, 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 in hedging transactions related to project finance. The Bank closely monitored the digitalization trends and continued to carry out intensive initiatives in order to be in synch with the global best practices.

Owing to its countrywide extensive branch network, large customer portfolio comprised mostly of SMEs and corporate scale clients, Halkbank maintained its strong and pioneering presence particularly in foreign exchange and precious metals markets while solidifying its position among the most influential players in the foreign exchange and precious metals markets as a result of the marketing strategies it pursues toward its customer base.

115 Countries, 1,200 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 2020, 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 in 2020.

Halkbank effectively manages its extensive correspondent bank network comprised of some 1,200 banks in 115 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. Within this frame, Halkbank regularly reviews its limits, effectively manages country and correspondent bank risks

and closely monitors geopolitical developments and the global economic environment.

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 and long-term collaborations in order to develop products that make a difference in the market.

To further expand its correspondent bank network and improve future relations, Halkbank virtually participated in SIBOS that was held between October 5-8, 2020. Due to the pandemic that impacted the entire world in 2020, one-on-one meetings with correspondent banks were also conducted virtually.

Relations with International Institutions

In 2020, Halkbank maintained business relationships with international financial institutions – including European Investment Bank, World Bank and French Development Agency – from which it obtained long-term, low-cost funding. As a result, the Bank continued to finance the investment and working capital needs of its clients.

Efficient Communication with Stakeholders and Investors

In 2020, 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 met with a large number of investors, analysts and portfolio managers in individual and group meetings in Turkey and abroad, particularly in financial centers where international institutional investors are based. Adapting to the new business models effectively and quickly under the pandemic conditions, the Bank conducted these meetings via teleconferences and video conferencing.

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

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 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 and Representation Offices

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 directorate, 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 Representation Office was inaugurated in Singapore.

REVIEW OF OPERATIONS IN 2020

Halkbank's deposits reached TRY 457.3 billion as of year-end 2020, a 53.6% year-over-year increase.



The share of term deposits in total deposits stands at 80.8%.

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.

The Bank's deposit management strategy, which is critically important to maintain Halkbank's solid funding structure, is based on the key principles of cost, market share and liquidity. 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.

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 continued to offer Accumulating Deposit, Fixed-Interest Productive Deposit, Flexible Term Deposit, Deposit with Mutual Fund, Convertible Safe Deposit, Convertible Term

Deposit, Dowery Account, Home Deposit Account, Demand/Term Gold Deposit Account, FX to Lira Conversion Deposit Account, Inflation Indexed Protecting Deposit Account and Inflation Protected Interim Payout Deposit Account products.

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 457.3 Billion

Halkbank's deposits reached TRY 457.3 billion as of year-end 2020, a 53.6% year-over-year increase. The term deposits rose to TRY 369.3 billion with an increase of 50.6% and its share in total deposits equaled to 80.8%.



HUMAN RESOURCES

In 2020 1,596 people joined the Halkbank family.

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 20,171 employees. Halkbank operates 1,007 branch locations in Turkey (928 regular branches; 7 corporate, 36 commercial, 2 free-zone and 34 satellite branches), 29 regional offices, 1 country directorate office, 6 overseas branches and 3 overseas representation offices.

In 2020, 1,596 people joined the Halkbank family while 392 employees left. The average job tenure of employees stands at 10.7 years while the average age is 35.4. Halkbank's staff consists 86.8% of higher education graduates and 13.2% 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.

Having made a rapid start to in-class trainings prior to the pandemic, Halk Academy underwent a transformation in response to the pandemic and began focusing on design initiatives to conduct the trainings digitally.

In 2020 the Bank conducted 1.67 people/day of training for a total of 1,358 sessions. Of these, 58.6% were in-house training

while the remaining 41.4% were administered by external training firms/instructors. The pace of core banking training programs was intense toward the end of the year due to nearly 1,000 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 second batch of the "Gallipoli" training programs for the newly appointed branch managers was conducted in-class and completed in early 2020, while the training for the third batch started online in the end of the year. The USTAM (My Master) Mentoring Project was launched to support the development of the newly-appointed branch managers with the participation of department heads, regional coordinators and experienced and accomplished branch managers as mentors. Both the mentors and the mentees were administered online training.

Forty-five in-house instructors who were brought up as part of the "Development Drivers" Project that was launched in 2018 received the Digital Presentation Techniques training. These instructors began working on transitioning the 2021 training courses to the online platform.

Halk Academy introduced an extensive e-learning catalogue containing various contents under topics such as technical banking, bank applications, new products and services, personal

REVIEW OF OPERATIONS IN 2020

Employees on average were administered 11.68 people/day e-training in 2020, for a total training attendance of 1.4 million hours.



The Halk Academy Library was expanded with periodic book purchases, adding 903 new books to the physical library and 2,000 books to the digital library in 2020.

and professional development, IT training and trainings and training videos under more than 600 titles, articles and documents to support in-class trainings in 2020.

In addition to the Halk Academy Training Platform, Halkbank also rolled out mobile applications compatible with next generation learning in 2020. Halk Academy TV made live broadcasts during the pandemic where health experts provided education on health topics. In an effort to support the development journey of the individuals during the pandemic, the “Halk Academy Always on Your Side Newsletter” was sent to the employees with training, article, film and book recommendations based on weekly concepts. Choosing training topics from the training catalog based on “competencies,” “Training Festival” contents were shared on a biweekly basis. Employees on average were administered 11.68 people/day e-training in 2020, for a total training attendance of 1.4 million hours. The Bank reached 13.35 people/day of training in 2020.

The number of books in the Halk Academy Library reached 15,000 while the number of

e-books in the Digital Library topped 23,000. During 2020 1,311 books were checked out by readers from the Halk Academy Physical Library while 88,503 books were downloaded from the Digital Library. The Halk Academy Library was expanded with periodic book purchases, adding 903 new books to the physical library and 2,000 books to the digital library in 2020.

The Halkbank SME Development website, open to all existing and potential customers, published 12 videos and 22 articles while reaching 3,685 members in 2020.

Career and Self-Improvement Days

In an effort to help students learn about the professional life, Halkbank continues to engage in active dialogue with university students 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 participates in the career and personal development days events and focuses on developing projects that will shed light on the future of the young people.



The number of calls received by Halkbank Call Center in 2020 increased by 50% on the previous year. As a result of this increase, the number of communications conducted by the Customer Communication Center reached 46.3 million during the year.

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 21 million in 2020.

In 2020, 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 1.7 million directed transactions that were formerly executed by the branches and the operations center were automated, reducing their workload. As part of the integration of new technologies into the business processes, the Bank began deploying robots in the customer research business segment. The project to carry out lien registration and release transactions in the electronic environment went live. In addition, release transactions for securities taken against the letters of guarantee and loans granted to the customs offices, Eximbank and Findeks member private counterparties 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 2020 increased by 50% on the previous year. As a result of this increase, the number of communications conducted by the Customer Communication Center reached 46.3 million during the year. The number of transactions performed by way of the Customer Communication Center surged 31% to 103.7 million. Using both in-house and external resources, nearly 5.9 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.

A new location was inaugurated in Aydın in 2020, which increased the Bank's outbound calling capacity. All services and operations during the pandemic were conducted under the remote working model. As part of the digitalization efforts, various passwords and passcodes used in the call center and in other digital channels were combined for a transition to a Digital Password that will be valid for all channels.

The Halkbank Call Center obtained the ISO 9001:2015 Quality Management System, ISO 18295-1: 2017 Customer Communication Centers System, ISO 10002:2018 Customer Satisfaction Management System and ISO 22301 Business Continuity Management System certifications in 2020.

REVIEW OF OPERATIONS IN 2020

As part of its digitalization program, Halkbank gave priority to initiatives related to increasing the diversity of transactions offered on the digital channels, improving the customer experience and digitalizing the transactions.



BANKING OPERATIONS AND INFORMATION TECHNOLOGIES

Information Technologies

Starting in March 2020 when the pandemic began to worsen, the Bank developed new loan products for various customer segments; gave priority to the digitalization of the processes for the loan application, intelligence, appraisal and disbursement stages; and carried out initiatives to render remote and secure service to the customers without

having to visit a branch through the internet, mobile and ATM channels.

As part of its digitalization program, Halkbank gave priority to initiatives related to increasing the diversity of transactions offered on the digital channels, improving the customer experience and digitalizing the transactions. In addition, efforts are under way related to remote customer

acquisition via artificial intelligence-supported new technologies, robotic process automation and optical character recognition.

Investments for reinforcing and expanding the Bank's information technology infrastructure on the basis of cost, performance, continuity and security were also carried out during this period. In particular, the Bank's remote working capability was enhanced in terms of hardware and software.



In an effort to educate the children with robots and introduce them to engineering, Halkbank sponsored the students participating in the “First Robotic Competition” organized in the United States in representation of Turkey.

Kırşehir Ahi Week

Organized by the Ministry of Trade in Kırşehir and across the country each year for the purpose of promoting the Ahi culture, continuing the tradition with tradesmen and artisans and their organizations and passing it to the next generations, the Ahi Week Celebrations were held this year between September 14-20, 2020 under Halkbank’s sponsorship.

Turkish Cooperatives Fair

Halkbank lent sponsorship support to the Turkish Cooperatives Fair that was organized at Congressium Ankara under the auspices of the Ministry of Trade between September 24-27, 2020.

Tourism Congress

Halkbank sponsored the Tourism Congress that was organized by the Ankara Hacı Bayram Veli University.

Next Generation Entrepreneurship Summit

Halkbank provided sponsorship support to the Next Generation Entrepreneurship Summit that was held on November 19.

Next Generation University Project

The Bank sponsors the Atatürk University’s Next Generation University Project in order to enrich the vision, design and applications developed by the university as part of its next generation university design and application initiatives with the pioneering best practices in higher education and to improve the university’s performance in every area.

First Robotic Competition

In an effort to educate the children with robots and introduce them to engineering, the Bank sponsored the Istanbul Adnan Menderes High School students participating in the “First Robotic Competition” organized in the United States in representation of Turkey.

8th International Conquest Cup

Halkbank lent sponsorship support to the Conquest Cup organized under the auspices of the Office of the President with the participation of athletes from a large number of countries.

Manzikert 1071 Remembrance Events

The Bank sponsored the Manzikert 1071 Remembrance Ceremonies that were held in Ahlat between August 21-26, 2020.

Office of the President International Yacht Race

Halkbank supported the Office of the President International Yacht Race event that was conducted between October 29-November 1 as a sponsor.

E-Sports Cup 2020

Halkbank supported the E-Sports Cup 2020 organization that was conducted between October 11-November 15 by Turkish E-Sports Federation (TESFED) under the sponsorship of its credit card brand Parafree.

REVIEW OF OPERATIONS IN 2020

Halkbank adds 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

Dinner Organization for Children

The Bank lent sponsorship support to the dinner organization carried out by the Happy Family Happy Life Association for the benefit of the children housed in children's shelters.

Barrier-Free Transport, Barrier-Free Tourism Project

Halkbank provides sponsorship to the project that is being carried out in cooperation

with Sümela Sağlık Eğitim Danışmanlık Hizmetleri to identify the deficiencies and barriers in the transportation space for more than 20 million special needs individuals in Turkey and to eliminate these barriers.

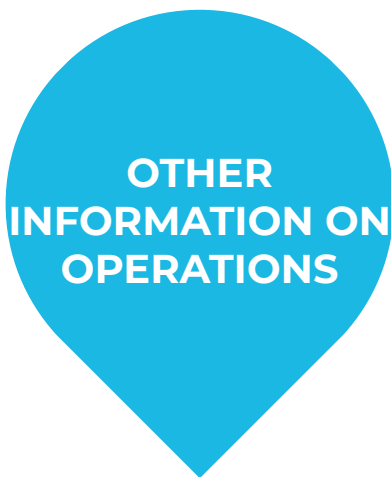
5th Anatolia Media Awards

The Bank sponsored the Anatolia Media Awards that was organized for the fifth time this year by the Association of

Anatolian Publishers. Awards were given in various categories in the award ceremony attended by nearly 500 local and national media employees and journalists.

Design Skills Workshop

Halkbank lent sponsorship support to the music classroom and design skills workshop that were built by the Kocatepe Mimar Kemal High School inside the school building.



OTHER INFORMATION ON OPERATIONS

Total charitable contributions and donations made by Halkbank in 2020 amounted to TRY 58 million, while charitable contributions and donations including the consolidated subsidiaries amounted to TRY 59.7 million.

On October 15, 2019, the United States Attorney for the Southern District of New York filed a criminal lawsuit against Halkbank for violating Iranian sanctions at the United States District Court for the Southern District of New York. The appeals process initiated by the Bank to dismiss the criminal lawsuit pursuant to the Foreign Sovereign Immunities Act (FSIA) is pending at the United States Court of Appeals for the Second Circuit in New York City.

In addition, a civil lawsuit was filed against the Bank by plaintiffs at the United States District Court for the Southern District of New York on March 27, 2020, claiming that they were unable to collect their receivables from Iran due to the sanctions violations and seeking compensation of their damages. On February 16, 2021 the Court conditionally dismissed plaintiffs' claims on the basis of forums non conveniens.

The court cases are still ongoing. The Bank is utilizing all of the rights it has under the U.S. law and monitoring the legal proceedings closely. The Bank has not received any penalties, sanctions or judgements as a result of these cases.

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 2020 amounted to TRY 58 million, while charitable contributions and donations including the consolidated subsidiaries amounted to TRY 59.7 million.

HALKBANK'S SUBSIDIARIES AND AFFILIATES

Halkbank has an extensive portfolio of subsidiaries and affiliates comprised of 24 companies that provide its customers with advanced banking services, as well as products and services in other areas.

Halkbank has an extensive portfolio of subsidiaries and affiliates comprised of 24 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:

- 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.

- 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.

The Bank's 89.18% shareholding in Halk Sigorta A.Ş.'s capital and 100% shareholding in

Halk Hayat ve Emeklilik A.Ş.'s capital were transferred to TVF Finansal Yatırımlar A.Ş. on April 22, 2020 as part of the effort to consolidate all insurance, life insurance and pension companies under the majority ownership of state-owned banks under a single corporate structure within the scope of the New Economic Program (YEP) announced by the Ministry of Treasury and Finance.

As part of the same process, the Bank's 16.67% shareholding in Türk P&I Sigorta A.Ş.'s capital was transferred to Türkiye Sigorta A.Ş. on December 29, 2020.

SUBSIDIARIES



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
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 39 service points: 28 branches in 21 cities across Serbia, 7 affiliated branches and 4 foreign exchange offices with a total workforce of 542.

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.

The Company's capital was raised to TRY 323 million with the resolution passed at the Ordinary General Assembly held on April 20, 2018. Halkbank owns 99.99% of the Company's share capital.

HALKBANK'S SUBSIDIARIES AND AFFILIATES

SUBSIDIARIES



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.

Halkbank's shareholding stands at 99.96% in the Company, which has a paid-in capital of TRY 104 million.

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 7,926,910,000
(Macedonian Dinars)

Halkbank's shareholding
99.40%

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. Subsequently, the Bank's name was changed to Halk Banka A.D. Skopje.

Halk Banka A.D. took over Ziraat Banka A.D. Skopje, a bank active in Skopje, North Macedonia and majority-owned by T.C. Ziraat Bankası A.Ş., as of 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 7,926,910,000 with the resolution passed at the General Assembly Meeting held on March 26, 2020. The Bank's shareholding ratio reached 99.40% after the capital increase.

The Bank operates with 633 employees in 43 branches.



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.

The Company's capital was raised to TRY 96 million with the resolution passed at the Ordinary General Assembly held on April 20, 2018. Halkbank owns 97.50% of the Company's share capital.

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

AFFILIATES



Capital
TRY 970,000,000

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's shareholding stands at 71.96%. The Bank owns 7.36% within the free float. The Bank's total shareholding is 79.33%.

The Company's capital was raised to TRY 970 million pursuant to the resolution passed at the Ordinary General Assembly Meeting dated June 24, 2020.



Capital
TRY 145,000,000

Halkbank's shareholding
33.33%

Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş.

The Company was established in 1998 to operate in the alternative delivery channels and payment systems business lines.

The Company became a Halkbank subsidiary on July 22, 2013. On February 7, 2020 the Company became a Halkbank affiliate following the transfer of 66.67% of its shares to T.C. Ziraat Bankası A.Ş. (33.34%) and T. Vakıflar Bankası T.A.O. (33.33%). As part of the Turkey's ATM Center Project regarding the provision of shared ATM service by the state-owned banks. Halkbank currently owns 33.33% of the Company's share capital.



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.

HALKBANK'S SUBSIDIARIES AND AFFILIATES

AFFILIATES



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.



Capital
TRY 21,000,000

Halkbank's shareholding
20%

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.

Halkbank's 13.33% ownership in the Company's share capital was transferred in equal proportions to Turkey Wealth Fund on February 12, 2020 and PTT A.Ş. on June 3, 2020. Halkbank currently owns 20% of the Company.



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.

OTHER PARTNERSHIPS**Bankalararası Kart
Merkezi A.Ş.**

Capital
TRY 177,492,990

Halkbank's shareholding
9.28%

**Birleşik İpotek
Finansmanı A.Ş.**

Capital
TRY 50,000,000

Halkbank's shareholding
8.34%

**Türkiye Ürün İhtisas
Borsası A.Ş.**

Capital
TRY 50,000,000

Halkbank's shareholding
3%

**JCR Avrasya Derecelendirme
Şirketi (JCR Eurasia Rating
Company)**

Capital
TRY 1,000,000

Halkbank's shareholding
2.86%

Kredi Garanti Fonu A.Ş.

Capital
TRY 513,134,229.53

Halkbank's shareholding
1.49%

**Mesbaş Mersin Serbest Bölge
İşleticisi A.Ş.**

Capital
TRY 10,804,320

Halkbank's shareholding
1.37%

HALKBANK'S SUBSIDIARIES AND AFFILIATES

OTHER PARTNERSHIPS

Türkiye Cumhuriyet Merkez Bankası

Capital
TRY 25,000

Halkbank's shareholding
1.11%

Sberbank Magyarorszag Zrt. (Sberbank Macaristan)

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%

Alidaş 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 2020, continued to offer high-quality products and services to its customers by drawing upon its 82 years of experience, risk management activities and quick responses to market conditions. In this context, the Bank continued to contribute to the national economy by actively supporting SMEs and tradespeople in 2020, particularly during the pandemic, with funds obtained from the capital market instruments it has issued and its widespread deposit base.

In 2020, Halkbank increased its assets from 457 billion Turkish lira to 680 billion Turkish lira with a year-on-year increase of 48.8%. It also ranked third in assets within the sector.

During the pandemic and normalization periods, a total support of 140 billion Turkish lira was provided to 3.1 million customers. In this context, 2.1 million customers were granted a loan of 79 billion Turkish lira during the pandemic and more than 100 thousand customers were granted a loan of 20.9 billion Turkish lira during the normalization period to support economic recovery. Additionally, the loan repayments of 850 thousand customers worth 40.1 billion Turkish lira were either postponed or restructured. Finally, for the first time ever, the Bank granted a working capital loan of 18.7 billion Turkish lira to 755 thousand artisans and tradespeople. With 10.5 billion Turkish lira of the Paraf Esnaf Card limit granted to 556 thousand artisans and tradespeople, 29.2 billion Turkish lira was added to each of the aforementioned support channels.

As of year-end 2020, the Bank directed a large part of its funding sources to loans, with loans accounting for 66.1% of its balance sheet. Its commercial loans, including the SME loans, rose to 367.1 billion Turkish lira and its retail loans to 82.7 billion Turkish lira. The Bank ranked second in cash loans within the sector. In 2020, cash and non-cash loan volumes increased from 399.1 billion Turkish lira to 564.3 billion Turkish lira, up 41.4% year-on-year. Loan disbursement for artisan loans was recorded at 42.7 billion Turkish lira in 2020, as the artisan loan balance increased by 65% year-on-year to 67.5 billion Turkish lira.

The size of the securities portfolio also increased to 159.2 billion Turkish lira in 2020, up 55% year-on-year. The portfolio's share in the balance sheet amounted to 23.4%.

In 2020, Halkbank issued bills and bonds to qualified investors without making any public offering with a par value of 15.2 billion Turkish lira.

Halkbank's total deposit base grew by 53.6% to 457.3 billion Turkish lira, up from 297.7 billion Turkish lira year-on-year, in turn lifting the Bank to the second-highest position in the sector. In addition, demand deposit volume amounted to 88 billion Turkish lira in 2020.

The Bank posted a 2.6 billion Turkish lira year-end profit and maintained its sustainable profitability in 2020. In 2020, the Bank's capital adequacy ratio was 15.2%.

With 8 new branches opening in 2020, Halkbank expanded its branch network to 1,007 domestic branches and ended the year with 20,171 employees.

We would like to thank our employees. Their efforts and contributions have enabled Halkbank to maintain its sustained growth in 2020 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 2020, to our esteemed shareholders and their representatives for their consideration.

Yours faithfully,

Osman ARSLAN
Board Member
General Manager

R. Süleyman ÖZDİL
Chairman

ANNUAL REPORT COMPLIANCE STATEMENT

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

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

1) Opinion

As we have audited the full set consolidated and unconsolidated financial statements of Türkiye Halk Bankası A.Ş. ("the Bank") and its consolidated subsidiaries ("the Group") for the period between 01/01/2020–31/12/2020, we have also audited the annual report for the same period.

In our opinion, the consolidated and unconsolidated financial information provided in the Management's annual report and the Management's discussions on the Bank's and Group's financial performance, are fairly presented in all material respects and are consistent with the full set audited consolidated and unconsolidated financial statements and the information obtained from our audit.

2) Basis for Opinion

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 the 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 responsibility is disclosed under Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report in detail. We declare that we are independent from the Bank in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") issued by POA and ethical provisions stated in the regulation of audit. We have fulfilled other 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 audit opinion.

3) Auditor's Opinion for the Full Set Consolidated and Unconsolidated Financial Statements

We have presented a qualified opinion for the Bank's full set consolidated and unconsolidated financial statements for the period between 01/01/2020–31/12/2020 as a result of the issues stated in Basis for Qualified Opinion paragraph in our Auditor's Report dated 15 February 2021. In addition, the ongoing lawsuits in the United States of America were presented as an emphasis of matter in our opinion.

4) Management's Responsibility for the Annual Report

The Bank Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and the regulation on "Preparing and Publishing the Annual Report by Banks" published in the Official Gazette dated 1 November 2006 and No. 26333 ("the Communiqué"):

- a) Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,
- b) Preparing the annual report with the all respects of the Bank's flow of operations for that year and the Bank's financial performance accurately, completely, directly and fairly. In this report, the financial position is assessed in accordance with the financial statements. The Bank's development and risks that the Bank may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.
- c) The annual report also includes the matters stated below:
 - The significant events occurred in the Bank's activities subsequent to the financial year ends,
 - The Bank's research and development activities,
 - The compensation paid to key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar guarantees.

The Board of Directors also considers the secondary regulations prepared by the Banking Regulation and Supervision Agency and the Ministry of Trade and related institutions while preparing the annual report.

5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report

Our aim is to express an opinion and prepare a report about whether the Management's discussions and consolidated financial information in the annual report within the scope of the provisions of the TCC and the Communiqué are fairly presented and consistent with the information obtained from our audit.

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 the SIA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Group's financial performance, are fairly presented in all material respects and are consistent with the full set audited consolidated and unconsolidated financial statements and the information obtained from our audit

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

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

Müjde Aslan

Partner

Istanbul, 3 March 2021

BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



Recep Süleyman ÖZDİL

Chairman
Independent Board Member

Born in 1961 in Istanbul, Mr. Özdil graduated from Ankara University, Faculty of Political Science, Department of Economics. He 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 General Manager 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.



Himmet KARADAĞ

Vice Chairman
Independent Board Member

Born in Denizli in 1974, Himmet Karadağ 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 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 General Manager 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 of the Board of Directors of Türkiye Halk Bankası A.Ş. since August 13, 2018. He also teaches courses on Development and Investment Banking at Istanbul Commerce University. Mr. Karadağ also serves as the Chairman of the Board of Directors at Halk Varlık Kiralama A.Ş.



Osman ARSLAN

General Manager and Board Member

Born in Ankara in 1971, Mr. Arslan graduated from the 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. In March 2012, he began serving as the Deputy General Manager of Financial Affairs at Ziraat Bank. In January 2013, he was appointed Deputy General Manager of International Banking and Partnerships and in August 2014, Deputy General Manager of Information Technology Management at Ziraat Bank. He served as Founding General Manager at Ziraat Participation Bank from February 2015 to June 2017. Mr. Arslan has been serving as General Manager and Member of the Board of Directors at Halkbank since June 8, 2017. He is also the Chairman of the Board of Directors at Halkbank A.D., Beograd and at Halk Banka A.D., Skopje.



Kerem ALKIN
Board Member

Kerem Alkin was born in Istanbul in 1965. He graduated from Istanbul University, Faculty of Business Administration and received his Master's and PhD degrees from Istanbul University, Institute of Social Sciences, Department of Economics. Mr. Alkin started his academic career in 1987 as a research assistant at Istanbul University, Faculty of Economics. He served as the Chair of Istanbul University, Institute of Social Sciences, Department of Money and Banking from 1999 to 2001. He became a full professor in 2004 Istanbul Commerce University, Faculty of Commercial Sciences, Department of Economics. From 2001 to 2014 Mr. Alkin served as the Directors of the Institute of Social Sciences, Director of the Vocational College and head of the International Trade and Banking & Finance Departments. He served as a Member of the Board of Directors and a Member of the Corporate Governance Committee at Türkiye Varlık Fonu Yönetimi A.Ş. from February 2017 to September 2018. Mr. Alkin currently serves as the Assistant Dean of Istanbul Medipol University, Faculty of Business Management Sciences; and a Member of the Economic Assessment Council at Istanbul Chamber of Commerce (ITO) and at Independent Industrialists and Businessmen Association (MUSIAD). He was elected as a Member of the Board of Directors of Türkiye Halk Bankası A.Ş. at the General Assembly Meeting dated June 12, 2020.



Meltem TAYLAN AYDIN
Board Member

Born in Ankara in 1973, Mrs. 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 the Chief 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.



Maksut SERİM
Board Member

Born in Izmit 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



Ebubekir ŞAHİN

Board Member

Ebubekir Şahin was born in Rize Çayeli in 1974. He completed his primary school education in Rize and high school in Sakarya. In 1995 he graduated from Gazi University, Faculty of Communication, Department of Public Relations and Advertising. Mr. Şahin received his master's degree from the Department of Journalism in 2002. He served in executive functions in many institutions, including the Ministry of Interior, the Grand National Assembly of Turkey, the Ministry of Justice, the Ministry of Industry and Commerce, the Radio and Television Supreme Council (RTUK) and the Office of the Prime Minister. He served as the Deputy General Manager at Anadolu Agency. He undertook positions as the Deputy Undersecretary and Undersecretary at the Ministry of Family and Social Services. He was elected as a Supreme Board Member of the Radio and Television Supreme Council (RTUK) in October 2017 and as the President of the Supreme Board in January 2019. He was elected as a Member of the Board of Directors of Türkiye Halk Bankası A.Ş. at the General Assembly Meeting dated June 12, 2020.



Sezai UÇARMAK

Board Member

Born in Ordu in 1964, Mr. Uçarmak 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 General Manager 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

Independent Board Member

Born in Antalya in 1966, Mr. 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 Istanbul Metropolitan Municipality at an extraordinary meeting of the Istanbul 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.



Prof. Dr. Yılmaz ÇOLAK

Member of the Supervisory Board

Yılmaz Çolak was born in Giresun in 1969. He completed primary and middle school in Istanbul-Esenler. 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. He began serving at the Turkish National Police Academy in 2010 and has served as the President of the Academy since May 2014. Mr. Çolak is also the President of the International Association of Police Academies (INTERPA) and the Vice President of the Association of European Police Colleges (AEPC). 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 later completed the Public Administration, Paralegal Studies and Real Estate Management departments as well as the Finance, Banking and Insurance program at Anadolu University. 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. Still serving as the Undersecretary of the Ministry of Youth and Sports, Mr. Özçelik also served as a Board Member at the Natural Disaster Insurance Institution (TCIP); Member of the Supervisory Board of Türkiye Denizcilik İşletmeleri A.Ş. (Turkish Maritime Operations); Board Member at the Institute of Public Administration for Turkey and the Middle East (TODAIE), Chairman of the Board of Trustees at the Youth and Sports Foundation; and Member of the Board of Trustees at Konya Chamber of Commerce Karatay University. He has been serving as a Member of Türkiye Halk Bankası A.Ş.'s Supervisory Board since May 24, 2010.

EXECUTIVE MANAGEMENT



Osman ARSLAN
General Manager and
Board Member



Yalçın MADENCİ
Deputy General Manager
Corporate and Commercial
Marketing



Hasan TUNCAY
Deputy General Manager
Retail Banking



İlhan BÖLÜKBAŞ
Deputy General Manager
Loan Allocation and
Management



Ergin KAYA
Deputy General Manager
Banking Operations and
Support Services



Yusuf Duran OCAK
Deputy General Manager
Financial Management and
Planning



Serdar SÜRER
Deputy General Manager
Treasury Management and
International Banking



Celal CANDAN
Deputy General Manager
Credit Risk Monitoring and
Legal Proceeding



Olcay DOĞAN
Group Manager
Human Resources



Mehmet Zihni GÜVENER
Group Manager
Internal Systems



Olcay ATLIOĞLU
Group Manager
Information Technologies

Osman ARSLAN**General Manager and Board Member**

Please see page 78 for Mr. Osman ARSLAN's background.

Yalçın MADENCİ**Deputy General Manager****Corporate and Commercial Marketing**

Born in İstanbul in 1977, Mr.

Madenci 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 Head of Department. He has been serving as the Bank's Deputy General Manager of Corporate and Commercial Marketing since June 11, 2019.

Hasan TUNCAY**Deputy General Manager****Retail Banking**

Born in Ankara in 1967, Mr. Tuncay 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**

Born in 1971, Mr. Bölükbaş 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**

Born in Artvin in 1970, Mr. Kaya 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.

Yusuf Duran OCAK**Deputy General Manager****Financial Management and Planning**

Born in Kadirli, Osmaniye, in 1966, Mr. 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 Deputy General Manager of Financial Management and Planning since July 18, 2017.

Serdar SÜRER**Deputy General Manager****Treasury Management and International Banking**

Born in İstanbul in 1972, Mr. Süreer 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. Süreer has been serving as Halkbank's Deputy General Manager of Treasury Management and International Banking since July 8, 2019.

Celal CANDAN**Deputy General Manager****Credit Risk Monitoring and Legal Proceeding**

Born in Konya in 1970, Celal Candan worked as a freelance lawyer after graduating from İstanbul University, Faculty of Law. Later, he served as the Manager of Anatolian Side Legal Affairs at VakıfBank, Member of the Board of Directors at Halk Leasing, Member of the Board of Directors at Halk Emeklilik and the Head of Halkbank's Credit Risk Liquidation Department. Since September 22, 2020, Mr. Candan has

been serving as the Deputy General Manager of Credit Risk Monitoring and Legal Proceeding at of Halkbank. He is married with three children.

Olca DOĞAN**Group Manager****Human Resources**

Born in Ankara in 1967, Mr. Doğan 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. Doğan spent his entire career at Halkbank as Chief Inspector, Commercial Branch Manager and Department Head. He has been serving as Human Resources Group Manager since May 31, 2019.

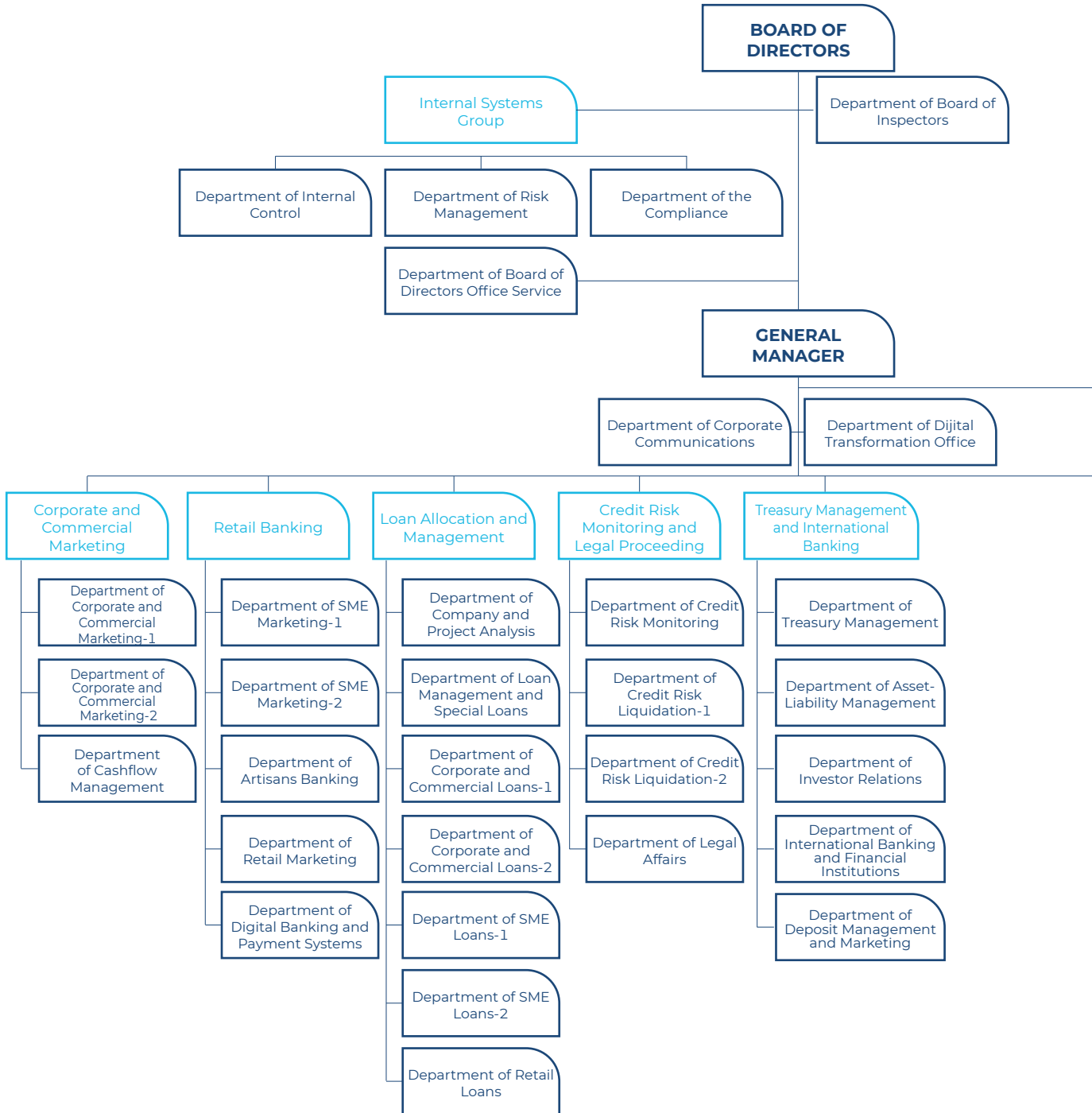
Mehmet Zihni GÜVENER**Group Manager****Internal Systems**

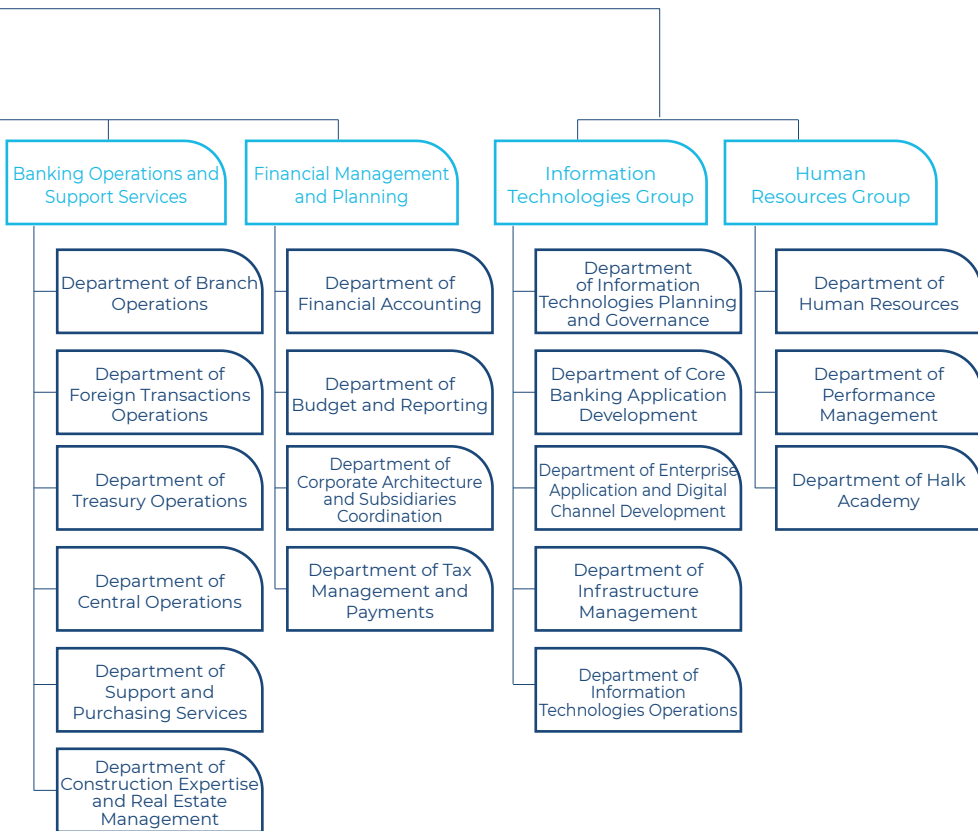
Born in Aksaray in 1972, Mr. Güvener graduated from the Middle East Technical University, Faculty of Economics and Administrative Sciences, Department of Public Administration. He worked as Inspector and Manager at Pamukbank T.A.Ş. after joining it in 1995. Serving as Department Manager, Commercial/Corporate 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.

Olcay ATLIOĞLU**Group Manager****Information Technologies**

Olcay Atlioğlu was born in İstanbul in 1974. He completed his Bachelor's and Master's degrees at İstanbul Technical University, Department of Control and Computer Engineering. Starting his professional career in 1994 as Software Development Specialist, he subsequently worked at BİMA Yazılım, BELBİM Elektronik Para ve Ödeme Hizmetleri, Türk Ekonomi Bankası (TEB) and Fortis Bank (formerly Dışbank). Mr. Atlioğlu also worked for 10 years as an executive at Turkcell and Turkcell Technology. After working as Director at Etiya in 2016, he joined the Halkbank family in 2017. After serving as Head of the Technological Architecture Management Department at Halkbank Information Technologies for three and a half years, Mr. Atlioğlu currently is the Group Head of Information Technologies. He is married with one child.

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 26-01 and dated May 31, 2019 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,
- 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.

COMMITTEES

- y) Establishing the requisite audit and control process that will provide assurance for the adequacy and reliability of the Internal Capital Adequacy Evaluation Process (İSEDES),
- 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 19 times during 2020; 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
Recep Süleyman ÖZDİL	Chairman	Chairman/Independent Board Member
Mevlüt UYSAL	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 4 times during 2020. 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 Board of Inspectors
Erol ÇELİK	Member	Head of Internal Control Department
Mehmet Hakan TERCAN	Member	Head of Infrastructure Management Department
Okan KARADAÇ	Member	Head of Information Technologies Planning and Governance Department
Kamil Enis TUNA	Member	Head of Digital Banking and Payment Systems Department
Mustafa ERMİŞ	Member	Head of Foreign Transactions Operations Department
Uğur Deniz ŞAHİN	Member	Head of Treasury Operations Department
Ali ŞÖNER	Member	Head of Treasury Management Department
Mehmet SEVİMLİ	Member	Head of Legal Affairs Department
Hasan Gökhan KILIÇ	Member	Head of Human Resources Department
Tuba TUNÇ YETER	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	Member	Head of Branch Operations Department
Özlem MEMİŞ	Member	Head of Core Banking Application Development Department
Elvan ÖZTABAK	Member	Head of Compliance Department
Ahmet Cemal EREN	Member	Head of Tax Management and Payments Department
Abdullah GÜRHAN	Member	Deputy Head of Board of Inspectors of Analysis-Investigation
Erdogan ER	Member	Department of Retail Marketing, Division Manager of Insurance
	Member	Department of Human Resources, Division Manager of Ethics Applications and Discipline
Sıla Burcu BAŞAÇAOĞLU	Member	Department of Risk Management Division Manager of Operational Risk
Fatma AYDIN KHALİL	Member	Department of Branch Operations, Division Manager of Secure Banking Operations

COMMITTEES

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.

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 560 decisions in 2020. 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
Himmet KARADAĞ	Member	Vice Chairman/Independent Board Member
Mevlüt UYSAL	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 24 times in 2020. The members of the Committee attended the meetings regularly.

Members of the Asset and Liability Committee (ALCO)	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
Celal CANDAN	Member	Deputy General Manager of Credit Risk Monitoring and Legal Proceeding
Serdar SÜRER	Member	Deputy General Manager of Treasury Management and International Banking
Ergin KAYA	Member	Deputy General Manager of Banking Operations and Support Services
Yusuf Duran OCAK	Member	Deputy General Manager of Financial Management and Planning
Olçay DOĞAN	Member	Human Resources Group Manager
Mehmet Zihni GÜVENER	Member	Internal Systems Group Manager
Olçay ATLIOĞLU	Member	Information Technologies Group Manager
Ali CEBECİ	Member	Head of Board of Inspectors
Erdem ÖZDEMİR	Member	Head of Risk Management Department
Hasan ZEYBEK	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.

COMMITTEES

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.

The Corporate Governance Committee convened 3 times during 2020.

Members of the Corporate Governance Committee	Position	Primary Position
Recep Süleyman ÖZDİL	Chairman	Chairman/Independent Board Member
Kerem ALKİN	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
Olcay DOÇAN	Member	Human Resources Group Manager
Osman BEKTAŞ	Member	Head of Financial Accounting Department
Hasan Gökhan KILIÇ	Member	Head of Human Resources 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 2020. The members of the Committee attended the meeting.

Members of the Compensation Committee	Position	Primary Position
Himmet KARADAĞ	Chairman	Vice 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 2019, the Bank also participated in the Carbon Disclosure Project (CDP) – Climate Change and Water Program in 2020. 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 December 2020 – October 2021 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 total number of documented service units was 1,040 in 2020.

The Bank is the first Turkish bank to implement the ISO 50001 Energy Management System.

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:

- a) The Committee pursues the "Sustainability Policy" determined by the Board of Directors and ensures that the Policy is implemented.
- b) The Committee coordinates the Bank's sustainability activities and evaluates the economic, environmental and social impacts of its activities.
- c) The Committee forms study groups on sustainability from related departments. If necessary, the Committee seeks technical support from outside the Bank.
- d) Within the scope of sustainability, the Committee makes necessary recommendations in order to mitigate the potential negative impacts of the Bank's activities.
- e) The Committee determines the procedures and principles regarding the energy management of the Bank. The Committee analyzes the results of the energy management data, shares them with the Bank's related units, makes recommendations regarding the measures to be taken and presents reports and/or makes disclosures on public disclosure platforms as necessary.

COMMITTEES

f) In the sustainability field, the Committee furnishes the necessary infrastructure for the Bank when it is a necessity, whether it is legally required or not. As a publicly traded bank listed on Borsa Istanbul, in an effort to be part of the BIST Sustainability Index consisting of companies with high corporate sustainability performances and to ensure the Bank's continuity in the index, the Committee carries out the necessary initiatives and coordinates the Bank's internal regulations geared toward this goal.

The Committee convened 5 times in 2020.

Members of the Sustainability Committee	Position	Primary Position
Himmet KARADAĞ	Chairman	Vice Chairman/Independent Board Member
Ebubekir ŞAHİN	Vice Chairman	Board Member
Ergin KAYA	Member	Deputy General Manager of Banking Operations and Support Services
Yusuf Duran OCAK	Member	Deputy General Manager of Financial Management and Planning
Celal CANDAN	Member	Deputy General Manager of Credit Risk Monitoring and Legal Proceeding
Olçay DOĞAN	Member	Human Resources Group Manager
Mehmet Zihni GÜVENER	Member	Internal Systems Group Manager
Olçay ATLIOĞLU	Member	Information Technologies Group Manager
Özgür BOZKURT	Member	Head of Company and Project Analysis Department
Semih TUFAN	Member	Head of Investor Relations Department
Onur BİLGİN	Member	Head of International Banking and Financial Institutions Department
Süleyman Baran KOYUNCU	Member	Head of Branch Operations Department
Mehmet TANRIVERDİ	Member	Head of Construction Expertise and Real Estate Management Department
İbrahim Okan ÇAÇLAR	Member	Head of Budget and Reporting Department
Mehmet Hakan TERCAN	Member	Head of Infrastructure Management Department
Hasan ZEYBEK	Member	Head of Corporate Communications Department
Erdem ÖZDEMİR	Member	Head of Risk Management Department:
Tuba TUNÇ YETER	Member	Head of Corporate Architecture and Subsidiaries Coordination Department
Hasan Gökhan KILIÇ	Member	Head of Human Resources Department
Fatih ŞAHBAZ	Member	Head of Support and Purchasing Services 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 50 times and passed 599 resolutions in 2020.

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, speculation, 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 ve Bilgisayar Endüstrisi Müh. 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 Finansal Teknolojiler ve Ödeme Sistemleri 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,
- 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. and Hobim Arşivleme ve Basım Hizmetleri A.Ş.: 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. A. Ş.: 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,
- Assist 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 2020 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.

Our Bank, which previously received services from SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. for Compliance with Corporate Governance, has started to receive services from JCR Avrasya Derecelendirme A.Ş. for compliance with corporate governance with the contract signed on April 20, 2020 and our Corporate Governance Rating has been determined as 9.43 out of 10 as of July 16, 2020.

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-17.1 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					

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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.
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					

CORPORATE GOVERNANCE PRINCIPLES

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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					
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 2020, it was not deemed that a significant decision was taken against the interests of the beneficiaries. Hence, a survey / consultation study was not conducted.

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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			Key positions have been determined, and work on determining backup policies and establishing backup repositories continues.
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					
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					

CORPORATE GOVERNANCE PRINCIPLES

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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					
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					

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.		X				Damages caused by the defects of board members during their duties are insured. However, the insurance amount does not exceed 25% of our Bank's capital.
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					
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					

CORPORATE GOVERNANCE PRINCIPLES

Corporate Governance Compliance Report	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
4.5. Board Committes						
4.5.5 - Board members serve in only one of the Board's committees.		X				Considering the number of the Board Members of the Bank, a Board Member is able to take part in 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			Since 2020, KPI's set for executives including General Manager, Deputy General Managers, Group Managers and Head of Departments have been 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 INFORMATION FORM

Shareholders	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/ etc.) organized by the company during the year	160
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/845586
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	75.29%

CORPORATE GOVERNANCE PRINCIPLES

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/content/dam/halkbank/en/documents/general-assembly/2019/2020-jun-12-summary-of-the-general-shareholders-assembly.pdf
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/851079

General Assembly Meetings									
General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
12.06.2020	0	82.26055687%	0.045598899%	82.21495797%	https://www.halkbank.com.tr/content/dam/halkbank/en/documents/general-assembly/2019/2020-jun-12-summary-of-the-general-shareholders-assembly.pdf	There is not questions asked in the general assembly meeting.	None	66	https://www.kap.org.tr/en/Bildirim/845586

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.html
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	2020 Annual Report/Management and Corporate Governance/Board of Directors and the Supervisory Board-Executive Management-Corporate Governance Principles/Other Explanations About 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	2020 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	2020 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	2020 Annual Report/Review of Operations in 2020
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	2020 Annual Report/Review of Operations in 2020/ 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/content/dam/halkbank/tr/dokumanlar/bankamiz/surdurulebilirlik/PolicyonIndemnities.pdf
The number of definitive convictions the company was subject to in relation to breach of employee rights	33
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	Although there are many notification mechanisms such as our Bank's Dialog channels, mails sent to Audit Units, the access information for our Department is: etik@halkbank.com.tr e-mail address and 0216 503 50 50 Ethics line.

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	-

CORPORATE GOVERNANCE PRINCIPLES

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	Studies on key positions are conducted within the framework of the powers transferred to the General Manager with the resolutions of the Board of Directors and the Internal Directive approved by the Board of Directors.
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.	<p>It is included under the heading of Our Basic Principles of Human Resources.</p> <ul style="list-style-type: none"> · Fulfilling the activities of the bank to achieve its objectives with an optimum number of personnel · Selecting and assigning competent personnel suitable for the nature of the job · To give importance and respect to the personality of the staff, to protect their material and moral rights · Providing a safe working environment suitable for the nature of the task performed · To ensure the establishment of a work environment and social relations that increase the willingness and power of the staff to work. · To provide fair and equal opportunities to the staff in terms of working, training and development according to their abilities · Establishing a wage and personal rights system that allows the staff to find the quality and number of manpower required by the service and encourages the staff to continue their duties without losing their interest and efficiency. · To provide opportunities to increase the knowledge and experience of the staff, to reward successful personnel as much as possible · To be open to the necessary communication in order to inform the personnel on the issues that concern them in a timely manner, and to enable the personnel to easily convey their opinions and ideas to the management. · To ensure that the personnel work in cost consciousness, depending on the principles of efficiency and profitability. · Encourage staff to think creatively and generate new ideas to improve operations. · To adopt as a principle that appointments should be made within the bank as much as possible in order to protect and develop the bank's corporate culture and identity; · Evaluating the staff according to objective criteria and within fairness criteria <p>https://www.halkbank.com.tr/content/dam/halkbank/en/about-halkbank/2Human_Resources_Policy.pdf</p>
Whether the company provides an employee stock ownership program	There isn't an employee stock ownership program
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	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	We do not have current and/or final cases.

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
Any measures combating any kind of corruption including embezzlement and bribery	<p>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.</p>

CORPORATE GOVERNANCE PRINCIPLES

Board Of Directors-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	Performance evaluation is not conducted for the board.
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	"It is notified under the title of Duties of the Board of Directors and Committees on 16.06.2020 via Public Disclosure Platform. https://www.kap.org.tr/en/Bildirim/851460 "
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	9
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	2020 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 2020
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)

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 Independency 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	Independent director	28.08.2015	-		No	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
Kerem ALKİN	Non-Executive	Not Independent Director	12.06.2020	-		-	Yes
Meltem TAYLAN AYDIN	Non-Executive	Not Independent Director	08.06.2017	-		-	Yes
Maksut SERİM	Non-Executive	Not Independent Director	08.06.2017	-		-	Yes
Ebubekir ŞAHİN	Non-Executive	Not Independent Director	12.06.2020	-		-	No
Sezai UÇARMAK	Non-Executive	Not Independent Director	27.02.2019	-		-	Yes
Mevlüt UYSAL	Non-Executive	Independent Director	27.05.2019	-		No	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)	50
Director average attendance rate at board meetings	100%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	3-4 days
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	None
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	2020 Annual Report/Management and Corporate Governance/Committees
Link(s) to the PDP announcement(s) with the board committee charters	-

CORPORATE GOVERNANCE PRINCIPLES

Composition of Board Committees-I				
Names of the Board Committees	Name of Committees Defined as "Other" in the First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Audit Committee		Recep Süleyman ÖZDİL	Yes	Board Member
Audit Committee		Mevlüt UYSAL	No	Board Member
Corporate Governance Committee		Recep Süleyman ÖZDİL	Yes	Board Member
Corporate Governance Committee		Kerem ALKİN	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		Olcay DOĞAN	No	Not Board Member
Corporate Governance Committee		Osman BEKTAŞ	No	Not Board Member
Corporate Governance Committee		Hasan Gökhan KILIÇ	No	Not Board Member
Remuneration Committee		Himmet KARADAĞ	Yes	Board Member
Remuneration Committee		Meltem TAYLAN AYDIN	No	Board Member
Other	Credit Committee	Osman ARSLAN	Yes	Board Member
Other	Credit Committee	Mevlüt UYSAL	No	Board Member
Other	Credit Committee	Himmet KARADAĞ	No	Board Member
Other	Credit Committee (Substitute Member)	Sezai UÇARMAK	No	Board Member
Other	Credit Committee (Substitute Member)	Maksut SERİM	No	Board Member
Other	Assets and Liabilities Committee	Osman ARSLAN	Yes	Board Member
Other	Assets and Liabilities Committee	Yalçın MADENCİ	No	Not Board Member
Other	Assets and Liabilities Committee	Hasan TUNCAY	No	Not Board Member
Other	Assets and Liabilities Committee	İlhan BÖLÜKBAŞ	No	Not Board Member
Other	Assets and Liabilities Committee	Celal CANDAN	No	Not Board Member
Other	Assets and Liabilities Committee	Serdar SÜRER	No	Not Board Member
Other	Assets and Liabilities Committee	Ergin KAYA	No	Not Board Member
Other	Assets and Liabilities Committee	Yusuf Duran OCAK	No	Not Board Member
Other	Assets and Liabilities Committee	Olcay DOĞAN	No	Not Board Member
Other	Assets and Liabilities Committee	Mehmet Zihni GÜVENER	No	Not Board Member
Other	Assets and Liabilities Committee	Olcay ATLIOĞLU	No	Not Board Member
Other	Assets and Liabilities Committee	Ali CEBECİ	No	Not Board Member
Other	Assets and Liabilities Committee	Erdem ÖZDEMİR	No	Not Board Member
Other	Assets and Liabilities Committee	Hasan ZEYBEK	No	Not Board Member
Other	Sustainability Committee	Himmet KARADAĞ	Yes	Board Member
Other	Sustainability Committee	Ebubekir ŞAHİN	No	Board Member
Other	Sustainability Committee	Ergin KAYA	No	Not Board Member
Other	Sustainability Committee	Yusuf Duran OCAK	No	Not Board Member
Other	Sustainability Committee	Celal CANDAN	No	Not Board Member
Other	Sustainability Committee	Olcay DOĞAN	No	Not Board Member
Other	Sustainability Committee	Mehmet Zihni GÜVENER	No	Not Board Member
Other	Sustainability Committee	Olcay ATLIOĞLU	No	Not Board Member

Composition of Board Committees-I				
Names of the Board Committees	Name of Committees Defined as "Other" in the First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Other	Sustainability Committee	Özgür BOZKURT	No	Not Board Member
Other	Sustainability Committee	Semih TUFAN	No	Not Board Member
Other	Sustainability Committee	Onur BİLGİN	No	Not Board Member
Other	Sustainability Committee	Süleyman Baran KOYUNCU	No	Not Board Member
Other	Sustainability Committee	Mehmet TANRIVERDİ	No	Not Board Member
Other	Sustainability Committee	İbrahim Okan ÇAÇLAR	No	Not Board Member
Other	Sustainability Committee	Mehmet Hakan TERCAN	No	Not Board Member
Other	Sustainability Committee	Hasan ZEYBEK	No	Not Board Member
Other	Sustainability Committee	Erdem ÖZDEMİR	No	Not Board Member
Other	Sustainability Committee	Tuba TUNÇ YETER	No	Not Board Member
Other	Sustainability Committee	Hasan Gökhan KILIÇ	No	Not Board Member
Other	Sustainability Committee	Fatih ŞAHBAZ	No	Not Board Member
Other	Information Technologies Strategy Committee	Osman ARSLAN	Yes	Board Member
Other	Information Technologies Strategy Committee	Yalçın MADENCİ	No	Not Board Member
Other	Information Technologies Strategy Committee	Hasan TUNCA Y	No	Not Board Member
Other	Information Technologies Strategy Committee	İlhan BÖLÜKBAŞ	No	Not Board Member
Other	Information Technologies Strategy Committee	Celal CANDAN	No	Not Board Member
Other	Information Technologies Strategy Committee	Serdar SÜRER	No	Not Board Member
Other	Information Technologies Strategy Committee	Ergin KAYA	No	Not Board Member
Other	Information Technologies Strategy Committee	Yusuf Duran OCAK	No	Not Board Member
Other	Information Technologies Strategy Committee	Olcay ATLIOĞLU	No	Not Board Member
Other	Information Technologies Strategy Committee	Olcay DOĞAN	No	Not Board Member
Other	Information Technologies Strategy Committee	Mehmet Zihni GÜVENER	No	Not Board Member
Other	Information Technologies Strategy Committee	Ali CEBECİ	No	Not Board Member
Other	Information Technologies Strategy Committee	Okan KARADAÇ	No	Not Board Member
Other	Information Technologies Strategy Committee	Özlem MEMİŞ	No	Not Board Member
Other	Information Technologies Strategy Committee	Bülent ERDEMİR	No	Not Board Member
Other	Information Technologies Strategy Committee	Mehmet Hakan TERCAN	No	Not Board Member
Other	Information Technologies Strategy Committee	Namık Kemal UÇKAN	No	Not Board Member
Other	Information Technologies Strategy Committee	Önder HAYDAROĞLU	No	Not Board Member
Other	Information Technologies Strategy Committee	Alper TORUN	No	Not Board Member
Other	Information Security Committee	Osman ARSLAN	Yes	Board Member
Other	Information Security Committee	Ergin KAYA	No	Not Board Member
Other	Information Security Committee	Olcay ATLIOĞLU	No	Not Board Member
Other	Information Security Committee	Önder HAYDAROĞLU	No	Not Board Member
Other	Information Security Committee	Okan KARADAÇ	No	Not Board Member
Other	Information Security Committee	Özlem MEMİŞ	No	Not Board Member
Other	Information Security Committee	Bülent ERDEMİR	No	Not Board Member
Other	Information Security Committee	Mehmet Hakan TERCAN	No	Not Board Member
Other	Information Security Committee	Namık Kemal UÇKAN	No	Not Board Member
Other	Information Security Committee	Ali CEBECİ	No	Not Board Member

CORPORATE GOVERNANCE PRINCIPLES

Composition of Board Committees-I				
Names of the Board Committees	Name of Committees Defined as "Other" in the First Column	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board Member or Not
Other	Information Security Committee	Hasan Gökhan KILIÇ	No	Not Board Member
Other	Information Security Committee	Mehmet SEVİMLİ	No	Not Board Member
Other	Information Security Committee	Elvan ÖZTABAK	No	Not Board Member
Other	Information Security Committee	Erdem ÖZDEMİR	No	Not Board Member
Other	Information Security Committee	Alper TORUN	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Osman ARSLAN	Yes	Board Member
Other	Business Continuity and Emergency Action Committee	Yalçın MADENCI	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Hasan TUNCAV	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	İlhan BÖLÜKBAŞ	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Celal CANDAN	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Serdar SÜRER	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Ergin KAYA	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Yusuf Duran OCAK	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Olcay ATLIOĞLU	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Olcay DOĞAN	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Mehmet Zihni GÜVENER	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Ali CEBECİ	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Süleyman Baran KOYUNCU	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Mustafa ERMIŞ	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Uğur Deniz ŞAHİN	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Osman KARAARSLAN	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Fatih ŞAHBAZ	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Mehmet TANRIVERDİ	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Okan KARADAÇ	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Özlem MEMİŞ	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Bülent ERDEMİR	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Mehmet Hakan TERCAN	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Namık Kemal UÇKAN	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Hasan Gökhan KILIÇ	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Kamil Enis TUNA	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Ali ŞÖNER	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Orhan KUTU	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Osman BEKTAŞ	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	İbrahim Okan ÇAĞLAR	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Tuba TUNÇ YETER	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Hasan ZEYBEK	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Erol ÇELİK	No	Not Board Member
Other	Business Continuity and Emergency Action Committee	Erdem ÖZDEMİR	No	Not Board Member

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)	2020 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)	2020 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)	2020 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)	2020 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)	2020 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)	2020 Annual Report/Review of Operations in 2020
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	https://www.halkbank.com.tr/content/dam/halkbank/tr/dokumanlar/bankamiz/surdurulebilirlik/PolicyonRemuneration.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)	2020 Annual Report/Management and Corporate Governance/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%	19	27
Corporate Governance Committee		28.6%	14.3%	3	0
Remuneration Committee		100%	50%	1	1
Other	Credit Committee	80%	40%	50	0
Other	Assets and Liabilities Committee	0%	0%	24	0
Other	Sustainability Committee	10%	5%	5	0
Other	Information Technologies Strategy Committee	0%	0%	4	0
Other	Information Security Committee	0%	0%	1	0
Other	Business Continuity and Emergency Action Committee	0%	0%	2	1

CORPORATE GOVERNANCE PRINCIPLES

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 2020, gross TRY 11.4 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.

SUSTAINABILITY PRINCIPLES

COMPLIANCE FRAME

A. General Principles

A1. Strategy, Policy and Objectives

- The Board of Directors determines the material issues, risks and opportunities related to ESG and defines the related ESG policies. In order to implement these policies effectively, an internal directive, business procedures, etc. may be prepared. These policies are based on the resolutions of the Board of Directors and disclosed to the public. The Company Strategy is defined in compliance with the ESG policies, risks and opportunities. The shareholding strategy and short- and long-term goals in line with the ESG policies are defined and disclosed to the public.

Our Policies within the framework of the Bank's Quality Management System Application Instruction and Integrated Management System Directive can be accessed from the link below.

<https://www.halkbank.com.tr/tr/bankamiz/surdurulebilirlik/surdurulebilirlik/ilkeler-ve-politikalar.html>

A2. Implementation/Monitoring

- Committees/departments in charge of ESG policies are defined and disclosed to the public. The responsible committee/unit reports the activities carried out within the scope of the policies to the Board of Directors at least once a year and in any case within the maximum periods determined for the public disclosure of the annual activity reports in the relevant regulations of the Board.

The Sustainability Committee works within the scope of our Bank's Sustainability Directive and convenes at least 4 times a year.

- Implementation and action plans are developed in line with the short- and long-term goals defined and disclosed to the public. ESG Key Performance Indicators (KPI) are defined and disclosed based on year-on-year comparisons. If verifiable data is available, KPIs are submitted together with the local and international sector comparisons. Innovation activities improving the sustainability performance related to work processes or product and services are disclosed.

Such information shall be disclosed in the Integrated Report for 2020.

A3. Reporting

- Sustainability performance, goals and actions are reported at least once a year and disclosed to the public. It discloses the information on sustainability activities within the scope of the annual report.

A Sustainability Report is prepared by the Bank every year and the 2020 report will be published as an Integrated Report.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAME

- It is essential to share information that is important for stakeholders to understand the position, performance and development of the partnership in a direct and concise manner. Detailed information and data can also be disclosed on the company's website, separate reports can be prepared to fulfil the requirements of different stakeholders. Maximum attention is placed to the preparation of the report in terms of transparency and reliability. As part of a balanced approach, developments regarding the material issues are objectively disclosed in the announcements and reporting. Information on which activities are related to which United Nations (UN) 2030 Sustainable Development Goals is provided. Information on the lawsuits filed and/or concluded against the company on ESG issues is also disclosed.

Such information shall be included in the Integrated Report for 2020.

A4. Verification

- Sustainable performance measurements verified by the independent third parties (independent sustainability assurance providers) are disclosed to the public and efforts are put to increase the related verification processes.

Independent verification audit of carbon emissions and carbon footprint calculated at Scope 1, Scope 2 and Scope 3 levels resulting from the activities of our Bank in 2020 according to GRI Core Standard indicators in the Integrated Report for 2020 will be provided as a Limited Assurance Statement.

B. Environmental Principles

- Policies and practices in environmental management, action plans, environmental management systems (referred to as ISO 14001) and programs are disclosed.

ISO 14001:2015 Environmental Energy Management System and ISO 50001:2018 Energy Management System Standards, Integrated Management System Directive are applied in all service locations of our Bank. Its details are available in the link.

<https://www.halkbank.com.tr/tr/bankamiz/surdurulebilirlik/surdurulebilirlik/cevre-ve-enerji.html>

- Environment-related laws and other related regulations are adopted and disclosed.

Within the scope of our Bank's Integrated Management System Directive, legal and other requirements are followed, their up-to-datedness is monitored and the activities carried out within the scope of compliance with the legislation are reported to the Sustainability Committee at annual Management Review meetings. It will be announced in the Integrated Report for 2020.

- It explains the limitations of the environmental report to be included in the report to be prepared within the scope of the Sustainability Principles, reporting period, reporting date, data collection process and reporting conditions.

The environmental report for the period 01.01.2020-31.12.2020 will be included in the Integrated Report for 2020, which will be prepared according to the GRI (Global Reporting Initiative) Core "Basic" standards and the Integrated Reporting International Framework. The environmental report is prepared according to the limitations of GRI 300: Environmental Standards. Environmental data is taken from all service locations of our Bank as software and consolidated.

- The highest-level person in charge of the environment and climate change in the partnership, related committees and their duties are disclosed.

<https://www.halkbank.com.tr/tr/bankamiz/surdurulebilirlik/surdurulebilirlik/surdurulebilirlik-organizasyonu.html>

- Incentives offered for the management of environmental issues including achieving the goals are disclosed. The integration of environmental issues into business goals and strategies are explained. Sustainability performance and sustainability performance improving activities related to work processes or product and services are disclosed. The management of environmental issues not only in direct operations, but also throughout the partnership's value chain and the integration of suppliers and customers into the strategies are explained.

Such information shall be included in the Integrated Report for 2020.

- Whether or not being included in the policy development processes related to environmental issues (sector-based, regional, national and international); environment-related associations being a member of, collaborations with related institutions and NGOs and tasks undertaken and activities supported, if any, are disclosed. Information regarding the environmental impacts considering the Environmental Indicators (GHG Emissions (Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect))¹, air quality, energy management, water and wastewater management, waste management, biodiversity impacts) are periodically and comparably reported.

Information disclosed in the Sustainability Report in previous years will be included in the Integrated Report for 2020.

- The standards, protocols, methodology and reference year details used to collect and calculate data is disclosed.

Information disclosed in the Sustainability Report in previous years will be included in the Integrated Report for 2020. (GRI 300 Environmental standards, ISO 14064, Defra coefficients)

- The status of the environmental indicators in the report years is disclosed in comparison with the previous years (increase or decrease). Short- and long-term targets to mitigate the environmental impacts are defined and disclosed to the public. These targets are advised to be defined as Science-Based Targets suggested by the United Nations Climate Change Conference Parties. In the event of any improvements in the report year according to the previously defined targets, information is provided. The strategy and actions to tackle the climate crisis are revealed. Programmes or procedures to mitigate or minimize the potential adverse impacts of the products and/or services provided are disclosed; actions taken to enable third parties to reduce their GHG emissions are disclosed. Actions taken to mitigate the environmental impacts, projects carried out and total number of initiatives and the resulting environmental benefits/advantages and cost conservation are disclosed.

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAME

Such information shall be included in the Integrated Report for 2020.

- Total energy consumption data (excluding raw materials) is reported and energy consumption is disclosed in terms of Scope-1 and Scope-2. Information on produced and consumed electricity, heat, vapor and cooling is provided for the report year. Activities are carried out to increase renewable energy use, transition to zero or low carbon electricity and information related to these activities is disclosed. Renewable energy production and usage data is revealed.

Information disclosed in the Sustainability Report in previous years will be included in the Integrated Report for 2020.

- Energy efficiency projects are carried out; and, thanks to these projects, energy consumption and emission reduction figures are disclosed.

Such information shall be included in the Integrated Report for 2020.

- Drawn, used, recycled and discharged water amounts from surface water and groundwater, their resources and procedures (Total water drawn per resource, water resources affected from water drawn; percentage and total volume of the recycled and reused water, etc.) are reported.

Information disclosed in the Sustainability Report in previous years will be included in the Integrated Report for 2020.

- Whether or not the operations or activities are included to any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax) is disclosed.

None.

- Accumulated or purchased carbon credit during the reporting period is disclosed.

The Managers Meeting, which is the most attended meeting of our Bank, has been held carbon neutral since 2014 and the emissions are offset by obtaining carbon credits as a result of the event. Information disclosed in the Sustainability Report in previous years will be included in the Integrated Report for 2020.

- If carbon pricing is applied in the company, details are disclosed.

Not applied.

- All mandatory and voluntary platforms that the company discloses its environmental information are disclosed.

Information disclosed in the Sustainability Report in previous years will be included in the Integrated Report for 2020.

C. Social Principles

C1. Human Rights and Employee Rights

- Corporate Human Rights and Employees Rights Policy, which includes commitment to full compliance to Universal Declaration of Human Rights, ILO conventions that Turkey is a party to and legal frame and legislation regulating the human rights and employee rights in Turkey, is developed. Roles and responsibilities related to the subject policy and implementation of the policy is disclosed to the public. Equal opportunity is assured during recruitment. Considering supply and value chain impacts, the policy covers fair labor, improvement of working standards, women's employment and inclusion (no discrimination based on sex, sexual orientation, religious belief, language, race, ethnicity, age, disability, immigration status, etc.) issues. Measures taken throughout the value chain to consider the rights/ equal opportunities to minorities or to people susceptible to specific economic, environmental, social factors (people with low incomes, women, etc.) are disclosed. Developments on preventive and corrective practices regarding discrimination, inequality, human rights violations, forced and compulsory labor are reported. Regulations that prohibit child labor are released. Policies regarding investments in employees (training, development policies), compensation, fringe benefits, right to union, work/life balance solutions and skills management are disclosed. Establishes mechanisms for employee complaints and dispute resolution and determines dispute resolution processes. Activities related to employee satisfaction are regularly disclosed.

<https://www.halkbank.com.tr/content/dam/halkbank/tr/dokumanlar/bankamiz/surdurulebilirlik/InsanHaklariveInsanKaynaklariPolitikasi.pdf>

- Occupational health and safety policies are developed and disclosed to the public. Explains the precautions taken to prevent work accidents and to protect health and the accident statistics.

<https://www.halkbank.com.tr/content/dam/halkbank/tr/dokumanlar/bankamiz/surdurulebilirlik/EK-1IsSagligiveGüvenligiPolitikasi.pdf>

- Protection of personal data and data security policies are developed and disclosed to the public.

<https://www.halkbank.com.tr/tr/kisisel-verilerin-korunmasi.html>

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAME

- Ethics policy (including activities related to work, professional ethics, adaptation processes, advertisement and marketing ethics, disclosure, etc.) is developed and disclosed to the public.

<https://www.halkbank.com.tr/content/dam/halkbank/tr/dokumanlar/bankamiz/surdurulebilirlik/Etiklikeler2020.pdf>

- Activities regarding social investment, social responsibility, financial inclusion, access to financing are revealed.

Such information shall be included in the Integrated Report for 2020.

- Informative meetings and training programs on ESG policies and practices are delivered.

Classroom and e-trainings are provided for sustainability and environmental and energy policies.

C2. Stakeholders, International Standards and Initiatives

- Sustainability activities are carried out considering the requirements and priorities of all stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, governmental and nongovernmental organizations, etc.).

The information disclosed in the Sustainability Report in previous years shall be determined by conducting a prioritization survey and shall be disclosed in the Integrated Report for 2020.

- A customer satisfaction policy is prepared regarding customer satisfaction management and resolution; and the policy is disclosed to the public.

<https://www.halkbank.com.tr/content/dam/halkbank/tr/dokumanlar/bankamiz/surdurulebilirlik/menfaatsahipleripolitikasi.pdf>

- Stakeholder communication is maintained in a continuous and transparent manner; which stakeholders are communicated how frequently for which purpose and on which issues as well as developments in sustainability activities are disclosed.

Such information shall be included in the Integrated Report for 2020.

- International Reporting Standards adopted (Carbon Disclosure Policy (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) etc.) are disclosed to the public.

CDP, GRI Core and IIRC

- International organizations or principles that the company has ratified or is a member of (Equator Principles, United Nations Environment Programme Finance Initiative (UNEP-FI), United Nations Global Compact (UNGC), United Nations Principles for Responsible Investment (UNPRI) etc.) and the international principles adopted (International Capital Market Association (ICMA) Green/Sustainable Bond Principles, etc.) are disclosed to the public.

None.

- Substantial efforts are put to be listed in the Borsa Istanbul Sustainability Index and the international sustainability indexes (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indexes, etc.).

The companies to be included in the BIST Sustainability Index for the period of December 2020-October 2021 were announced on the Borsa Istanbul website and our Bank was entitled to be included in the Index this year as in the previous year.

D. Corporate Governance Principles

All efforts are put to adapt to the Corporate Governance principles that shall be abided as part of Capital Markets Board Corporate Governance Communiqué II-17.1 as well as all other Corporate Governance principles.

- Sustainability, environmental impacts of the operations and related principles are considered while defining corporate governance strategy. As stated in Corporate Governance Principles, necessary measures are taken to comply with the principles related to beneficiaries and strengthen the communication with beneficiaries. Beneficiaries are consulted while defining the measures and strategies in sustainability. It works on social responsibility projects, related events and training programs to raise awareness on sustainability and its importance. Efforts are put to become a member of international standards and initiatives regarding sustainability and contribute to their activities. Explains policies and programs for the fight against bribery and corruption and the principle of tax integrity.

The Bank pays utmost attention to Corporate Governance Principles and is included in the BIST Corporate Governance Index. These studies are disclosed in the Annual Report and the Corporate Governance Principles Compliance Report and Corporate Management Information Form in the Public Disclosure Platform.

TÜRKİYE HALK BANKASI A.Ş. REPORT OF THE SUPERVISORY BOARD

The Board of Supervisory has determined the following points upon review of the Bank's activities for 2020.

- As of the end of 2020, the total assets of the banking sector increased by 36% year-on-year to 6,107,832 million Turkish lira. The total portfolio of securities rose by 54.7% to 1,022,643 million Turkish lira, while total deposits grew by 35% year-on-year to 3,616,358 million Turkish lira. Non-cash loans rose to 1,003,399 million Turkish lira, an increase of 23.2% year-on-year and cash loans rose to 3,576,732 million Turkish lira, an increase of 34.7% year-on-year. The non-performing loans/total cash loans ratio amounted to 4.08%.
- With such sector developments in the backdrop, by the end of 2020, the Bank's total assets soared to 680,026 million Turkish lira, an increase of 48.8% year-on-year. Non-cash loans rose by 27.4%, growing from 89,918 million Turkish lira to 114,555 million Turkish lira, cash loans rose by 48%, growing from 287,703 million Turkish lira to 425,818 million Turkish lira. The Bank's SME loans, aimed at financing the driving force behind our country's growth, rose from 113,757 million Turkish lira to 183,529 million Turkish lira, up 61.3% year-on-year. The Bank also sustained the lead in the sector with a 21.6-percent market share in SME loans in 2020. Loan disbursement for artisan loans was recorded at 42,685 million Turkish lira as the artisan loan balance increased by 65% year-on-year from 41,042 million Turkish lira to 67,518 million Turkish lira. The total portfolio of securities grew by 54.6% from 91,757 million Turkish lira to 141,824 million Turkish lira. Additionally, total deposits increased by 53.9% from 296,085 million Turkish lira to 455,652 million Turkish lira. The Bank's ratio of non-performing loans/total cash loans amounted to 3.34%.
- During the pandemic and normalization periods, a total of 3.1 million customers were provided with support worth 140 billion Turkish lira. A loan of 79 billion Turkish lira was granted to 2.1 million customers during the pandemic and a loan of 20.9 billion Turkish lira was granted to more than 100 thousand customers during the normalization period to support economic recovery. Additionally, the loan repayments of 850 thousand customers worth 40.1 billion Turkish lira were either postponed or restructured. Finally, for the first time ever, the Bank granted a working capital loan of 18.7 billion Turkish lira to 755 thousand artisans and tradespeople. With 10.5 billion Turkish lira of the Paraf Esnaf Card limit granted to 556 thousand artisans and tradespeople, 29.2 billion Turkish lira was added to each of the aforementioned support channels.
- In 2020, the Bank issued bills/bonds with a total nominal value of 15.2 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 2020, the ratio of cash loans/total assets, an indicator of asset quality, amounted to 62.6% (sector average: 58.6%), while the loan-to-deposit ratio reached 93.5% (sector average: 98.9%).
- The Bank's registered share capital ceiling increased from 7,500 million Turkish lira to 10,000 million Turkish lira, while its paid-in capital increased from 1,250 million Turkish lira to 2,474 million Turkish lira with a capital increase of 1,224 million Turkish lira. Furthermore, the Bank's shareholder's equity rose by 33.3% year-on-year from 32,197 million Turkish lira to 42,931 million Turkish lira.

- The Bank's net profit for the period amounted to 2,600 million Turkish lira at the end of 2020.
- The total number of credit cards issued increased to 5.3 million, the total number of POS devices installed increased to 413 thousand and the number of member merchants who signed on grew to 297 thousand.
- The Bank's bookkeeping order in the January 1–December 31, 2020 fiscal year complied with the Turkish Commercial Code, the Banking Regulation and Supervision Agency, the provisions of the Bank's Articles of Association on accounting and financial reporting and other relevant legislation. All books and records that the Bank is obligated to retain 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 in accordance with the findings of audits performed both at the head office and on site.
- The Bank's growth continued thanks to the opening of 8 new branches in 2020, increasing the total number of branches to 1,013. It currently operates with 1,007 domestic branches and 6 foreign branches: 5 in the Turkish Republic of Northern Cyprus and one in Bahrain. Furthermore, the Bank has representative offices in Tehran, London and Singapore.
- In 2020, 392 employees left the Bank to retire or for other reasons. The Bank recruited 1,596 new employees to meet its personnel needs, increasing the total number of employees to 20,171. The share of personnel expenses in total revenues decreased to 19.8% in 2020, down from 22% in 2019.
- In 2020, university/college graduates accounted for 86.8% of the total headcount, up 100 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 13.4 employees per day, or 20,333 participants. This included instructor-led, on-the-job and e-learning training programs in 2020.

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

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 2020

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 2020, 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 in the system. In this way, beyond being in the process of detecting the error, it was ensured that the risks to be minimized by monitoring the resolution of the findings.

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 Executive 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 Internal Systems 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.

AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL, COMPLIANCE, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2020

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.

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 Executive 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, 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 Executive Management, the Board of Inspectors, Headquarters Units and Region Coordinators 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 12/31/2020, the Internal Control Department comprehensively carries out its control activities with a staff of 182 people. The team is comprised of 1 Section Head, 4 Directors, 69 Senior Internal Controllers, 2 Internal Controllers, 104 Assistant Internal Controllers and 2 clerical staff.

For the professional and personal development of the internal controllers in charge of the Directorate, importance is attached to the trainings needed from the first appointment to the administrative duty, the professional and personal development of the personnel is supported and certification gains in various fields are encouraged.

Compliance

A Compliance Department was established pursuant to the Board of Directors resolution numbered 39 dated 11/14/2017 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 Group 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 reports prepared by the Risk Management Department regarding the risks, especially the credit, market and operational risk elements and the risks related to asset-liability management, scenario analyzes/stress test results and the credit risk model and validation results were examined by the Audit Committee.

AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL, COMPLIANCE, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2020

In this context;

- Based on the legal limitations determined within the scope of national and Bank legislation, the rates related to the Bank's capital and liquidity adequacy and other ratios followed within the scope of risk appetite were calculated and reported,
- 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,
- 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 first phase of the ALM project, which was carried out for the establishment of the Asset-Liability Management module, has been completed and studies on the development of new reporting tools and validation processes regarding the outputs produced within this scope are continuing,
- Within the scope of TFRS-9, the necessary models have been developed and implemented to calculate the Expected Credit Loss Provision (BKZK) and monthly ratings are produced and used in the calculation of the Bank's BKZK,
- 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,
- The Probability of Default model developed for retail and commercial customers are used in allocation decisions as a decision support system,
- The infrastructure for the use of the model outputs in important business processes of the Bank such as allocation, pricing and monitoring has been established and the structure continues to be 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 and the reports have been issued regularly,
- 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

Mevlüt UYSAL

Independent Board Member
Member of the Audit Committee

R. Süleyman ÖZDİL

Chairman of the Board of Directors
Chairman of the Audit Committee

EXECUTIVES OF THE INTERNAL SYSTEMS UNITS

Head of the Board of Inspectors: Ali CEBEÇİ

Tenure in Current Position	1 year 10 months
Professional Experience	25 years 5 months
Education	Bachelor's Degree in Turkey

Head of Internal Control Department: Erol ÇELİK

Tenure in Current Position	1 year 10 months
Professional Experience	23 years 6 months
Education	Bachelor's Degree in Turkey

Head of Risk Management Department: Erdem ÖZDEMİR

Tenure in Current Position	6 years 6 months
Professional Experience	21 years 6 months
Education	Bachelor's Degree in Turkey

Head of Compliance Department: Elvan ÖZTABAK

Tenure in Current Position	3 years 1 month
Professional Experience	27 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 Internal Capital Adequacy Evaluation Process" published in the Official Gazette No. 29057 dated July 11, 2014 and the good practices guidelines related to risk types.

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 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.

Within the scope of the internal capital adequacy assessment process (ISEDES), internal capital requirement calculations are carried out for the first structural block risks such as credit, market and operational risks and internal capital requirement calculations are performed for concentration risk under second structural block risks, interest rate risk arising from banking accounts, reputational risk, etc. Thus, the amount of capital required to be held by the Bank for all major risk types that it encounters and deems important is calculated. In addition, the amount of capital that the Bank may need under different stress conditions is also quantified in the ISEDES report.

Statistical-based models are developed and used to rate loan customers and their outputs such as Probability of Default, Loss and Default Amounts in Case of Default are used as inputs in important business processes (allocation, monitoring, pricing, provisioning) of the Bank. In addition, the reports prepared with the help of these outputs and summarizing the risk profile of the Bank are submitted to the Bank's Senior Management to support critical decision making processes.

The approaches used in both ISEDES and rating models are subjected to qualitative and quantitative validation. In addition, the rating models are monitored every 3 months and the deficiencies in the performance and stability of the model are communicated to the model owners for the necessary action.

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.

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 regularly reported to the Executive Management of the Bank.

RISK MANAGEMENT POLICIES BY RISK TYPES AND RISK MANAGEMENT INFORMATION

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 Executive 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 Executive Management of the Bank.

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

Operational Risk Policy

The Bank has created its operational risk policy approved by the Board of Directors. This document sets the framework for definition, analysis, measurement, monitoring and Executive 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 data is up to date, considering the regulatory and non-regulatory changes, both at the national and international level. In this context, studies are carried out to determine the meeting agendas of the Operational Risk Committee by taking into account the developments and operational risk events in the Bank, in the country and in the world, to monitor the implementation of the decisions taken in the committee meetings and to ensure the coordination of the committee in general.

User manual and user training videos have been prepared regarding operational risk loss data entries, which can be used by the Bank personnel who log in.

For the purposes of identifying risky business processes and activities, performing frequency / severity analyzes of risk levels, historical monitoring of operational risks on a solo and consolidated basis, using them as inputs in calculations within the scope of Advanced Measurement Approach, determining collection information and sources of collection related to transactions that cause operational losses and observing the changes in operational risks over time, the Bank's operational risk loss data including the data of subsidiaries and the areas in which concentrations related to these data are experienced and the analyzes including the developments regarding operational risks are regularly reported to the members of the Operational Risk Committee and the Bank's Senior Management.

Compliance with the risk appetite established in relation to the gross loss amount and the amount of capital allocated in the Operational Risk Management Policy approved by the Board of Directors and the operational risk limits established in order not to go beyond this risk appetite are regularly monitored and reported to the Bank's Senior Management. In addition, limits and procedures are periodically reviewed.

In order to measure the amount subject to operational risk, Basic Indicator Approach, Advanced Measurement Approach and New Standard Method were used and capital requirement levels related to operational risk were calculated. The Support Service Annual Risk Assessment Report, which is prepared within the scope of the Regulation on the Procurement of Support Services by Banks and includes the risk assessments regarding the activities and processes for the support services received during the year, has been prepared and reported.

Best Practices Guidelines and Policy Documents Specific to Risk Types

The Bank conducts gap analysis within the scope of good practice guidelines published by the BRSA and issues and updates policy documents specific to each risk type within the scope of compliance with the guidelines.

In this context, "Stress Test Framework," "Risk Appetite Framework," "Capital Emergency Action Plan," "ISEDES Policies and Implementation Procedures," "Policies on the Management of Concentration Risk" and "Policies on the Management of Reputation Risk" were established and put into practice.

RATING NOTES

Fitch Ratings	
Long-Term Foreign Currency Issuer Default Rating	B
Outlook	Negative
Short-Term Foreign Currency Issuer Default Rating	B
Long-Term Local Currency Issuer Default Rating	BB-
Outlook	Negative
Short-Term Local Currency Issuer Default Rating	B
National Long-Term Rating	AA (tur)
Long-Term Senior Unsecured Debt Rating	B
Bank Support Rating	4
Support Rating Floor	B
Viability Rating	b

JCR Eurasia	
Long Term International Foreign Currency	BB+ (Negative Outlook)
Long Term International Local Currency	BB+ (Negative Outlook)
Long Term National Local Rating	AAA (Trk) (Stable Outlook)
Short Term International Foreign Currency	B (Negative Outlook)
Short Term International Local Currency	B (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 2020, the Bank's total assets grew by 48.8% to reach TRY 680,026 million.

The Bank's major placement categories consist of credits (TRY 449,745 million; 66.1% of assets), securities portfolio (TRY 159,200 million; 23.4% of assets) and liquid assets (TRY 65,622 million; 9.6% of assets) while the share of other placements stands at 0.8%.

As of the end of 2020, an important increase of TRY 140,537 million in cash loans and TRY 56,466 million in securities have been realized.

The Bank increased its cash loans by 45.5% as of the end of 2020. The credit-deposit ratio was 98.4%.

The Bank's non-performing loans amounted to TRY 16,918 million as of year-end 2020 and non-performing loans/total cash credits ratio stood at 3.8%.

Composition of Liabilities

The Bank's resources consist primarily of deposits (TRY 457,286 million; 67.2% of liabilities), non-deposit resources (TRY 131,155 million; 19.3% of liabilities) and shareholders' equity (TRY 42,931 million; 6.3% of liabilities) while the share of other liabilities stands at 7.2%.

The major increases as of year-end 2020 compared to the previous year were registered in Turkish lira deposits (TRY 159,552 million).

When the deposits, which are the most important resources of the Bank, are examined in terms of their types, it was observed that the FX deposits in total deposits increased by TRY 47,808 million with a share of 34.5%, savings deposits by TRY 21,323 million with a share of 19.6%, commercial deposits by TRY 40,790 million with a share of 21.5%, banks' deposits by TRY 7,386 million with a share of 7.6%, precious metal deposits by TRY 15,098 million with a share of 4.9% and the official institutions' deposits by TRY 11,424 million with a share of 4.8%.

Out of all deposits, 57.3% are in Turkish Lira and 42.7% are in foreign currency. The share of demand deposits in total deposits stands at 19.2%.

Composition of Profits

The Bank closed 2020 operating period with a net profit of TRY 2,600 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 53.738 million at the end of the year.

FINANCIAL STANDING, PROFITABILITY AND DEBT-SERVICING CAPABILITY

70.9% of interest revenues, being TRY 38,123 million was derived from credits and 28.4% being TRY 15,269 million was derived from securities. The most significant increase compared to the previous period was realized in the interest revenue from securities, as TRY 6,108 million.

The largest item comprising the Bank's interest expenses was interest paid to deposits with TRY 22,436 million and 64.1% share of the total. The interest paid to deposits, was the primary expense item for the Bank in 2020. Total interest expenses with the TRY 12,549 million categorized as other interest expense added up to TRY 34,985 million for the year.

The Bank's net interest income as of the end of the year was TRY 18.753 million.

Net fee and commission income decreased by 5.9% compared to the previous year and was realized as TRY 2,615 million.

The Bank allocated provisions for expected losses in the amount of TRY 6,831 million for its activities in 2020.

Personnel expenses, which constitute a major portion of operating expenses increased by 25.4% compared to the previous year and reached TRY 3,579 million.

As a result of its activities in 2020, the Bank earned a pre-tax profit of TRY 3,230 million and, after provisioning TRY 630 million for taxes, a net profit of TRY 2,600 million. The Bank maintained its sustainable profitability in 2020.

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 2020 year end capital adequacy ratio of the Bank was 15.23%, 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 2020, 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)	2016	2017	2018	2019	2020
Liquid Assets	31,660	43,726	40,098	38,239	65,622
Securities	33,216	48,903	74,557	102,734	159,200
Cash Loans	157,178	202,137	259,074	309,208	449,745
Equity Investments	3,146	3,960	4,771	3,750	6,249
Fixed Assets	2,767	3,008	3,645	8,055	8,804
Other	3,474	3,617	4,750	6,481	7,069
Expected Credit Loss (-)	-	-	8,473	11,421	16,663
Total Assets	231,441	305,351	378,422	457,045	680,026
LIABILITIES (TRY million)	2016	2017	2018	2019	2020
Deposits	150,263	193,227	248,855	297,734	457,286
Payables to Money Markets	17,847	34,608	38,162	53,201	103,956
Funds Borrowed	18,968	17,018	11,916	11,017	10,387
Funds	2,340	2,725	2,874	3,209	3,617
Marketable Securities Issued	12,434	11,355	15,048	17,591	13,195
Other	8,272	21,041	32,546	42,096	48,654
Shareholders' Equity	21,317	25,377	29,021	32,197	42,931
Net Period Profit/Loss	2,558	3,725	2,522	1,720	2,600
Total Liabilities	231,441	305,351	378,422	457,045	680,026

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ

**Unconsolidated Financial Statements as of 31 December 2020
with Auditor' Report 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 2020, and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated 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 2020, 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

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 2020 amounted to TRY 18.215.607 thousand. If such classification were not made, total assets and shareholders' equity, excluding tax effects, would be lower by TRY 1.334.666 thousand as at 31 December 2020.

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, the New York Southern District Attorney General of the United States (“US”) Department of Justice prepared an indictment and filed a lawsuit against the Bank in the New York Southern District Court (“District Court”) for alleged violations of Iranian sanctions. This criminal lawsuit action is ongoing.

In addition, a civil lawsuit was filed against the Parent Bank on 27 March 2020 with a claim for compensation by plaintiffs in the U.S. New York Southern District Court “on the grounds that they (plaintiffs) could not satisfy their judgments from Iran due to violations of sanctions” and it was served to the Bank’s lawyers on 1 July 2020. The civil lawsuit action at the District Court is ongoing.

In addition, the appeal process of the case which resulted in the conviction of the defendant former executive of the Bank, who was released on 19 July 2019 and returned to Turkey, is completed. The decision related to the conviction was upheld.

At this stage, the Bank’s Management state that there is no penalty, compensation, sanction or other measure arising from the ongoing criminal and civil lawsuits against the Bank. 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. In addition to the matter explained in the Basis for Qualified Opinion section, the issues described below have been identified as key audit matters and are disclosed in our report.

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Key Audit Matter

Impairment of loans in accordance with TFRS 9 "Financial Instruments Standard"

Impairment of loans is a key area of judgement for the management. The Bank has the total loans amounting to TRY 449.745.215 thousand, which comprise 66% of the Bank's total assets in its unconsolidated financial statements and the total provision for expected credit loss amounting to TRY 16.632.208 as at 31 December 2020.

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. In addition, the impairment of loans and receivables includes estimates and assumptions about the effects of the Covid-19 outbreak.

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 audit procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for expected credit loss has been recognized in a timely manner within the framework of the provisions of the relevant regulation.

We have tested relevant inputs and assumptions used by the management considering the effects of the Covid-19 outbreak 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 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, including the effects of Covid-19, underlying the estimations of impairments were reasonable.

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

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

Key Audit Matter
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 2020, 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.

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

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. In addition, we have reviewed the sufficiency of disclosures prepared with this regard.

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.

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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.
- 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 2020 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 Müjde Aslan.

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. 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**

Müjde Aslan
Partner

Istanbul, 15 February 2021

TÜRKİYE HALK BANKASI A.Ş.
THE UNCONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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 end 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** : AUDITOR'S REPORT

The unconsolidated financial statements for the year ended 31 December 2020 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, 15 February 2021

R. Süleyman Özdil

Chairman of the Board of Directors,
Chairman of the Audit Committee

Osman Arslan

Member of the Board of Directors,
Chief Executive Officer

Mevlüt Uysal

Independent Member of the Board of Directors,
Member of the Audit Committee

Yusuf Duran Ocak

Financial Management and Planning Vice Chief Executive Officer

Osman Bektaş

Financial Accounting Department Head

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

Name/Title : Arman Acar / Manager
 Tel : 0216 503 57 19
 Fax No : 0212 340 09 90

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TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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 2020 the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2020	%	31 December 2019	%
Türkiye Varlık Fonu ⁽¹⁾	1.862.602	75,29	638.276	51,06
Public shares ⁽¹⁾	611.094	24,70	611.643	48,93
Other shareholders ⁽²⁾	80	0,01	81	0,01
Total	2.473.776	100,00	1.250.000	100,00

⁽¹⁾ The shares of the Türkiye Varlık Fonu amounting to TRY 1.224.326 have been included in Public shares..

⁽²⁾ TRY 80 of the shares included in the “Other Shareholders” group belong to shareholders whose shares do not trade on the exchange.

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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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, Chairman of the Audit Committee
Himmet KARADAĞ	Vice Chairman of the Board of Directors, Independent Member of the Board Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Kerem ALKİN	Member of the Board of Directors
Meltem TAYLAN AYDIN	Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Ebubekir ŞAHİN	Member of the Board of Directors
Sezai UÇARMAK	Member of the Board of Directors
Mevlüt UYSAL	Independent Member of the Board of Directors, Member of the Audit Committee
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
İlhan BÖLÜKBAŞ	Executive Vice President, Loan Allocation and Management
Celal CANDAN	Executive Vice President, Credit Monitoring and Legal Follow-up
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

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 2020 are listed with titles and dates of assignment.

Title	Name and Surname	Beginning Date
Member of the Board of Directors	Kerem ALKİN	12 June 2020
Member of the Board of Directors	Ebubekir ŞAHİN	12 June 2020
Executive Vice President (P.P.)	Celal CANDAN	25 September 2020

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) The Bank's top management members who have left their position in 2020 are listed with titles and dates of leaving.

Title	Name and Surname	Leaving Date
Executive Vice President (P.P.)	Nazmi BAÇDINLI	14 February 2020
Member of the Board of Directors, Member of the Audit Committee	Mehmet Emin ÖZCAN	12 June 2020
Member of the Board of Directors, Chairman of the Audit Committee	Sadık TILTAK	12 June 2020

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.

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.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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.

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.

c) 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 2020, the Bank operates with a total of 1013 branches consisting of 1007 domestic and 6 foreign branches that are 5 in Turkish Republic of Northern Cyprus and 1 in Bahrain. Domestic branches include 34 satellite branches. The Bank has also 3 representative offices in England, Singapore and Iran.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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

The Bank's subsidiaries 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") and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ 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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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- VII. Statement of Profit Distribution

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE

SHEET AS OF 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS	Note	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		62.699.185	79.828.773	142.527.958	30.196.996	39.709.838	69.906.834
1.1 Cash and Cash Equivalents		8.625.349	56.976.769	65.602.118	2.970.056	35.259.174	38.229.230
1.1.1 Cash and Balances with Central Bank	(1)	8.395.918	55.080.301	63.476.219	2.472.458	32.016.123	34.488.581
1.1.2 Banks	(3)	249.183	1.896.468	2.145.651	507.416	3.243.051	3.750.467
1.1.3 Money Markets		-	-	-	-	-	-
1.1.4 Expected Loss Provision (-)		19.752	-	19.752	9.818	-	9.818
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	15.676.172	1.349	15.677.521	16.266.722	64	16.266.786
1.2.1 Government Debt Securities		15.501.780	1.349	15.503.129	16.104.564	64	16.104.628
1.2.2 Equity Instruments		145.601	-	145.601	145.601	-	145.601
1.2.3 Other Financial Assets		28.791	-	28.791	16.557	-	16.557
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	38.391.911	20.509.219	58.901.130	10.956.522	3.302.262	14.258.784
1.3.1 Government Debt Securities		37.528.538	20.326.567	57.855.105	10.275.808	3.170.818	13.446.626
1.3.2 Equity Instruments		271.890	182.652	454.542	100.631	131.444	232.075
1.3.3 Other Financial Assets		591.483	-	591.483	580.083	-	580.083
1.4 Derivative Financial Assets	(2)(11)	5.753	2.341.436	2.347.189	3.696	1.148.338	1.152.034
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		5.753	2.341.436	2.347.189	3.696	1.148.338	1.152.034
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)		400.270.755	117.452.546	517.723.301	265.772.751	104.232.298	370.005.049
2.1 Loans	(5)	356.070.320	93.674.895	449.745.215	223.887.121	85.320.980	309.208.101
2.2 Lease Receivables	(10)	-	-	-	-	-	-
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortised Cost	(6)	60.843.380	23.777.651	84.621.031	53.297.037	18.911.318	72.208.355
2.4.1 Government Debt Securities		60.792.861	23.777.651	84.570.512	53.246.524	18.911.318	72.157.842
2.4.2 Other Financial Assets		50.519	-	50.519	50.513	-	50.513
2.5 Expected Credit Loss (-)		16.642.945	-	16.642.945	11.411.407	-	11.411.407
III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(16)	-	-	-	2.576.996	-	2.576.996
3.1 Held for Sale		-	-	-	2.576.996	-	2.576.996
3.2 Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		3.434.503	2.814.889	6.249.392	1.837.784	1.911.883	3.749.667
4.1 Investments in Associates (Net)	(7)	78.073	674.237	752.310	25.115	482.671	507.786
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		78.073	674.237	752.310	25.115	482.671	507.786
4.2 Subsidiaries (Net)	(8)	3.356.430	2.140.652	5.497.082	1.812.669	1.429.212	3.241.881
4.2.1 Unconsolidated Financial Subsidiaries		3.356.430	2.140.652	5.497.082	1.728.669	1.429.212	3.157.881
4.2.2 Unconsolidated Non- Financial Subsidiaries		-	-	-	84.000	-	84.000
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)	7.877.038	255	7.877.293	7.537.034	212	7.537.246
VI. INTANGIBLE ASSETS (Net)	(13)	572.925	-	572.925	162.053	-	162.053
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		572.925	-	572.925	162.053	-	162.053
VII. INVESTMENT PROPERTIES (Net)	(14)	353.647	-	353.647	356.027	-	356.027
VIII. CURRENT TAX ASSET		326.239	-	326.239	-	-	-
IX. DEFERRED TAX ASSET	(15)	-	-	-	-	-	-
X. OTHER ASSETS (Net)	(17)	3.757.863	637.477	4.395.340	2.514.640	236.889	2.751.529
TOTAL ASSETS		479.292.155	200.733.940	680.026.095	310.954.281	146.091.120	457.045.401

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Note	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. DEPOSITS	(1)	262.090.112	195.196.183	457.286.295	166.473.587	131.260.589	297.734.176
II. FUNDS BORROWED	(3)	380.664	10.006.335	10.386.999	530.197	10.486.644	11.016.841
III. MONEY MARKETS		102.841.789	1.114.631	103.956.420	50.249.750	2.951.294	53.201.044
IV. SECURITIES ISSUED (Net)	(4)	5.641.402	7.553.277	13.194.679	7.078.757	10.512.530	17.591.287
4.1 Bills		3.551.547	-	3.551.547	4.682.528	-	4.682.528
4.2 Assets Backed Securities		1.011.622	-	1.011.622	1.011.493	-	1.011.493
4.3 Bonds		1.078.233	7.553.277	8.631.510	1.384.736	10.512.530	11.897.266
V. FUNDS	(5)	3.617.303	-	3.617.303	3.209.004	-	3.209.004
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		3.617.303	-	3.617.303	3.209.004	-	3.209.004
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(2)(8)	20.113	513.928	534.041	334	353.384	353.718
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		20.113	513.928	534.041	334	353.384	353.718
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(7)	760.766	22.120	782.886	525.530	54.395	579.925
X. PROVISIONS	(9)	2.084.453	-	2.084.453	1.663.354	-	1.663.354
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.469.151	-	1.469.151	1.105.771	-	1.105.771
10.3 Insurance for Technical Provision (Net)		-	-	-	-	-	-
10.4 Other Provisions		615.302	-	615.302	557.583	-	557.583
XI. CURRENT TAX LIABILITY	(10)	741.197	59	741.256	1.298.409	77	1.298.486
XII. DEFERRED TAX LIABILITIES	(10)	331.752	-	331.752	309.861	-	309.861
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)	6.036.525	8.824.063	14.860.588	6.037.858	6.146.988	12.184.846
14.1 Loans		-	8.824.063	8.824.063	-	6.146.988	6.146.988
14.2 Other Debt Instruments		6.036.525	-	6.036.525	6.037.858	-	6.037.858
XV. OTHER LIABILITIES	(6)	27.856.164	1.462.755	29.318.919	24.623.421	1.082.612	25.706.033
XVI. SHAREHOLDERS' EQUITY	(13)	42.299.664	630.840	42.930.504	31.744.821	452.005	32.196.826
16.1 Paid-in Capital		2.473.776	-	2.473.776	1.250.000	-	1.250.000
16.2 Capital Reserves		6.745.068	164.993	6.910.061	1.088.227	60.293	1.148.520
16.2.1 Share Premium		5.776.224	-	5.776.224	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		968.844	164.993	1.133.837	1.088.227	60.293	1.148.520
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		5.136.475	696.265	5.832.740	3.641.906	512.845	4.154.751
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(77.633)	(230.418)	(308.051)	342.755	(121.133)	221.622
16.5 Profit Reserves		25.421.933	-	25.421.933	23.701.624	-	23.701.624
16.5.1 Legal Reserves		2.418.760	-	2.418.760	2.252.739	-	2.252.739
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		22.955.992	-	22.955.992	21.401.704	-	21.401.704
16.5.4 Other Profit Reserves		47.181	-	47.181	47.181	-	47.181
16.6 Income or (Loss)		2.600.045	-	2.600.045	1.720.309	-	1.720.309
16.6.1 Prior Periods' Income or (Loss)		-	-	-	-	-	-
16.6.2 Current Period Income or (Loss)		2.600.045	-	2.600.045	1.720.309	-	1.720.309
16.7 Minority Shares		-	-	-	-	-	-
TOTAL LIABILITIES		454.701.904	225.324.191	680.026.095	293.744.883	163.300.518	457.045.401

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 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. STATEMENT OF OFF BALANCE SHEET ITEMS

OFF-BALANCE SHEET	Note	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TRY	FC	TOTAL	TRY	FC	TOTAL
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		115,469,508	122,345,534	237,815,042	84,003,573	109,842,637	193,846,210
I. GUARANTEES AND WARRANTIES	(1)	55,280,784	59,274,553	114,555,337	40,671,074	49,246,594	89,917,668
1.1 Letters of guarantee		50,275,455	50,551,647	100,827,102	38,023,134	38,396,087	76,419,221
1.1.1 Guarantees subject to public procurement law		2,868,957	6,032,807	8,901,764	2,075,213	5,738,203	7,813,416
1.1.2 Guarantees given for foreign trade operations		151,890	10,982,989	11,134,879	193,126	8,683,376	8,876,502
1.1.3 Other letters of guarantee		47,254,608	33,535,851	80,790,459	35,754,795	23,974,508	59,729,503
1.2 Bank loans		185,902	6,309,693	6,495,595	8,260	6,953,738	6,961,998
1.2.1 Import acceptances		-	161,040	161,040	-	27,704	27,704
1.2.2 Other bank acceptances		185,902	6,148,653	6,334,555	8,260	6,926,034	6,934,294
1.3 Letters of credit		55,249	2,352,972	2,408,221	16,891	3,806,338	3,823,229
1.3.1 Documentary letters of credit		55,249	2,352,972	2,408,221	16,891	3,806,338	3,823,229
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed refinancing		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		4,764,178	60,241	4,824,419	2,622,789	90,431	2,713,220
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		42,401,518	4,054,304	46,455,822	28,057,633	2,567,647	30,625,280
2.1 Irrevocable commitments	(1)	41,793,629	2,136,956	43,930,585	27,742,136	1,761,667	29,503,803
2.1.1 Forward asset purchase commitments		371,052	1,455,693	1,826,745	967,531	1,265,092	2,232,623
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		3,912,914	681,263	4,594,177	2,564,640	496,575	3,061,215
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for Cheques		4,472,298	-	4,472,298	3,219,679	-	3,219,679
2.1.8 Tax and fund liabilities from export commitments		124,240	-	124,240	83,156	-	83,156
2.1.9 Commitments for credit card expenditure limits		27,941,832	-	27,941,832	16,709,743	-	16,709,743
2.1.10 Commitments for credit cards and banking services promotions		22,752	-	22,752	24,943	-	24,943
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		4,948,441	-	4,948,441	4,172,444	-	4,172,444
2.2 Revocable commitments		607,889	1,917,348	2,525,237	315,497	805,980	1,121,477
2.2.1 Revocable loan granting commitments		607,889	1,917,348	2,525,237	315,497	805,980	1,121,477
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		17,787,206	59,016,677	76,803,883	15,274,866	58,028,396	73,303,262
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		17,787,206	59,016,677	76,803,883	15,274,866	58,028,396	73,303,262
3.2.1 Forward foreign currency buy/sell transactions		203,727	2,589,660	2,793,387	1,508,922	3,822,829	5,331,751
3.2.1.1 Forward foreign currency transactions-buy		114,039	2,395,844	2,509,883	779,407	1,489,169	2,268,576
3.2.1.2 Forward foreign currency transactions-sell		89,688	193,816	283,504	729,515	2,333,660	3,063,175
3.2.2 Currency and interest rate swaps		17,149,875	47,177,049	64,326,924	12,849,494	48,364,708	61,214,202
3.2.2.1 Currency swap-buy		-	18,445,551	18,445,551	432,526	15,601,222	16,033,748
3.2.2.2 Currency swap-sell		15,739,875	4,575,468	20,315,343	11,996,968	5,475,984	17,472,952
3.2.2.3 Interest rate swap-buy		705,000	12,078,015	12,783,015	210,000	13,643,751	13,853,751
3.2.2.4 Interest rate swap-sell		705,000	12,078,015	12,783,015	210,000	13,643,751	13,853,751
3.2.3 Currency, interest rate and marketable securities options		433,604	3,440,442	3,874,046	916,450	2,604,064	3,520,514
3.2.3.1 Currency call options		216,802	1,720,219	1,937,021	487,977	1,302,273	1,760,250
3.2.3.2 Currency put options		216,802	1,720,223	1,937,025	428,473	1,301,791	1,760,264
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		-	5,809,526	5,809,526	-	3,236,795	3,236,795
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		1,491,710,972	495,489,123	1,987,200,095	1,206,385,046	359,987,108	1,566,382,154
IV. CUSTODIES		626,949,054	61,067,078	688,016,132	567,016,912	50,583,195	617,600,107
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		123,005,587	2,619,679	125,625,266	203,825,309	1,420,996	205,246,305
4.3 Cheques in collection process		20,519,482	44,502,496	65,021,978	15,390,122	31,703,135	47,093,257
4.4 Commercial notes in collection process		427,042,837	9,150,085	436,192,922	289,691,963	7,013,429	296,705,392
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		2,318,514	1,143,741	3,462,255	4,005,722	810,205	4,815,927
4.8 Custodians		54,062,634	3,651,077	57,713,711	54,103,796	9,635,430	63,739,226
V. PLEDGED ASSETS		864,761,918	434,422,045	1,299,183,963	639,368,134	309,383,913	948,782,047
5.1 Marketable securities		6,448,999	1,582,195	8,031,194	5,413,902	1,067,288	6,481,190
5.2 Collateral notes		7,863,081	1,575,367	9,438,448	7,199,337	1,207,048	8,406,385
5.3 Commodity		25,813	-	25,813	25,813	-	25,813
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		650,415,346	333,631,298	984,046,644	500,960,484	251,445,308	752,405,792
5.6 Other pledged assets		169,327,906	56,874,518	226,202,424	120,638,529	42,752,213	163,390,742
5.7 Pledges		30,680,773	40,758,667	71,439,440	5,130,069	12,912,056	18,042,125
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1,607,180,480	617,834,657	2,225,015,137	1,290,388,619	469,809,745	1,760,198,364

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. STATEMENT OF PROFIT OR LOSS

INCOME AND EXPENSES	Note	Audited Current Period 1 January-31 December 2020	Audited Prior Period 1 January-31 December 2020
I. INTEREST INCOME	(1)	53,738,351	46,730,182
1.1 Interest on Loans		38,123,042	37,070,330
1.2 Interest on Reserve Requirements		1,073	95,508
1.3 Interest on Banks		272,044	341,253
1.4 Interest on Money Market Transactions		-	-
1.5 Interest on Marketable Securities Portfolio		15,269,392	9,160,898
1.5.1 Fair Value Through Profit or Loss		2,870	10,163
1.5.2 Fair Value Through Other Comprehensive Income		4,532,819	1,497,658
1.5.3 Measured at Amortized Cost		10,733,703	7,653,077
1.6 Financial Lease Interest Income		-	-
1.7 Other Interest Income		72,800	62,193
II. INTEREST EXPENSE (-)	(2)	34,985,167	36,118,146
2.1 Interest on Deposits		22,435,747	23,537,115
2.2 Interest on Funds Borrowed		250,746	301,477
2.3 Interest Expense on Money Market Transactions		8,715,752	9,343,201
2.4 Interest on Securities Issued		2,467,474	2,582,362
2.5 Interest on Leases		74,760	94,269
2.6 Other Interest Expenses		1,040,688	259,722
III. NET INTEREST INCOME (I - II)		18,753,184	10,612,036
IV. NET FEES AND COMMISSIONS INCOME		2,614,865	2,778,218
4.1 Fees and Commissions Received		3,577,368	3,879,937
4.1.1 Non - cash Loans		944,331	925,901
4.1.2 Other	(12)	2,633,037	2,954,036
4.2 Fees and Commissions Paid (-)		962,503	1,101,719
4.2.1 Non - cash Loans		269	151
4.2.2 Other	(12)	962,234	1,101,568
V. DIVIDEND INCOME	(3)	511,111	421,825
VI. TRADING INCOME / LOSS (Net)	(4)	(5,281,418)	(3,267,096)
6.1 Trading Gains / (Losses) on Securities		55,922	293,392
6.2 Gains / (Losses) on Derivate Financial Transactions		2,725,944	(1,499,435)
6.3 Foreign Exchange Gains / (Losses)		(8,063,284)	(2,061,053)
VII. OTHER OPERATING INCOME	(5)	1,441,217	2,407,440
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		18,038,959	12,952,423
IX. EXPECTED LOSS PROVISIONS (-)	(6)	6,830,591	4,551,745
X. OTHER PROVISION EXPENSES (-)	(6)	17,408	146,153
XI. PERSONNEL EXPENSE (-)		3,578,795	2,854,246
XII. OTHER OPERATING EXPENSES (-)	(7)	4,382,265	3,432,022
XIII. NET OPERATING INCOME /LOSS (IX-X-XI)		3,229,900	1,968,257
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)	3,229,900	1,968,257
XVIII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(9)	(629,855)	(247,948)
18.1 Current Tax Provision		491,513	435,511
18.2 Deferred Tax Income Effect (+)		848,133	1,200,560
18.3 Deferred Tax Expense Effect (-)		709,791	1,388,123
XIX. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(10)	2,600,045	1,720,309
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)	2,600,045	1,720,309
25.1 Profit / (Loss) of Group		2,600,045	1,720,309
25.2 Profit / (Loss) of Minority Shares (-)		-	-
Profit / (Loss) Per Share (full TRY)		1,3006874	1,3762472

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 FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited	Audited
		Current Period	Prior Period
STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		1 January - 31 December 2020	1 January - 31 December 2019
I.	CURRENT PERIOD INCOME/LOSS	2.600.045	1.720.309
II.	OTHER COMPREHENSIVE INCOME	1.148.316	1.537.936
2.1	Not Reclassified Through Profit or Loss	1.677.989	1.124.541
2.1.1	Property and Equipment Revaluation Increase/Decrease	234.056	44.359
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(99.034)	(86.753)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	1.546.566	1.154.020
2.1.5	Tax on Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(3.599)	12.915
2.2	Reclassified Through Profit or Loss	(529.673)	413.395
2.2.1	Foreign Currency Translation Differences	3.776	(4.392)
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(653.499)	475.357
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	120.050	(57.570)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	3.748.361	3.258.245

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Note	Audited Current Period 1 January- 31 December 2020	Audited Prior Period 1 January- 31 December 2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	2.490.712	(2.145.713)
1.1.1	Interest received	44.671.033	41.515.749
1.1.2	Interest paid	(34.527.954)	(36.317.492)
1.1.3	Dividend received	511.111	421.825
1.1.4	Fees and commissions received	4.205.664	3.860.772
1.1.5	Other income	666.102	1.028.267
1.1.6	Collections from previously written off loans	1.768.110	1.724.309
1.1.7	Cash payments to personnel and service suppliers	(3.620.623)	(2.897.048)
1.1.8	Taxes paid	(1.109.345)	(328.962)
1.1.9	Other	(1)	(11.153.133)
1.2	Changes in Assets and Liabilities Subject to Banking Operations	58.086.259	14.067.152
1.2.1	Net Increase / decrease in financial assets at fair value through profit or loss	588.726	(1.770.628)
1.2.2	Net (increase) / decrease in due from banks	-	4.310
1.2.3	Net (increase) / decrease in loans	(145.672.767)	(53.305.408)
1.2.4	Net (increase) / decrease in other assets	(11.560.622)	3.092.729
1.2.5	Net increase / (decrease) in bank deposits	7.390.796	(3.440.223)
1.2.6	Net increase / (decrease) in other deposits	152.208.641	52.512.213
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	(1.066.966)	(1.061.618)
1.2.9	Net increase / (decrease) in matured payables	-	-
1.2.10	Net increase / (decrease) in other liabilities	(1)	18.035.777
I.	Net cash provided from banking operations	60.576.971	11.921.439
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II.	Net cash provided from/ (used in) investing activities	(42.973.466)	(21.001.315)
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(183.498)	(91.724)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	225.190	39.375
2.3	Fixed assets purchases	(324.188)	(312.283)
2.4	Fixed assets sales	1.820.236	703.331
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(52.675.154)	(20.221.954)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	10.726.224	11.491.552
2.7	Cash paid for purchase of investment securities	(15.691.928)	(16.370.108)
2.8	Cash obtained from sale of investment securities	13.636.481	3.823.785
2.9	Other	(506.829)	(63.289)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash flow from financing activities	1.262.487	7.174.667
3.1	Cash obtained from loans borrowed and securities issued	9.668.550	11.916.250
3.2	Cash used for repayment of loans borrowed and securities issued	(15.150.013)	(4.478.815)
3.3	Bonds issued	7.000.000	-
3.4	Dividends paid	-	-
3.5	Payments for leases	(256.050)	(262.768)
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1.317.260)	2.395.944
V.	Net increase / (decrease) in cash and cash equivalents	17.548.732	490.735
VI.	Cash and cash equivalents at beginning of the period	(4) 24.122.354	23.631.619
VII.	Cash and cash equivalents at end of the period	(5) 41.671.086	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 PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited Current Period 31 December 2020*	Audited Prior Period 31 December 2019
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1. Current Period Profit	3,229,900	1,968,257
1.2. Taxes and Legal Duties Payables (-)	(629,855)	(247,948)
1.2.1. Corporate Tax (Income Tax)	(491,513)	(435,511)
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	(138,342)	187,563
A. Net Profit For The Period (1.1-1.2)	2,600,045	1,720,309
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	76,637
1.5. Other Statutory Reserves (-)	-	-
B. Net Profit Available for Distribution [(A-(1.3+1.4+1.5)) **]	-	1,456,109
1.6. First Dividend to shareholders (-)	-	-
1.6.1. To Owners of Ordinary Shares	-	-
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Redeemed Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. Dividends to personnel (-)	-	-
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	-
1.9.1. To Owners of Ordinary Shares	-	-
1.9.2. To Owners of Privileged Shares	-	-
1.9.3. To Owners of Redeemed Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Status Reserves (-)	-	-
1.11. Extraordinary Reserves	-	1,456,109
1.12. Other Reserves	-	-
1.13. Special Funds	-	-
II. Distribution of Reserves		
2.1. Appropriated Reserves	-	-
2.2. Dividends to Shareholders (-)	-	-
2.2.1. To Owners of Ordinary Shares	-	-
2.2.2. To Owners of Privileged Shares	-	-
2.2.3. To Owners of Redeemed Shares	-	-
2.2.4. To Profit Sharing Bonds	-	-
2.2.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.3. Dividends to Personnel (-)	-	-
2.4. Dividends to Board of Directors (-)	-	-
III. Earnings per Share		
3.1. To Owners of Ordinary Shares	-	1,3762
3.2. To Owners of Ordinary Shares (%)	-	137,62%
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 (%)	-	-

* General Assembly meeting has not held as of 31 December 2020 financial reporting date.

** In accordance with the Cıccular no 2004/3 of the BRSA, TRY 187.563 of deferred tax asset income has been deducted.

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

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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 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.

Effects of COVID-19

In December 2019, a new type of coronavirus (COVID-19) which emerged in Wuhan city of China, caused fatal respiratory diseases all over the world and named as global outbreak by the World Health Organization on 11 March 2020. Various measures have been taken all over the world in order to avoid the negative effects of the disease that has become a pandemic, and due to the measures taken, there have been a recession in economies.

In order to be protected from the effects of the pandemic, Banking Regulation and Supervision Agency ("BRSA"), Central Bank of Republic of Turkey ("CBRT"), Capital Markets Board of Turkey ("CMB") and The Banks Association of Turkey ("TBA") have taken various decisions regarding the banking sector in our country. These measures, which closely concern the banking sector, are listed below in general.

1. With the regulation made by the BRSA on 17 March 2020 in Regulation on Provisions, the delinquency period for the classification of loans as non-performing has been extended from 90 days to 180 days until 31 December 2020 and Expected Credit Loss provisions for the loans classified as Second Group Loans Under Close Monitoring within the scope of TFRS 9 are decided to be continued according to the banks' own risk models. According to decision made by the BRSA on 8 December 2020, the period for the classification of loans has been extended to 30 June 2021.

2. With the regulation made by the CBRT on 17 March 2020, foreign currency reserve deposit ratios for the banks whose credit growth rate is at qualified reference interval have been decreased by 500 basis points. With the decision made by the CBRT on 27 November 2020, beginning from 25 December 2020 loan growth rate conditions have been cancelled and same rates have been started to be applied to all banks.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

3. With the decision made by the TBA on 19 March 2020, it has been recommended that loan demands of the affected firms should be swiftly evaluated and met, credit access and terms should be improved, credit channels should be maintained, and a certain flexibility should be introduced in terms of due dates, installments and assurances regarding the clients whose income-expenditure balance is affected by the pandemic outbreak.

4. In the regulation issued on 23 March 2020 by BRSA, it is stated that negative valuation differences arising related to securities at Fair Value through Other Comprehensive Income which obtained before 23 March 2020 may not be taken into account in the equity calculation to be used in the CAR calculation, and impairment provisions arising from the securities owned by Banks may not be taken into account in the foreign currency net general position calculation, as effective until 31 December 2020. In accordance with the regulation dated 8 December 2020 by BRSA, the effective period of these applications is extended to 30 June 2021.

5. With the decision of the BRSA dated 26 March 2020, it has been decided to exempt Banks from their obligations to meet the Liquidity Coverage Ratio. With the 9312 numbered decision of the BRSA dated 8 December 2020, it has been decided to terminate the relevant exemption as of 31 December 2020.

6. With the amendments made by the BRSA on the Regulation on Provisions on 27 March 2020, classification period to loans under close monitoring has been extended from 30 days to 90 days until 31 December 2020 and Expected Credit Loss provisions for the loans classified as First Group Loans within the scope of TFRS 9 are decided to be continued according to the banks' own risk models. According to order made by the BRSA on 8 December 2020, the ending date of the related regulation has been extended to 30 June 2021.

7. With the Board Resolution dated 16 April 2020 issued by the BRSA, it has been decided that 0% risk weight can be applied to the foreign currency denominated receivables of the Banks from the Republic of Turkey Central Management within the scope of CAR regulation.

8. With the decision made by the BRSA on 23 March 2020, banks were entitled to use the buying exchange rate used in preparation of financial statements as of 31 December 2019 when calculating the amount subject to credit risk for calculating the revalued amounts as per the Turkish Accounting Standards and related specific reserves, excluding the foreign currency assets measured at historical cost. With the Board Resolution dated 8 December 2020 issued by BRSA, by terminating the previous regulation, a new practice has been issued regarding this calculation to enable using the simple arithmetic average of buying exchange rates of the Central Bank for the last 252 days before the calculation date, and the effective period is extended to 30 June 2021. In accordance with the letter of BRSA dated 14 December 2020, it has been decided that this application is effective as of the date of the Board Resolution dated 8 December 2020.

9. With the resolution numbered 8998 dated 16 April 2020 by BRSA, banks have been exempted from the obligations to meet 20% legal limit regarding the IRRBB ratio until 31 December 2020. Mentioned exemption has been terminated as of 31 December 2020 with the resolution numbered 9312 dated 8 December 2020.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The Bank has arranged its activities within the scope of the above-mentioned decisions and extended the period regarding the classification of loans under follow-up from 90 days to 180 days and classification of loans under close monitoring from 30 days to 90 days. As stated in the BRSA announcement for the mentioned loans, provisions were continued to be set within the framework of the Bank's risk model, for loans overdue 30-90 days in 12-Month Expected Credit Loss Provision (Stage 1), and for loans overdue 90-180 days in Expected Credit Loss for Significant Increase in Credit Risk (Stage 2) have been calculated. However, in order to follow the financial effects that may arise after the decision will be repealed, monitoring is performed for loans and their ECLs that may arise in case of related stage changes.

As regards to the consideration of macroeconomic factors, the Bank regularly evaluates scenario weights and macroeconomic factors in its model and if deemed necessary, makes additional provision through individual assessment due to the fact that the effects of the pandemic are still being experienced.

The possible effects of the outbreak on the Bank's financial statements are regularly monitored by the relevant Units and the Bank Management.

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 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.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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 TFRS 9 “Financial instruments: Turkish Financial Reporting Standards” in unconsolidated financial statements.

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 2020, the Bank has credit default conditioned cross currency swap transaction amounting to USD 260 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.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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 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.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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 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.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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 announced by the T.R Ministry of Treasury and Finance. 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.

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.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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.

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.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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.

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.

TÜRKİYE HALK BANKASI A.Ş.

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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.

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.

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 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.

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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%.

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 Bank 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.

- 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.

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Within the scope of the measures taken by the BRSA in order to reduce the effects of the COVID-19 outbreak, the delinquency period of classification to loans under follow-up has been extended from 90 days to 180 days until 30 June 2021 and the Expected Credit Loss provisions for the loans classified as Second Group Loans Under Close Monitoring within the scope of TFRS 9 are decided to be continued according to the banks' own risk models. In this context, the Bank extended the delinquency period for classification to loans under follow-up from 90 days to 180 days and for classification to loans under close monitoring from 30 days to 90 days. As stated in the BRSA announcement for the mentioned loans, provisions are continued to be set within the framework of the Bank's risk model, for loans overdue 30-90 days in 12-Month Expected Credit Loss Provision (Stage 1), and for loans overdue 90-180 days in Expected Credit Loss for Significant Increase in Credit Risk (Stage 2) have been calculated.

Low Credit Risk

TFRS 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

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 two.

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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.

XII. 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 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.

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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 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.

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	33,33-4 %
Assets held under financial leases	4-5	25-20 %

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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.

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".

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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 “Lease Liabilities” as a liability.

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 IFRS 16. ATMs and other leasing transaction balances are not considered within the scope of IFRS 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 IFRS 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 IAS 16 Property, Plant and Equipment in depreciating real assets considered as right-of-use asset.

The Bank applies IAS 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.

The Lease Obligations:

Based on IFRS 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.

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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.

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 2020 no technical deficit has been reported.

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%.

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The tax rate used in the calculation of deferred tax assets and liabilities is 20% over temporary timing differences expected to reverse.

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.

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.

On the other hand, withholding tax is paid over interest income in TRNC. The relevant withholding tax payments are deducted from the corporate taxes paid.

First period advance corporate tax return for the period of 1 January 2020 – 31 March 2020 is accrued and paid in May 2020, second period advance corporate tax return for the period 1 April 2020 - 30 June 2020 is accrued and paid in August, third period advance corporate tax return for the period 1 July 2020 - 30 September 2020 is accrued and paid in November. Forth period advance corporate tax return for the period 1 October 2020 - 31 December 2020 will be issued in February 2021, and paid following its assessment date.

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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.

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.

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.

In accordance with the decision of the Board of Directors of the Bank dated 11 May 2020, the capital is increased, where the total sales proceeds through the capital increase shall amount to TRY 7.000.000, by the total nominal capital amount to be calculated based on the share sale price to be determined in accordance with the Wholesale Transactions Procedure of Borsa İstanbul A.Ş. with the Decision of the Capital Markets Board dated 14 May 2020. Accordingly, the recognition of the capital increase of TRY 1.223.776 on 20 May 2020 was realized on 21 May 2020, based on the permission obtained from the BRSA. The change made to the relevant Articles of Association was registered on 10 June 2020, and it was announced in the Trade Registry Gazette dated 15 June 2020 and numbered 10097. After the increase, TRY 1.223.776 of nominal and TRY 5.776.224 of share premium, totaling a capital increase of TRY 7.000.000, have been recognized in the financial statements. Mentioned capital increase was made by the Bank's main shareholder Türkiye Varlık Fonu.

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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.

XXV. EXPLANATIONS ON OTHER MATTERS

None.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I. EXPLANATIONS ON CAPITAL

Equity amount and capital adequacy standard ratio calculation is made within the framework of "Regulation on Equities of the Banks" and "Regulation on Measurement and Evaluation of Banks' Capital Adequacy" and in accordance with the amendments announced by the BRSA in the resolution dated 8 December 2020.

These amendments include the following provisions respectively; in case of the net valuation differences of the securities included in the Fair Value Through Other Comprehensive Income portfolio as of 23 March 2020 are negative, these differences are not to be taken into account in the calculation of equity amount for the capital adequacy ratio, and the simple arithmetic average of Central Bank buying exchange rates of the last 252 business days can be used for the monetary and non-monetary assets' carrying values in accordance with Turkish Accounting Standard except from the foreign currency items measured at historical cost basis for calculating the amount subject to credit risk and for the related specific provisions

As of 31 December 2020, the capital adequacy ratio and the capital amount of the Bank were realized as 15,23% (31 December 2019: 14,33%) and TRY 61.044.888 (31 December 2019: TRY 46.543.894) which were calculated within the scope of the above-mentioned regulation amendments.

(1) Information on Equity 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	3.694.227	
Share Premium	5.776.224	
Reserves	25.421.933	
Other Comprehensive Income according to TAS	6.255.348	
Profit	2.600.045	
Current Period Profit	2.600.045	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	261.028	
Common Equity Tier 1 Capital Before Deductions	44.008.805	
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 (-)	611.148	
Leasehold Improvements on Operational Leases (-)	107.985	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	572.925	572.925
Net Deferred Tax Asset/Liability (-)	-	

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Current Period	Amount	Amounts related to treatment before 1/1/2014(*)
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 (-)	351.767	
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	1.643.825	
Total Common Equity Tier I Capital	42.364.980	
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	8.175.150	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	8.175.150	
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	8.175.150	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	50.540.130	
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)	4.579.261	
Tier II Capital Before Deductions	10.509.056	
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.	-	

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Current Period	Amount	Amounts related to treatment before 1/1/2014(*)
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	10.509.056	
Total Equity (Total Tier I and Tier II Capital)	61.049.186	
Total Tier I and Tier II Capital (Total Equity)	61.049.186	
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	4,298	
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)	61.044.888	
Total Risk Weighted Assets	400.934.749	
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	10,57	
Tier I Capital Ratio (%)	12,61	
Capital Adequacy Ratio (%)	15,23	
BUFFERS		
Bank-specific total CET1 Capital Ratio (a+b+c)	2,508	
a) Capital Conservation Buffer Ratio (%)	2,500	
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,008	
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 (%)	6,067	
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	147.261	
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	685.755	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	1.894.476	
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)	5.919.770	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.579.261	
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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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior 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	-	
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 I Capital	684,828	
Total Common Equity Tier I Capital	31,955,374	

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Amount	Amounts related to treatment before 1/1/2014(*)
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 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	5.958.900	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + 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	
Total Deductions from Tier II Capital	8.640.952	
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	8.640.952	
Total Equity (Total Tier I and Tier II Capital)	46.555.226	
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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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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)	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	2,528	
Capital Conservation Buffer Ratio (%)	2,500	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,028	
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	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)		
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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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	8.175
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	03.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	03.07.2018	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.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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 23,44% and 27,98% of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 39,01% and 50,35% of the total non-cash loan portfolio, respectively.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 15,76% and 19,85% 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 5.583.058 (31 December 2019: TRY 2.519.002).

Exposure Categories:	Current Period Credit Risk Amount ⁽¹⁾	Current Period Average Risk Amount	Prior Period Risk Amount⁽¹⁾	Prior Period Average Risk Amount
Conditional and unconditional exposures to central governments or central banks	190.998.990	149.674.233	124.049.755	123.083.343
Conditional and unconditional exposures to regional governments or local authorities	2.487.551	2.811.085	3.097.478	3.401.161
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1.819.365	1.112.566	683.403	1.005.144
Conditional and unconditional exposures to multilateral development banks	25.119	36.069	61.820	69.304
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	6.255.886	5.784.488	8.657.377	9.815.847
Conditional and unconditional exposures to corporates	194.726.399	179.575.532	159.760.536	151.341.491
Conditional and unconditional retail exposures	140.427.761	122.093.638	86.993.317	83.159.330
Conditional and unconditional exposures secured by real estate property	93.926.112	83.930.576	73.935.115	69.060.245
Past due items	5.711.373	6.087.632	6.746.506	4.192.562
Items in regulatory high-risk categories	-	-	-	16.107
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	6.389.475	4.739.228	3.991.139	5.000.428
Other Receivables	22.407.015	21.724.204	21.125.589	18.063.884

⁽¹⁾ Includes the risk amounts after credit conversions.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Profile of significant exposures in major regions:

	Risk Classifications ⁽¹⁾										Total		
	Conditional and unconditional exposures to central or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to Multilateral Development Banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail	Conditional and unconditional exposures by real estate property	Items in regulatory high-risk categories	Stock Investments		Other	
Current Period													
1. Domestic	190,998,963	2,487,551	1,819,365	25,119	2,686,745	193,760,723	14,041,487	93,770,838	5,711,308	-	22,406,639	654,082,127	
2. European Union (EU) Countries	17	-	-	-	2,531,258	199,802	6,743	8,888	42	-	84	2,746,834	
3. OECD Countries ⁽²⁾	-	-	-	-	136,002	-	498	1,590	-	-	-	138,090	
4. Off-Shore Banking Regions	-	-	-	-	298	47,562	1,020	-	-	-	-	48,880	
5. USA, Canada	-	-	-	-	251,115	718,312	973	446	-	-	-	252,534	
6. Other Countries	10	-	-	-	650,468	718,312	3,651	144,350	23	-	292	1,517,106	
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	6,389,475	
Total	190,998,990	2,487,551	1,819,365	25,119	6,255,686	194,726,599	14,042,776	93,926,112	5,711,373	-	6,389,475	22,407,015	665,175,046
Prior Period													
1. Domestic	124,049,755	3,097,478	683,403	61,820	3,343,156	157,117,906	86,985,801	73,863,163	6,746,421	-	3,991,139	21,125,465	481,065,527
2. European Union (EU) Countries	-	-	-	-	2,980,205	187,015	5,262	8,637	44	-	92	3,181,255	
3. OECD Countries ⁽²⁾	-	-	-	-	176,530	-	179	1,700	-	-	-	178,409	
4. Off-Shore Banking Regions	-	-	-	-	606	1,851,015	134	-	-	-	12	1,851,767	
5. USA, Canada	-	-	-	-	1,671,037	216	243	-	-	-	-	1,671,496	
6. Other Countries	-	-	-	-	485,843	604,600	1,725	61,372	41	-	-	1,153,581	
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	
Total	124,049,755	3,097,478	683,403	61,820	6,657,377	159,760,536	86,993,317	73,935,115	6,746,506	-	3,991,139	21,125,599	489,102,035

(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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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Profile of significant exposures by sectors:

Current Period	Risk Classifications ⁽¹⁾															
	Conditional and unconditional exposures to central governments or local authorities	Conditional and unconditional exposures to non-commercial banks	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to banks	Conditional and unconditional exposures to houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail	Conditional and unconditional exposures to property	Items in regulatory high-risk categories	Stock Investments	FC	Total				
Agriculture	300,091	-	1,314	-	-	571,226	851,555	222,575	-	28,789	-	191,570	1,922,107	245,013	2,167,120	
Farming and Stockbreeding	129,371	-	1,313	-	-	260,439	420,899	119,594	9,691	-	-	119,739	944,322	116,724	1,061,046	
Forestry	99,382	-	1	-	-	38,726	398,437	76,029	9,150	-	-	71,827	676,940	6,612	683,552	
Fishery	71,338	-	-	-	-	272,061	-	26,952	9,948	-	-	4	300,845	121,677	422,522	
Manufacturing	16,602,929	-	24,989	12,294	-	72,711,202	17,604,190	18,133,801	1,608,543	-	-	45,930	83,128,280	43,615,598	126,743,878	
Mining and Quarrying	33,183	-	172	-	-	3,699,242	250,040	295,373	28,536	-	-	22	1,531,111	3,073,477	4,604,588	
Production	16,069,615	-	24,989	12,122	-	53,429,628	17,224,835	17,034,129	1,262,047	-	-	45,908	76,798,104	28,305,169	105,103,273	
Electricity, Gas and Water	202,131	-	-	-	-	15,862,332	129,315	804,299	31,7940	-	-	-	4,799,065	12,236,952	17,036,017	
Construction	4,345,495	-	9,093	-	-	23,335,047	3,508,545	8,368,073	1,786,801	-	-	93,398	32,396,694	9,049,758	41,446,452	
Services	107,767,299	2,429,705	1,792,305	3,517	5,100,406	91,542,810	68,231,803	29,570,684	2,010,189	-	-	2,886,855	216,596,473	94,739,100	311,335,573	
Wholesale and Retail Trade	14,751,065	107	2,554	2,352	-	24,287,290	40,666,745	12,416,145	1,047,561	-	-	16,463	86,974,365	7,215,917	94,190,282	
Accommodation and Dining	2,417,068	10	-	-	-	9,912,455	3,920,249	8,622,706	191,113	-	-	95	9,274,003	15,789,693	25,063,696	
Transportation and Telecom.	862,094	-	4	38	-	9,767,522	17,188,047	1,127,121	102,999	-	-	539	20,312,135	8,736,229	29,048,364	
Financial Institutions	862,679	-	9	-	5,100,406	7,253,496	96,457	885,638	1,382	-	-	6,699	8,945,307	5,261,459	14,206,766	
Real Estate and Rental Services	1,097,033	-	87	1,127	-	37,179,360	3,514,492	4,003,828	597,454	-	-	110,684	14,964,621	31,539,444	46,504,065	
Professional Services	2,666,645	-	-	-	-	48	1,847,216	1,848,868	4,166	-	-	407	2,303,228	122	2,303,350	
Educational Services	346,566	-	1,137,437	-	-	42,785	385,040	637,050	33,817	-	-	11	2,357,302	610,404	2,967,706	
Health and Social Services	87,164,149	2,429,588	652,214	-	-	2,714,854	61,3557	1,693,328	31,697	-	-	2,751,957	72,465,512	25,585,832	98,051,344	
Other	61,983,176	57,846	757	215	1,155,480	6,566,114	50,231,668	37,630,979	277,051	-	-	6,389,475	19,189,262	124,878,030	58,603,993	183,482,023
Total	190,998,990	2,487,551	1,819,365	25,119	6,255,886	194,726,399	140,427,761	93,926,112	5,711,373	-	6,389,475	22,407,015	458,921,584	206,253,462	665,175,046	

(1) Refers to the risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Risk Classifications ⁽¹⁾										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 banks or brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail	Conditional and unconditional exposures to real estate	Stock investments	Other	TR Y		FC	
Agriculture	110.211	-	432	78	-	515.574	173.185	272.49	-	137.840	1.089.158	378.193	1.467.351
Farming and Stockbreeding	63.176	-	430	78	-	181.974	25.242	104.528	7.707	-	118.038	600.199	129.974
Forestry	38.807	-	2	-	-	15.648	230.667	46.740	6.282	-	19.800	348.471	9.475
Fishery	8.228	-	-	-	-	305.160	30.665	21.917	13.260	-	2	140.488	238.744
Manufacturing	7.655.635	-	23.395	28.767	-	59.009.412	12.477.416	15.529.597	2.350.659	-	47.269	52.645.180	44.476.970
Mining and Quarrying	1.40.906	-	-	376	-	2.905.613	22.1004	239.525	22.098	-	22	858.193	2.671.351
Production	7.335.941	-	23.395	28.391	-	43.837.151	12.168.632	13.207.758	1.938.992	-	47.247	47.775.718	30.811.789
Electricity, Gas and Water	178.788	-	-	-	-	12.266.648	87.780	2.082.314	389.569	-	-	4.011.269	10.993.830
Construction	1.928.438	-	-	12.593	-	19.081.993	2.697.500	7.317.295	1.413.164	-	97.986	22.118.280	10.430.689
Services	83.060.482	3.018.319	659.286	19.814	8.035.273	74.336.753	41.244.813	23.331.115	2.603.701	-	2.607.332	151.740.899	87.175.989
Wholesale and Retail Trade	5.610.666	-	51	13.895	-	20.732.042	25.049.550	10.186.852	1.133.745	-	14.047	53.164.061	9.575.787
Accommodation and Dining	1.044.448	10	185	124	-	8.123.988	1.481.318	6.564.644	302.242	-	93	3.993.271	13.523.751
Transportation and Telecom.	286.553	-	3	368	-	6.942.665	11.134.833	929.811	97.815	-	589	12.972.343	6.420.294
Financial Institutions	201.259	-	31	-	-	8.035.273	5.004.228	64.402	797.631	1.673	-	6.721.436	7.386.274
Real Estate and Rental Services	350.034	-	120	2.242	-	30.485.575	1.893.252	3.103.535	741.181	-	104.329	9.462.047	27.218.221
Professional Services	8.583	-	2	-	-	-	1.042.923	144.582	5.910	-	608	1.202.497	1.111
Educational Services	15.7501	-	64.605	-	-	1.222.414	224.109	470.418	276.256	-	12	1.700.320	714.995
Health and Social Services	75.401.438	3.018.309	594.289	31.85	-	1.825.871	354.426	1.134.642	44.879	-	2.482.441	62.524.924	22.334.556
Other	31.294.989	79.159	290	568	6.221.04	6.829.596	30.058.014	27.583.923	351.733	-	3.991.139	18.235.162	80.743.427
Total	124.049.755	3.097.478	683.403	61.820	8.657.377	159.760.536	86.993.337	73.935.115	6.746.506	-	3.991.139	211.255.899	180.765.091

(1) Refers to the risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Analysis of maturity-bearing exposures according to remaining maturities (*):

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	58.155.999	2.898.457	3.884.004	3.777.154	122.283.376
2. Conditional and unconditional exposures to regional governments or local authorities	39.761	24.177	14.905	142.068	2.266.640
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	118.707	64.206	11.396	122.869	1.502.187
4. Conditional and unconditional exposures to Multilateral Development Banks	408	150	4.377	5.813	14.371
5. Conditional and unconditional exposures to banks and brokerage houses	4.039.611	60.663	466.714	33.145	1.655.753
6. Conditional and unconditional exposures to corporates	22.608.260	12.693.537	11.446.823	30.658.730	117.319.049
7. Conditional and unconditional retail exposures	15.513.485	2.969.760	4.775.864	12.158.371	105.010.281
8. Conditional and unconditional exposures secured by real estate property	4.194.330	2.104.435	2.573.258	8.134.840	76.919.249
9. Past due items	5.711.373	-	-	-	-
10. Items in Regulatory High-Risk Categories	-	-	-	-	-
11. Stock Investments	6.389.475	-	-	-	-
12. Other Items	18.987.356	48	71	208.312	3.211.228
Total	135.758.765	20.815.433	23.177.412	55.241.302	430.182.134

(*) Includes risk amounts after the effect of credit risk mitigation and 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	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

(*) Includes risk amounts after the effect of credit risk mitigation and after the credit conversions.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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		Exposures to Corporates
			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	
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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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Risks included in the consolidated counter-cyclical capital buffer calculation:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
TURKEY	340.895.868	-	340.895.868
CYPRUS	672.946	-	672.946
MALTA	199.782	-	199.782
KYRGYZSTAN	70.246	-	70.246
MARSHALL ISLANDS	47.562	-	47.562
OTHER ^(*)	851	-	851

* Risk-Weighted Assets below TRY 5 Million (Full TRY) are grouped under otherheadings.

Exposures by risk weights:

Current Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions 4% from Equity	
1. Exposures before Credit Risk Mitigation	155.633.165	-	4.772.527	-	7.619.303	238.980.710	267.412.036	509.154	-	605.354	1.275	-	4.298
2. Exposures after Credit Risk Mitigation	204.408.232	-	4.772.527	56.545.200	39.677.097	140.589.010	218.125.450	450.901	-	605.354	1.275	-	4.298

Prior Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	Deductions 4% 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

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Information by major sectors and type of counterparties:

Current Period	Credits		
Major Sectors /Counterparties	Significant Increase in Credit Risk (Stage II) ⁽¹⁾	Credit – Impaired Losses (Stage III) ⁽²⁾	Expected Credit Loss (IFRS 9) ⁽³⁾
Agriculture	264.649	112.441	139.170
<i>Farming and Stockbreeding</i>	255.784	84.361	119.720
<i>Forestry</i>	670	459	484
<i>Fishery</i>	8.195	27.621	18.966
Manufacturing	8.535.878	5.195.136	4.385.759
<i>Mining and Quarrying</i>	75.786	188.147	155.357
<i>Production</i>	3.908.378	4.463.067	3.506.005
<i>Electricity, Gas and Water</i>	4.551.714	543.922	724.397
Construction	4.712.383	3.061.414	1.946.817
Services	18.374.864	5.282.493	5.119.887
<i>Wholesale and Retail Trade</i>	4.707.806	2.921.974	2.314.323
<i>Accommodation and Dining</i>	6.153.667	584.237	893.538
<i>Transportation and Telecommunication</i>	464.061	221.995	151.229
<i>Financial Institutions</i>	548.796	9.070	96.182
<i>Real Estate and Rental Services</i>	6.138.164	986.770	1.141.788
<i>Professional Services</i>	51.947	10.451	10.132
<i>Educational Services</i>	84.500	433.084	406.993
<i>Health and Social Services</i>	225.923	114.912	105.702
Other	4.079.849	1.080.902	1.120.191
Total	35.967.623	14.732.386	12.711.824

⁽¹⁾ Income accruals amounting to TRY 1.785.069 are not included in the table.

⁽²⁾ Income accruals amounting to TRY 2.185.408 are not included in the table.

⁽³⁾ The provision for accruals of stage three loans amounting to TRY 1.508.764 and the provision for accruals of stage two loans amounting to TRY 147.070 are not included in the table.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Credits		
Major Sectors /Counterparties	Significant Increase in Credit Risk (Stage II) ⁽¹⁾	Credit – Impaired Losses (Stage III) ⁽²⁾	Expected Credit Loss (TFRS 9)
Agriculture	97.776	117.429	94.289
<i>Farming and Stockbreeding</i>	87.996	89.941	77.708
<i>Forestry</i>	370	459	464
<i>Fishery</i>	9.410	27.029	16.117
Manufacturing	4.142.481	4.916.006	2.938.650
<i>Mining and Quarrying</i>	107.619	150.630	137.487
<i>Production</i>	4.015.449	4.227.353	2.544.115
<i>Electricity, Gas and Water</i>	19.413	538.023	257.048
Construction	4.720.039	2.275.794	1.483.567
Services	12.528.002	5.494.438	3.616.147
<i>Wholesale and Retail Trade</i>	4.510.825	2.980.233	2.104.393
<i>Accommodation and Dining</i>	1.664.203	662.986	433.876
<i>Transportation and Telecommunication</i>	654.303	197.165	127.724
<i>Financial Institutions</i>	598.581	14.320	24.648
<i>Real Estate and Rental Services</i>	4.761.555	1.073.968	627.818
<i>Professional Services</i>	69.481	13.135	10.273
<i>Educational Services</i>	102.297	428.836	192.519
<i>Health and Social Services</i>	166.757	123.795	94.896
Other	2.667.812	1.131.851	849.670
Total	24.156.110	13.935.518	8.982.323

⁽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⁾ The provision for accruals of stage three loans amounting to TRY 1.048.853 and the provision for accruals of stage two loans amounting to TRY 66.942 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	8.882.662	3.521.415	(1.354.927)	-	11.049.150
2. Stage I and Stage II expected credit loss	2.519.002	3.100.833	(36.777)	-	5.583.058
Prior 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

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The net value of collaterals which amounts to TRY 35.967.623 for loans under close monitoring by type distinction are disclosed in the table below (31 December 2019: TRY 24.156.110).

Collateral Types	Net Value of Collateral Current Period⁽¹⁾
Real estate mortgage	8.794.443
Salary pledge, vehicle pledge and pledge of commercial undertaking	343.278
CGF	2.814.323
Cheque / bills	74.687
Sureties	16.347.357
Other	7.593.535
Total	35.967.623

⁽¹⁾ Income accruals amounting TRY 1.785.069 are not included in the table.

⁽²⁾ Comprised of share certificates, blockage on receivables, uncollateralized etc.

Collateral Types	Net Value of Collateral Prior Period⁽¹⁾
Real estate mortgage	11.114.990
Salary pledge, vehicle pledge and pledge of commercial undertaking	332.982
CGF	2.465.470
Cheque / bills	119.840
Sureties	4.054.828
Other	6.068.000
Total	24.156.110

⁽¹⁾ Income accruals amounting to TRY 1.203.781 are not included in the table.

⁽²⁾ Comprised of share certificates, blockage on receivables, uncollateralized etc.

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The net value and type of collaterals belongs to loans amounted TRY 14.732.386 followed under non-performing loans section is below (31 December 2019: TRY 13.935.518).

Collateral Types	Net Value of Collateral Current Period⁽²⁾
Cash	5.324
Mortgage	3.487.992
Pledge	403.656
Cheque / bills	430
Sureties	7.838.793
Other ⁽¹⁾	2.996.191
Total	14.732.386

⁽¹⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

⁽²⁾ Income accruals amounting to TRY 2.185.408 are not included in the table.

Collateral Types	Net Value of Collateral Prior Period⁽²⁾
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.

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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 Bank 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 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 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 financial statement date and the previous five working days in full TRY are as follows:

	24.12.2020	25.12.2020	26.12.2020	27.12.2020	30.12.2020	31.12.2020
USD	7,5300000	7,5200000	7,4200000	7,3300000	7,3400000	7,4000000
CHF	8,4385000	8,4434000	8,3424000	8,2668000	8,2982000	8,3970000
GBP	10,2190000	10,1743000	10,0194000	9,8865000	9,9546000	10,0810000
JPY	0,0723989	0,0724565	0,0713895	0,0705542	0,0709691	0,0715909
EURO	9,1776000	9,1533000	9,0773000	8,9851000	9,0124000	9,0835000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before the financial statement date are as follows:

	Monthly Average Buying rate of exchange
USD	7,6656522
CHF	8,6170652
GBP	10,2906435
JPY	0,0736755
EUR	9,3330652

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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	9.671.364	30.133.679	15.275.258	55.080.301
Banks	1.075.632	437.518	383.318	1.896.468
Financial assets at fair value through profit and loss	103	1.246	-	1.349
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income ⁽⁵⁾	9.003.247	11.505.972	824.289	21.333.508
Loans ⁽²⁾	54.149.753	38.334.537	1.235.926	93.720.216
Subsidiaries, associates and entities under common control	674.237	-	2.140.652	2.814.889
Financial assets measured at amortised cost ⁽⁶⁾	8.824.065	14.953.586	3.471.174	27.248.825
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	255	255
Intangible assets	-	-	-	-
Other assets ⁽³⁾	1.080.075	1.889.437	8.582	2.978.094
Total assets	84.478.476	97.255.975	23.339.454	205.073.905
Liabilities				
Bank deposits	9.348.484	5.069.754	352.595	14.770.833
Foreign currency deposits	66.199.392	90.282.509	23.943.449	180.425.350
Money market balances	-	1.114.631	-	1.114.631
Funds provided from other financial institutions	6.316.487	3.687.799	2.049	10.006.335
Bonds issued	-	7.553.277	-	7.553.277
Sundry creditors	251.161	438.007	195	689.363
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	9.217.636	833.632	82.294	10.133.562
Total liabilities	91.333.160	108.979.609	24.380.582	224.693.351
Net balance sheet position	(6.854.684)	(11.723.634)	(1.041.128)	(19.619.446)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	6.262.753	9.302.315	1.372.096	16.937.164
Financial derivative assets ⁽⁴⁾	7.325.960	14.550.855	4.749.937	26.626.752
Financial derivative liabilities ⁽⁴⁾	1.063.207	5.248.540	3.377.841	9.689.588
Non-cash loans ⁽¹⁾	36.659.770	19.919.355	2.695.428	59.274.553
Prior period				
Total assets	73.371.806	67.292.723	6.895.123	147.559.652
Total liabilities	82.555.919	71.494.882	8.797.712	162.848.513
Net balance sheet position	(9.184.113)	(4.202.159)	(1.902.589)	(15.288.861)
Net off-balance sheet position				
Financial derivative assets	8.294.238	(66.027)	3.071.795	11.300.006
Financial derivative assets	9.671.543	8.010.056	3.971.397	21.652.996
Financial derivative liabilities	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

⁽¹⁾ Non-cash loans are not included in the off-balance sheet position items.

⁽²⁾ Includes TRY 45.321 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 819) in assets; and shareholders' equity (TRY 630.840) 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 42.111 and swap precious metal purchase transactions amounted to TRY 3.480.060. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.287.355. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

⁽⁵⁾ Includes gold indexed bonds amounting to TRY 824.289 (31 December 2019: TRY 1.099.243).

⁽⁶⁾ Includes gold indexed bonds amounting to TRY 3.471.174 (31 December 2019: TRY 136.186).

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(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 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 rate risks are measured on a daily basis primarily through risk weighted asset and economic value change measurements, sensitivity, duration and gap analyses. Measurement results are daily 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	6.746.564	-	-	-	-	56.729.655	63.476.219
Banks and financial institutions	955.685	-	-	-	-	1.189.966	2.145.651
Financial assets at fair value through profit and loss	-	3	31.047	998	248	15.645.225	15.677.521
Money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	4.610.223	13.672.230	24.746.697	13.783.850	1.633.588	454.542	58.901.130
Loans	65.965.653	88.121.057	126.945.155	112.472.087	30.883.227	25.358.036	449.745.215
Financial assets measured at amortised cost	398.529	29.081.839	7.125.477	16.984.428	31.030.758	-	84.621.031
Other assets ⁽⁴⁾	412.482	3.514	7.982	22.707	-	5.012.643	5.459.328
Total assets	79.089.136	130.878.643	158.856.358	143.264.070	63.547.821	104.390.067	680.026.095
Liabilities							
Bank deposits	21.151.261	4.168.538	-	-	-	9.661.988	34.981.787
Other deposits	239.070.343	86.949.641	15.745.027	591.030	-	79.948.467	422.304.508
Money market balances	103.086.844	740.000	-	-	-	129.576	103.956.420
Miscellaneous Payables	4.446.355	-	-	-	-	4.496.131	8.942.486
Bonds issued	647.000	7.081.452	4.280.000	1.000.000	-	186.227	13.194.679
Funds provided from other financial institutions ⁽³⁾	284.731	4.807.253	2.332.423	2.212.957	700.215	49.420	10.386.999
Other liabilities ⁽¹⁾⁽²⁾	1.000.000	-	15.499.625	8.175.150	4.929.795	56.654.646	86.259.216
Total liabilities	369.686.534	103.746.884	37.857.075	11.979.137	5.630.010	151.126.455	680.026.095
Balance sheet long position	-	27.131.759	120.999.283	131.284.933	57.917.811	-	337.333.786
Balance sheet short position	(290.597.398)	-	-	-	-	(46.736.388)	(337.333.786)
Off-balance sheet long position	16.716.872	9.555.803	6.740.958	243.667	5.940.341	-	39.197.641
Off-balance sheet short position	(16.039.228)	(7.691.802)	(7.051.134)	(883.737)	(5.940.341)	-	(37.606.242)
Total position	(289.919.754)	28.995.760	120.689.107	130.644.863	57.917.811	(46.736.388)	1.591.399

(1) TRY 331.752 of net 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) Provision amounts are included in the 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, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	1.100.270	-	-	-	-	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 available-for-sale	3.309	3.049.156	4.378.714	5.837.986	757.544	232.075	14.258.784
Loans	77.301.990	47.047.508	81.570.652	68.303.275	12.266.909	22.717.767	309.208.101
Held-to-maturity investments	850.392	23.922.480	7.574.636	17.565.511	22.295.336	-	72.208.355
Other assets ⁽⁴⁾	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 ⁽⁵⁾	470.581	4.428.248	3.109.478	2.126.207	809.331	72.996	11.016.841
Other liabilities ⁽¹⁾⁽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	16.522.714	4.712.560	10.147.950	90.946	5.546.352	-	37.020.522
Off-balance sheet short position	(15.945.233)	(3.457.449)	(10.281.891)	(1.051.815)	(5.546.352)	-	(36.282.740)
Total position	(145.975.384)	5.809.242	55.522.146	81.490.130	23.621.959	(19.730.311)	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⁾ Provision amounts are included in the non-bearing interest column.

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2. Average interest rates applied to the monetary 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⁾	-	-	-	12,00
Due from other banks and financial institutions ⁽¹⁾	0,19	0,75	-	15,80
Financial assets at fair value through profit and loss ⁽⁶⁾	1,56	4,12	-	8,92
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,28	2,94	-	13,84
Loans ⁽²⁾	5,11	5,98	-	11,31
Financial assets measured at amortised cost	4,87	5,62	-	17,56
Liabilities				
Bank deposits ⁽⁴⁾	0,94	1,61	-	17,42
Other deposits ⁽⁴⁾	0,99	2,40	0,01	14,05
Money market borrowings	-	5,11	-	17,40
Sundry creditors ⁽³⁾	-	-	-	5,00
Bonds issued	-	4,75	-	14,11
Funds provided from other financial institutions	0,92	1,54	-	10,70

⁽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 2020.

⁽⁴⁾ Demand deposit amounts are considered in the average interest rate calculation.

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT as of the balance sheet date.

⁽⁶⁾ Borrowed securities are not included in the average interest rate calculation.

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⁾	-	-	-	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 ⁽⁶⁾	-	4,76	-	12,91
Money market placements	-	-	-	-
Available-for-sale financial assets	2,77	5,15	-	18,15
Loans ⁽²⁾	5,28	7,04	3,10	13,93
Held-to-maturity investments	4,77	5,93	-	19,62
Liabilities				
Bank deposits ⁽⁴⁾	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⁾ Demand deposit amounts are considered in the average interest rate calculation.

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT.

⁽⁶⁾ Borrowed securities are not included in the average interest rate calculation.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

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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, within the scope of Interest Rate Risk in the Banking Book (IRRBB), the ratio of losses incurred due to economic value changes after interest shocks to total capital - legal maximum rate - is limited to 20%. On the other hand regarding IRRBB ratio, 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.

As part of the measures taken against the Covid-19 pandemic which occurred in 2020, banks have been exempted from the obligations to meet 20% legal limit regarding the IRRBB ratio until 31 December 2020 with the resolution numbered 8998 dated 16 April 2020 by BRSA. Mentioned exemption has been terminated as of 31 December 2020 with the resolution numbered 9312 dated 8 December 2020.

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			Gains/Shareholders' Equity -Losses/Shareholders' Equities	
Currency	Applied Shock (+/- x basis point)	Gains/(Losses)		
1 TRY	500	(11.814.957)	(19,34%)	
	(400)	11.722.450	19,19%	
2 EUR*	200	2.798.078	4,58%	
	(200)	(4.088.887)	(6,69%)	
3 USD	200	(2.050.333)	(3,36%)	
	(200)	2.830.762	4,63%	
Total (For negative shocks)		10.464.325	17,13%	
Total (For positive shocks)		(11.067.212)	(18,12%)	

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period				Gains/Shareholders' Equity -Losses/ Shareholders' Equities
Currency	Applied Shock (+/- x basis point)	Gains/(Losses)		
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%)

* 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 ⁽²⁾	Market Value	
Investment in Shares-Grade A	2.240.689	2.240.689	2.240.689	179.255
Quoted Securities ⁽¹⁾	2.240.689	2.240.689	2.240.689	179.255
Investment in Shares-Grade B	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares-Grade C	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares- Grade D	-	-	-	-
Other	4.198.953	4.008.703	-	418.207

⁽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 İstanbul A.Ş.

⁽²⁾ Investments that are not measured at fair value are not included in the table above.

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Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in Common Equity and Tier II Capital:

Portfolio	Revaluated appreciation in the fair value			Unrealized gains and losses		
	Realized gains/ losses in the current period	Total	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⁾	-	1.542.571	1.542.571	-	-	-
3. Other share certificates	-	1.239.590	1.239.590	-	-	-
Total	-	2.782.161	2.782.161	-	-	-

⁽¹⁾ 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 İstanbul 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. On the other hand, for Treasury transactions; maturity and amount limits are determined for TL and FX transactions made in the interbank over-the-counter market, and limits are set on the maximum foreign currency position, forward and swap transactions that can be carried.

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 Bank's liquidity management policies.

Systemic and bank specific 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.

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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 the BRSA's "Regulation for Banks' Liquidity Coverage Ratio Calculations" published in the Official Gazette No. 28948 dated 21 March 2014, FC and TRY+FC liquidity coverage ratios are calculated by using high quality liquid assets divided by net cash outflows. Within this context, the Bank is required to have the ability to cover net cash outflows with high quality liquid assets and its related ratios should be in compliance with the legal limits. According to the mentioned Regulation, the legal minimum limits of liquidity coverage ratios calculated by taking the monthly simple arithmetic average on a consolidated basis. Within the scope of the measures regarding the Covid-19 outbreak in 2020, deposit and participation banks is exempt from the liability to comply with the minimum legal limits set as 100% and 80% for TRY + FC and FC liquidity coverage ratios, respectively, with the resolution of BRSA numbered 8967 and dated 26 March 2020, until 31 December 2020. The exemption has been terminated as of 31 December 2020 with the BRSA resolution numbered 9312 and dated 8 December 2020.

As part of the important developments regarding liquidity risk; the Bank's loan volume has increased significantly with the loan support provided to customers during the Covid-19 outbreak, and loan payment deferral opportunities has been offered to loan customers. Within this scope, the Bank has taken measures to reduce liquidity risks and to provide the necessary liquidity buffer by effectively using the necessary deposit and fund resources

High quality liquid assets are composed of 44,48% accounts held by the CBRT and the Central Banks of the foreign branches, 50,31% securities considered as high quality liquid assets and 5,21% cash and cash equivalents. The primary funding source for the Bank is deposit. Other important funding sources are money market borrowings and securities issued.

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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 677.149.

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.

Early warning levels and limits related to the liquidity coverage ratio and the liquidity metrics determined within the scope of the "Liquidity Emergency Action Plan" of the Bank are calculated on a daily basis and the changes in these ratios are reported to the Bank's Audit Committee, Asset-Liability Committee and related business units regularly.

The Bank's minimum and maximum TRY and TRY+FC liquidity coverage ratios calculated based on weekly averages, and the realized weeks of these ratios in the current period are disclosed in the table below;

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Week	(%)	Related Week	(%)
Maximum	21.12.2020 - 27.12.2020	193,01	21.12.2020 - 27.12.2020	111,4
Minimum	26.10.2020 - 01.11.2020	106,97	16.11.2020 - 22.11.2020	81,76

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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			97.157.857	53.229.316
Cash Outflows				
Retail and Small Business Customers, of which;	214.617.526	108.065.692	19.509.278	10.806.569
Stable Deposits	39.049.482	-	1.952.474	-
Less Stable Deposits	175.568.044	108.065.692	17.556.804	10.806.569
Unsecured wholesale funding , of which;	201.001.358	72.362.195	91.225.447	32.527.508
Operational Deposits	35.013.841	9.020.372	8.753.460	2.255.093
Non-operational Deposits	160.030.877	60.784.114	77.462.446	27.794.458
Other Unsecured Funding	5.956.640	2.557.709	5.009.541	2.477.957
Secured Funding			-	-
Other cash outflows, of which;	11.507.266	6.795.634	5.695.885	3.566.414
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	828.276	893.579	828.276	893.579
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off- balance sheet obligations	10.678.990	5.902.055	4.867.609	2.672.835
Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	143.576.337	55.747.381	11.317.079	4.713.310
Total Cash Outflows			127.747.689	51.613.801
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	33.462.760	11.637.431	21.161.935	8.543.201
Other Cash Inflows	159.799	2.940.010	159.799	2.940.010
Total Cash Inflows	33.622.559	14.577.441	21.321.734	11.483.211
			Total Adjusted Value	
Total HQLA Stock			97.157.857	53.229.316
Total Net Cash Outflows			106.425.955	40.130.590
Liquidity Coverage Ratio (%)			91,65%	136,42%

⁽¹⁾ Calculated by simple arithmetic average, weekly average calculated for the last three months of the values.

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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			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, weekly average calculated for the last three months of the values.

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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	4.930.693	58.545.526	-	-	-	-	-	63.476.219
Banks	1.188.418	957.233	-	-	-	-	-	2.145.651
Financial assets at fair value through profit and loss	-	-	3	15.530.733	956	228	145.601	15.677.521
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	735.114	3.931.457	22.250.602	25.222.271	6.307.144	454.542	58.901.130
Loans	20.560.244	29.560.641	33.689.062	108.498.095	202.309.055	55.128.118	-	449.745.215
Financial assets measured at amortised cost	-	5.713.445	5.955.649	8.441.007	25.877.909	38.633.021	-	84.621.031
Other assets ⁽²⁾	1.971	511.455	1.296.001	545.816	99.493	349.143	2.655.449	5.459.328
Total assets	26.681.326	96.023.414	44.872.172	155.266.253	253.509.684	100.417.654	3.255.592	680.026.095
Liabilities								
Bank deposits	9.601.355	21.199.896	4.180.536	-	-	-	-	34.981.787
Other deposits	78.374.345	239.345.732	82.754.216	21.121.872	707.083	1.260	-	422.304.508
Funds provided from other financial institutions ⁽³⁾	-	64.853	172.433	1.438.128	3.562.907	5.148.678	-	10.386.999
Money market balances	-	103.212.440	3.980	-	-	740.000	-	103.956.420
Bonds issued	-	743.164	6.149.313	4.872.202	1.430.000	-	-	13.194.679
Sundry creditors	49.331	3.930.340	249.949	1.234.706	2.850.093	12.677	615.390	8.942.486
Other liabilities ⁽¹⁾	2.347	5.652.834	99.477	16.311.161	9.719.537	8.966.472	45.507.388	86.259.216
Total liabilities	88.027.378	374.149.259	93.609.904	44.978.069	18.269.620	14.869.087	46.122.778	680.026.095
Liquidity gap	(61.346.052)	(278.125.845)	(48.737.732)	110.288.184	235.240.064	85.548.567	(42.867.186)	-
Net off balance sheet position								
Derivative financial assets	-	(2.355)	620.001	464.823	508.930	-	-	1.591.399
Derivative financial liabilities	-	15.936.873	7.826.803	1.916.950	1.636.333	11.880.682	-	39.197.641
Non-cash loans	35.214.740	2.627.378	9.898.398	39.915.526	24.440.044	2.459.251	-	114.555.337
Prior Period								
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
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								
Derivative financial assets	-	(12.519)	16.111	161.060	573.130	-	-	737.782
Derivative financial liabilities	-	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

⁽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	349.232.291	88.051.439	21.888.862	796.641	1.338	(2.684.276)	457.286.295
Funds provided from other financial intuitions	69.559	187.245	1.492.255	3.728.963	5.636.116	(727.139)	10.386.999
Money market borrowings	103.347.915	4.526	-	-	747.982	(144.003)	103.956.420
Securities issued	791.522	6.353.168	5.065.376	1.531.819	-	(547.206)	13.194.679
Funds	7.800	35	211.490	617.046	3.317.615	(536.683)	3.617.303
Total	453.449.087	94.596.413	28.657.983	6.674.469	9.703.051	(4.639.307)	588.441.696

Prior 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

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	1.734.998	1.241.034	34.708	-	-	3.010.740
Forward Contracts – Sell	631.159	161.002	34.069	-	-	826.230
Swaps – Buy	10.153.294	5.772.068	1.707.242	1.184.000	-	18.816.604
Swaps – Sell	13.412.571	5.354.643	1.243.058	675.070	-	20.685.342
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	84.221	-	-	-	-	84.221
Forward Precious Metal - Sell	1.184.714	1.102.641	-	-	-	2.287.355
Money Buy Options	1.467.840	469.181	-	-	-	1.937.021
Money Sell Options	1.468.509	468.516	-	-	-	1.937.025
Swaps Interest – Buy	155.000	120.000	175.000	452.333	11.880.682	12.783.015
Swaps Interest – Sell	155.000	120.000	175.000	452.333	11.880.682	12.783.015
Swaps Precious Metal - Buy	3.255.540	224.520	-	-	-	3.480.060
Swaps Precious Metal - Sell	-	-	-	-	-	-
Total	33.702.846	15.033.605	3.369.077	2.763.736	23.761.364	78.630.628

⁽¹⁾ Forward asset purchase and sale commitment amounting to TRY 1.784.635 TL and forward precious metal purchase commitments amounting to TRY 42.110 have been included in the table.

Prior 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.

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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)	675.612.548	449.580.786
2. Assets that are deducted from core capital	(665.184)	(217.070)
3. Total on balance sheet exposures	674.947.364	449.363.716
Derivative exposures and credit derivatives		
4. Replacement cost associated with derivative financial instruments and credit derivatives	2.968.464	1.128.580
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	509.366	537.343
6. The total amount of risk on derivative financial instruments and credit derivatives	3.477.830	1.665.923
Investment securities or commodity collateral financing transactions		
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.770.902	3.055.227
8. Risk amount of exchange brokerage operations	-	-
9. Total risks related with securities or commodity financing transactions	1.770.902	3.055.227
Off -Balance Sheet Items		
10. Gross notional amount of off-balance sheet items	161.158.994	117.633.355
11. Adjustments for conversion to credit equivalent amounts	(2.315.652)	-
12. The total risk of off-balance sheet items	158.843.342	117.633.355
Capital and Total Exposures		
13. Tier 1 Capital	49.675.826	36.962.755
14. Total Exposures	839.039.438	571.718.221
Leverage Ratio		
15. Leverage Ratio	5,92%	6,47%

⁽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.

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.

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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 2020 are presented in the table below.

Current Period (1 January-31 December 2020)	Commercial/Corporate	Integrated	Treasury/ Investment	Total
OPERATING INCOME / EXPENSES				
Interest income	12.228.868	25.712.589	15.796.894	53.738.351
Interest on loans	12.174.758	25.610.947	337.337	38.123.042
Interest income on marketable securities	-	84.220	15.185.172	15.269.392
Interest received from banks	-	-	272.044	272.044
Other interest income	54.110	17.422	2.341	73.873
Interest expense	10.765.060	11.228.426	12.991.681	34.985.167
Interest on deposits	10.194.276	10.857.240	1.384.231	22.435.747
Interest on borrowings	39.204	66.802	144.740	250.746
Interest on money market borrowings	-	38.529	8.677.223	8.715.752
Interest on marketable bonds issued	-	-	2.467.474	2.467.474
Other interest expense	531.580	265.855	318.013	1.115.448
Net interest income	1.463.808	14.484.163	2.805.213	18.753.184
Net fees and commissions income	976.093	1.542.501	96.271	2.614.865
Net trading profit / (loss)	12.426	1.728.209	(7.022.053)	(5.281.418)
Dividend income	-	-	511.111	511.111
Other income	322.020	706.039	413.158	1.441.217
Expected loss provisions	2.118.715	1.234.783	3.477.093	6.830.591
Other expenses	397.264	3.430.025	4.151.179	7.978.468
Income before taxes	258.368	13.796.104	(10.824.572)	3.229.900
Income tax provision	-	-	(629.855)	(629.855)
Net profit for the period	258.368	13.796.104	(11.454.427)	2.600.045
SEGMENT ASSETS (31 December 2020)				
Marketable securities ⁽¹⁾	-	2.005.568	157.183.377	159.188.945
Derivative financial assets held for trading	-	447.253	1.899.936	2.347.189
Banks and money market receivables	-	284	2.145.200	2.145.484
Associates and subsidiaries (net)	-	-	6.249.392	6.249.392
Loans ⁽¹⁾	145.410.763	285.849.473	1.852.771	433.113.007
Other assets	3.836.074	4.737.307	68.408.697	76.982.078
TOTAL ASSETS	149.246.837	293.039.885	237.739.373	680.026.095
SEGMENT LIABILITIES (31 December 2020)				
Deposits	172.945.135	259.510.901	24.830.259	457.286.295
Derivative financial liabilities	-	309.375	224.666	534.041
Money market balances	-	1.114.631	102.841.789	103.956.420
Borrowing funding loans	675.438	868.174	8.843.387	10.386.999
Bonds issued	-	-	13.194.679	13.194.679
Other liabilities	2.273.342	11.535.395	34.770.959	48.579.696
Provisions and tax payable	247.237	239.340	2.670.884	3.157.461
Shareholders' equity	1.159.958	14.033.456	27.737.090	42.930.504
TOTAL LIABILITIES	177.301.110	287.611.272	215.113.713	680.026.095
OFF-BALANCE SHEET ITEMS (31 December 2020)				
Guarantees and sureties	60.975.156	37.275.102	16.305.079	114.555.337
Commitments	862.674	12.634.337	32.958.811	46.455.822
Derivative financial instruments	-	13.586.811	63.217.072	76.803.883
TOTAL OFF-BALANCE SHEET ITEMS	61.837.830	63.496.250	112.480.962	237.815.042

⁽¹⁾ TFRS 9 Expected Credit Loss provisions are presented in related lines.

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Prior 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 ⁽¹⁾	-	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 ⁽¹⁾	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	193.846.210

⁽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	641.930.307	620.123.947	419.959.999	419.576.250
Cash and Balances with the Central Bank of Turkey	63.476.219	63.476.219	34.488.581	34.488.581
Financial assets at fair value through P&L ⁽³⁾ ⁽⁴⁾	3.504	3.504	547	547
Banks	2.145.651	2.144.265	3.750.467	3.750.219
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income ⁽¹⁾	58.856.481	58.856.481	14.239.466	14.239.466
Other Financial Assets Measured at Amortised Cost	84.621.031	79.295.045	72.208.355	71.794.693
Loans ⁽²⁾	432.827.421	416.348.433	295.272.583	295.302.744
Financial Liabilities	595.083.806	595.225.672	386.776.517	387.269.307
Deposits	457.286.295	457.401.311	297.734.176	298.039.708
Derivative financial liabilities held for trading	534.041	534.041	353.718	353.718
Funds provided from other financial institutions	10.386.999	10.703.195	11.016.841	11.369.633
Money market borrowings	103.956.420	103.851.632	53.201.044	53.422.883
Securities issued	13.194.679	13.010.122	17.591.287	17.203.914
Miscellaneous payables	8.942.486	8.942.486	6.299.526	6.299.526
Leasing payables	782.886	782.886	579.925	579.925

⁽¹⁾ As of 31 December 2020, TRY44.649 (31 December 2019: TRY 19.318) 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 2020, marketable securities amounting to TRY 174.392 (31 December 2019: TRY 162.158) that are not valued with market price, are not included in financial assets at fair value through Profit and Loss..

⁽⁴⁾ Securities lending transactions amounting to TRY 15.499.625 (31 December 2019: TRY 16.104.081) is not included in the financial assets at fair value through P&L.

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As of 31 December 2020, fair values of Associates and Subsidiaries are shown at section 5 footnote 7 and 8. 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

TFRS 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)}	3.504	-	-	3.504
Derivative financial assets	-	2.347.189	-	2.347.189
Financial Assets at Fair Value through Other Comprehensive Income ⁽¹⁾	58.856.481	-	-	58.856.481
Subsidiaries	2.240.689	-	3.256.393	5.497.082
Associates ⁽³⁾	-	-	674.237	674.237
Non-Current Assets Held For Sale and Discontinued Operations	-	-	-	-
Total Financial Assets	61.100.674	2.347.189	3.930.630	67.378.493
Financial Liabilities Measured at Fair Value:				
Derivative financial liabilities	-	534.041	-	534.041
Total Financial Liabilities	-	534.041	-	534.041

⁽¹⁾ As of 31 December 2020, share certificates amounting to TRY 44.649 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 2020, marketable securities amounting to TRY 174.392 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), Bileşim Finansal Teknolojiler ve Ödeme Sis. A.Ş. (TRY 62.989), Kredi Kayıt Bürosu A.Ş. (TRY 2.516) and Platform Ortak Katlı Sistemler A.Ş. (TRY 1.050) and Keskinöğlü Tavukçuluk ve Damızlık A.Ş. are not included in the table.

⁽⁴⁾ As of 31 December 2020, the securities lending transactions amounting to TRY 15.499.625 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 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 Katlı 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.

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The movement of financial assets classified as level three are as follows:

	Current Period
Balance at the beginning of the period	4.909.740
Purchases during the year	148.506
Non-paid up shares	-
Valuation Difference	956.384
Transfers	(27.997)
Redemption or Sales	(2.056.003)
Period End Balance	3.930.630
	Prior 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	-
Redemption or Sales	-
Period End Balance	4.909.740

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 July 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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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) ^(*)	360.766.586	287.606.055	28.861.327	23.008.484
2 Standardized approach (SA)	360.766.586	287.606.055	28.861.327	23.008.484
3 Internal rating-based (IRB) approach	-	-	-	-
4 Counterparty credit risk ^(*)	4.060.871	5.791.239	324.870	463.299
5 Standardized approach for counterparty credit risk (SA-CCR)	4.060.871	5.791.239	324.870	463.299
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	14.804.413	11.483.275	1.184.353	918.662
17 Standardized approach (SA)	14.804.413	11.483.275	1.184.353	918.662
18 Internal model approaches (IMM)	-	-	-	-
19 Operational Risk	19.789.493	18.625.782	1.583.159	1.490.063
20 Basic Indicator Approach	19.789.493	18.625.782	1.583.159	1.490.063
21 Standard Approach	-	-	-	-
22 Advanced measurement approach	-	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.513.386	1.241.710	121.071	99.337
24 Floor adjustment	-	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	400.934.749	324.748.061	32.074.780	25.979.845

⁽¹⁾ Amounts below the thresholds for deductions from capital are excluded from credit risk standard approach of RWA amount.

^(*) According to the BRSA's decision dated 8 December 2020 simple arithmetic average of Central Bank buying exchange rates of the last 252 business days as of the calculation date were used in the calculation of the amount subject to credit risk in the current period.

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Differences and matching between asset and liabilities' carrying values in financial statements and in capital adequacy calculation:

	Carrying values in financial statements 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
		Credit Risk	Counterparty credit risk	Securitization positions	Market Risk	
Assets						
Cash and Balances with the Central Bank	63.468.259	63.468.259	-	-	-	-
Derivative Financial Assets	2.347.189	-	2.347.189	-	10.133	-
Financial assets at fair value through profit and loss	15.677.521	174.392	-	-	3.504	15.499.625
Banks	2.145.484	2.145.484	-	-	-	-
Receivables from Money markets	-	-	-	-	-	-
Financial assets at fair value through OCI (net)	58.901.130	44.648	-	-	58.446.590	-
Loans	433.113.007	433.108.709	-	-	-	4.298
Receivables from factoring	-	-	-	-	-	-
Financial assets measured at amortised cost (net)	84.610.294	84.610.294	-	-	-	-
Subsidiaries (net)	752.310	752.310	-	-	-	-
Associates (net)	5.497.082	5.497.082	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-
Finance lease receivables	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Tangible Assets (net)	7.877.293	7.877.293	-	-	-	-
Intangible Assets (net)	572.925	-	-	-	-	572.925
Real estate for investment purpose (net)	353.647	353.647	-	-	-	-
Tax asset	326.239	326.239	-	-	-	-
Deferred Tax Assets	-	-	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	-	-	-	-	-	-
Other assets	4.383.715	4.383.316	-	-	399	-
Total Assets	680.026.095	602.741.673	2.347.189	-	58.460.626	16.076.848
Liabilities						
Deposits	457.286.295	-	-	-	-	457.286.295
Derivative financial liabilities	534.041	-	-	-	9.019	525.022
Loans	10.386.999	-	-	-	-	10.386.999
Money market borrowings	103.956.420	-	33.940.694	-	-	70.015.726
Securities issued	13.194.679	-	-	-	-	13.194.679
Funds	3.617.303	-	-	-	-	3.617.303
Other liabilities	29.318.919	-	-	-	193	29.318.726
Factoring payables	-	-	-	-	-	-
Finance lease payables	782.886	-	-	-	-	782.886
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Provisions	2.084.453	-	-	-	-	2.084.453
Tax Liability	741.256	-	-	-	-	741.256
Deferred Tax Liability	331.752	-	-	-	-	331.752
Liabilities regarding assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Subordinated Loans	14.860.588	-	-	-	-	14.860.588
Shareholders' equity	42.930.504	-	-	-	-	42.930.504
Total Liabilities	680.026.095	-	33.940.694	-	9.212	646.076.189

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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	680.026.095	602.741.673	-	2.347.189	58.460.626
2 Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	33.940.694	9.212
3 Total net amount under regulatory scope of consolidation	680.026.095	602.741.673	-	36.287.883	58.469.838
4 Off-balance Sheet Amounts ⁽¹⁾	237.815.042	161.011.159	-	76.803.883	4.296.455
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	-	763.752.835	-	113.091.766	62.766.293

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.

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.

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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 Assets
Standardised Approach - CCR (for derivatives)	2.161.147	455.297		1,4	2.616.444	1.338.325
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)					2.406.791	2.004.194
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
Total					5.023.235	3.342.519

(*) 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	2.616.444	718.313
Total subject to the CVA capital obligation	2.616.444	718.313

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	777.504	-	-	-	-	-	-	-	-	777.504
Claims on regional governments or local authorities	-	-	-	49	-	-	-	-	-	49
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	21	-	-	-	21
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	734.992	627.006	-	570.404	-	-	-	1.932.402
Claims on corporates	-	-	-	-	-	3.024.808	-	-	-	3.024.808
Claims included in the regulatory retail portfolios	-	-	-	-	6.765	-	-	-	-	6.765
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*	-	-	-	-	-	13	-	1.275	-	1.288
Toplam	777.504	-	734.992	627.055	6.765	3.595.246	-	1.275	-	5.742.837

* 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	-	-	-	431	-	-
Cash-foreign currency	-	564.049	-	174.127	10.554	203.936
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	564.049	-	174.558	10.554	203.936

Counterparty Credit Risk-Credit Derivatives:

None.

Exposures to Central Counterparty (CCP):

	Exposure post-CRM	RWA
Total Exposure to Qualified Central Counterparties (QCCPs)		39
Exposures for trades with QCCPs (excluding initial margin and guarantee fund)	1.275	26
(i) Over the counter derivative financial instruments	1.275	26
(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	57	
Unreserved initial collateral	-	
Pre-funded guarantee fund contributions	500	13
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	-	

Explanations on securization:

There is no explanation.

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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.

Credit Quality of Assets

		Gross carrying value as per TAS		Allowances/ amortisation and impairments	Net values
		Defaulted	Non-Defaulted		
1	Loans	16.917.794	432.827.421	16.632.208	433.113.007
2	Debt Securities ⁽¹⁾	-	143.915.300	225.980	143.689.320
3	Off-balance sheet exposures	-	161.011.159	457.166	160.553.993
4	Total	16.917.794	737.753.880	17.315.354	737.356.320

⁽¹⁾As of 31 December 2020, TRY 15.499.625 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

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Changes in Stock of Defaulted Loans and Debt Securities

1	Defaulted loans and debt securities at end of the previous reporting period	15.920.081
2	Loans and debt securities defaulted since the last reporting period	5.309.403
3	Receivables back to performing status	(165.483)
4	Amounts written off	(593.315)
5	Other changes	(3.552.892)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	16.917.794

Additional Disclosure Related To The Credit Quality Of Assets:

Breakdown According to Maturity:

31 December 2020	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total
Loans	20.560.244	29.560.641	33.689.062	108.498.095	202.309.055	55.128.118	449.745.215

Exposures Provisioned Against By Major Regions:

31 December 2020	Non-Performing Loans	ECL (Stage 3)
Domestic	16.851.399	11.024.854
European Union (EU) Countries	124	84
OECD Countries	-	-
Off-Shore Banking Regions	-	-
USA, Canada	10	9
Other Countries	66.261	24.203
Total	16.917.794	11.049.150

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 2020	
30-60 days overdue	1.905.189
60-90 days overdue	1.624.679
Total	3.529.868

* Based on the resolution of the BRSA dated 17 March 2020 and numbered 8948 and dated 8 December 2020 and numbered 9312; the total amount of the loans that continued to be classified as stage 2 which have past due days between 90 days and 180 days is amounting to TRY 4.123.679

** Rediscounts are included in the amount.

Breakdown of restructured receivables based on whether or not provisions are allocated:

31 December 2020	
Loans Structured from Standard Loans	629.582
Loans Composed of Follow-up Loans	13.827.145
Loans Restructured from Non-Performing Loans	2.447.810

* Rediscounts 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⁾	201.170.752	231.942.255	147.818.759	59.900.735	48.242.716	-	-
2 Debt Instruments ⁽¹⁾	143.700.057	-	-	-	-	-	-
3 Total	344.870.809	231.942.255	147.818.759	59.900.735	48.242.716	-	-
4 Of which defaulted	2.610.864	3.257.780	2.723.636	785.749	709.729	-	-

⁽¹⁾ As of 31 December 2020, TRY 15.499.625 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.

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 Financial Position and Risk Management of Bank – Credit Risk section.

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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	142.009.285	478.088	190.054.340	944.650	172.391	0,09%
Claims on regional governments or local authorities	2.451.794	103.753	2.446.938	40.613	1.243.775	50,00%
Claims on administrative bodies and other non-commercial undertakings	1.663.272	427.578	1.625.978	193.387	1.819.365	100,00%
Claims on multilateral development banks	-	-	24.642	477	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	4.688.438	2.154.041	4.688.438	1.567.448	3.444.228	55,06%
Claims on corporates	159.325.594	86.126.399	139.073.742	55.652.657	190.966.607	98,07%
Claims included in the regulatory retail portfolios	167.636.075	49.971.260	131.534.448	8.893.313	105.320.821	75,00%
Claims secured by residential property	54.882.083	3.481.790	54.882.083	1.663.117	19.790.820	35,00%
Claims secured by commercial property	33.187.450	6.272.926	33.187.450	4.193.462	21.572.152	57,71%
Overdue loans	5.801.967	1.367.588	5.085.094	626.279	4.191.855	73,39%
Higher risk categories decided by the Board	-	-	-	-	-	0,00%
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	6.389.475	-	6.389.475	-	7.297.506	114,21%
Equity share investments	22.397.175	2.450.157	22.397.175	9.840	10.521.323	46,96%
Total	600.432.608	152.833.580	591.389.803	73.785.243	366.340.843	55,07%

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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 RM)
Claims on sovereigns and Central Banks	190.790.712	-	44.859	-	-	-	163.419	-	-	-	-	-	190.998.990
Claims on regional governments or local authorities	-	-	-	-	2.487.551	-	-	-	-	-	-	-	2.487.551
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	1.819.365	-	-	-	-	-	1.819.365
Claims on multilateral development banks	25.119	-	-	-	-	-	-	-	-	-	-	-	25.119
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	7.025	-	2.665.273	-	1.342.330	-	2.239.983	-	-	-	1.275	-	6.255.886
Claims on corporates	2.924.871	-	581.302	-	739.759	-	190.480.467	-	-	-	-	-	194.726.399
Claims included in the regulatory retail portfolios	-	-	-	-	-	140.427.761	-	-	-	-	-	-	140.427.761
Claims secured by residential property	-	-	-	56.545.200	-	-	-	-	-	-	-	-	56.545.200
Claims secured by commercial property	-	-	-	-	31.617.519	-	5.763.393	-	-	-	-	-	37.380.912
Overdue loans	-	-	-	-	3.489.938	-	1.770.534	450.901	-	-	-	-	5.711.373
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	-	-	-	-	-	-	5.784.121	-	-	605.354	-	-	6.389.475
Other receivables	10.660.505	-	1.481.093	-	-	161.249	10.104.168	-	-	-	-	-	22.407.015
Total	204.408.232	-	4.772.527	56.545.200	39.677.097	140.589.010	218.125.450	450.901	-	605.354	1.275	-	665.175.046

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".

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. Historical simulation method is used in VAR measurements.

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.

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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)	8.756.275
Equity risk (general and specific)	819.775
Foreign exchange risk	5.201.025
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	27.338
Scenario approach	-
Securitization	-
Total	14.804.413

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	10.210.808	10.771.098	10.681.283	10.554.396	15	1.583.159
Amount at Operational Risk (Total * 12,5)						19.789.493

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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 fundamental principles of the remuneration policy are applicable for General Manager, Deputy General Managers, and all bank employees.

Key personnel refer to the bank employee who performs a function that has a significant impact on the Bank's risk profile. Establishment of a good governance system in banks is possible by organizing an effective risk management and creating environments where effective communication, transparency and accountability are ensured; for this reason, the Bank gives importance to identify and separate key personnel.

Positions specified below are considered as key personnel by the Bank:

- Board Members
- Deputy General Managers
- Group Presidents
- Head of the Supervisory Board
- Head of Internal Control Department
- Head of Risk Management Department
- Head of Compliance Department

As of the end of 2020, the number of critical key personnel is 23.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

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2. Information on the design and structure of remuneration process

Benefits to be paid to the managers and employees at all levels are in line with the Bank's ethical values, internal balances and strategic objectives and cannot be associated only with the short term performance of the Bank. Remuneration policy and practices are one of the important factors in ensuring employee engagement and improving performance. While determining the remuneration policy created to protect employees with high performance, sectoral data are taken into consideration by taking the internal wage balance and budget possibilities into account.

Remuneration Committee at its meeting in December 2020 has reviewed the remuneration policy and practices. It has been observed that, total benefits paid in 2020 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. 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.

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 all the remuneration processes.

4. Evaluation about how the Bank associates variable remunerations with performance

Although it is possible to make payments to the senior management and other personnel of the Bank depending on the Bank's performance, these payments are subject to objective conditions and in a way that will positively affect the Bank's corporate values.

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.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

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SECTION V : EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

(1) a) Cash and Central Bank of the Republic of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.736.896	3.042.808	1.370.216	2.295.551
CBRT	6.659.022	52.037.405	1.102.242	29.720.567
Other	-	88	-	5
Total	8.395.918	55.080.301	2.472.458	32.016.123

b) Information on balances with the Central Bank of the Republic of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	6.502.868	19.937.084	1.049.181	15.456.782
Time unrestricted amount	-	-	-	-
Time restricted amount	-	8.307.240	-	200.627
Other ⁽²⁾	156.154	23.793.081	53.061	14.063.158
Total	6.659.022	52.037.405	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.

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%-6% 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%-22% varied according to their maturity compositions.

Starting from 27 November 2020, the interest related to the reserve requirements for banks held at TRY is paid as 1200 basis points.

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With the change dated 2 January 2020, it has been decided to apply a commission charge on the reserve accounts and notice accounts held within the CBRT by 0,025 annually for foreign currencies held in USD up to the amount required to be held for deposit / participation fund liabilities in USD, and by 0,0025 annually for foreign currencies held in EUR and USD up to the amount required to be held for deposit / participation fund liabilities in other currencies except USD. As of 27 November 2020, it has been decided to apply a commission charge on the reserve accounts by 0 (zero) annually for foreign currencies held in USD up to the amount required to be held for deposit / participation fund liabilities in USD.

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.1072 dated 27 December 2019 of the Central Bank of the TRNC, reserve requirement ratio is applied between 5% to 8% for the Turkish currency and foreign currency liabilities as of 15 April 2020.

(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		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities			2.167.331	-
Total			2.167.331	-

b) Financial assets at fair value through profit and loss subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	15.026.478	-	13.534.565	-
Total	15.026.478	-	13.534.565	-

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c) Positive differences related to the derivative financial assets at fair value through profit or loss:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	16.265	-	53.558
Swap transactions	5.418	2.324.636	3.695	1.091.646
Futures transactions	-	-	-	-
Options	335	535	1	3.134
Other	-	-	-	-
Total	5.753	2.341.436	3.696	1.148.338

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	145.365	111.752	302.313	1.115.022
Foreign banks	103.818	1.784.716	205.103	2.128.029
Branches and offices abroad	-	-	-	-
Total	249.183	1.896.468	507.416	3.243.051

b) Information on foreign banks:

	Current Period		Prior Period	
	Unrestricted Balance	Restricted Balance	Unrestricted Balance	Restricted Balance
EU Countries	330.087	-	1.226.105	-
USA and Canada	265.812	-	207.280	-
OECD Countries ⁽¹⁾	212.941	-	176.127	-
Offshore Banking Regions	167	-	314	-
Other	1.079.527	-	723.306	-
Total	1.888.534	-	2.333.132	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

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(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		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	6.842.329	20.028.890	-	1.999.958
Total	6.842.329	20.028.890	-	1.999.958

a.2. Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	245.865	-	810.717	-
Total	245.865	-	810.717	-

b) Information on financial assets at fair value through other comprehensive income portfolio:

	Current Period	Prior Period
Debt securities	58.644.550	14.026.728
<i>Quoted on a stock exchange</i>	58.644.550	14.026.728
<i>Not quoted</i>	-	-
Equity Securities	471.823	249.356
<i>Quoted on a stock exchange</i>	409.893	212.757
<i>Not quoted</i>	61.930	36.599
Impairment provision (-)	215.243	17.300
Total	58.901.130	14.258.784

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

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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		Prior period	
	Cash loans	Non-Cash loans	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	522.920	-	389.804	-
Toplam	522.920	-	389.804	-

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	317.025.266	19.762.489	19.440	13.807.644
<i>Corporation loans</i>	183.148.135	16.197.766	-	13.798.824
<i>Export loans</i>	11.569.029	385.083	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	4.977.710	-	-	-
<i>Consumer loan</i>	75.653.419	1.164.251	18.563	3.809
<i>Credit cards</i>	14.493.768	475.434	877	-
<i>Other</i>	27.183.205	1.539.955	-	5.011
Specialized lending	72.824.894	2.377.989	-	61
Other receivables	-	-	-	-
Accruals	5.224.569	993.335	784	790.950
Total	395.074.729	23.133.813	20.224	14.598.655

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c) Distribution of cash loans by maturity structure:

Current Period	Standard Loans	Loans under close monitoring		
		Loans Not Subject To Restructuring	Restructured	
Short Term Loans	56.308.961	2.549.067	53.215	
Medium and Long Term Loans	338.765.768	20.584.746	14.565.664	
Prior Period				
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	
	Standard Loans		Loans Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months Expected Loss Provision	2.264.550	1.303.546	-	-
Significant Increase in Credit Risk	-	-	3.318.508	1.215.456

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	482.483	74.674.956	75.157.439
Real estate loans	6.782	48.574.630	48.581.412
Automobile loans	1.816	511.311	513.127
Consumer loans	473.885	25.589.015	26.062.900
Other	-	-	-
Consumer loans- Indexed to FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer loans- FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual credit cards-TRY	4.353.228	871	4.354.099
Installment	1.740.821	871	1.741.692
Non-installment	2.612.407	-	2.612.407
Individual credit cards-FC	214	-	214
Installment	-	-	-
Non-installment	214	-	214
Personnel loans-TRY	20.915	343.481	364.396
Real estate loans	-	102	102
Automobile loans	-	-	-
Consumer loans	20.915	343.379	364.294
Other	-	-	-
Personnel loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel loans-FC	-	-	-
Real estate loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel credit cards-TRY	131.241	-	131.241
Installment	46.527	-	46.527
Non-installment	84.714	-	84.714
Personnel credit cards-FC	43	-	43
Installment	-	-	-
Non-installment	43	-	43
Overdraft accounts-TRY (Retail customers) ^(*)	1.318.207	-	1.318.207
Overdraft accounts-FC (Retail customers)	-	-	-
Total	6.306.331	75.019.308	81.325.639

⁽¹⁾ Interest income accruals and rediscounts are not included in the table above.

^(*) TRY 27.240 of the overdraft account consists of loans given to personnel.

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Prior 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

(*) Interest income accruals and rediscounts are not included in the table above.

(**) TRY 23.696 of the overdraft account consists of loans given to personnel.

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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	479.625	38.139.826	38.619.451
<i>Business premises loans</i>	4.416	805.467	809.883
<i>Automobile loans</i>	26.881	1.002.576	1.029.457
<i>Consumer loans</i>	448.328	36.331.783	36.780.111
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	14.990	14.990
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	14.990	14.990
<i>Other</i>	-	-	-
Commercial installment loans - FC	28.217	27.519.321	27.547.538
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	28.217	27.519.321	27.547.538
<i>Other</i>	-	-	-
Corporate credit cards-TRY	10.484.279	-	10.484.279
<i>Installment</i>	4.495.889	-	4.495.889
<i>Non-installment</i>	5.988.390	-	5.988.390
Corporate credit cards-FC	203	-	203
<i>Installment</i>	-	-	-
<i>Non-installment</i>	203	-	203
Overdraft accounts-TRY (Commercial customers)	3.227.895	-	3.227.895
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	14.220.219	65.674.137	79.894.356

⁽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	1.028.247	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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f) Loans by customers:

	Current Period	Prior Period
Public	6.842.975	6.759.394
Private	425.984.446	286.528.626
Total	432.827.421	293.288.020

g) Domestic and foreign loans^(*):

	Current Period	Prior Period
Domestic loans	431.848.690	290.726.869
Foreign loans	978.731	2.561.151
Total	432.827.421	293.288.020

(*) Non-performing loans balance is not included in the table above.

h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	3.164.527	2.331.642
Indirect loans granted to subsidiaries and associates	-	-
Total	3.164.527	2.331.642

i) Specific provisions related to loans or credit-impaired losses (Stage III):

	Current Period	Prior Period
Loans and receivables with limited collectability	799.164	1.044.059
Loans and receivables with doubtful collectability	270.090	2.001.698
Uncollectible loans and receivables	9.979.896	5.836.905
Total	11.049.150	8.882.662

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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j) Information on non-performing loans (Net):

j.1. Information on non-performing loans and restructured loans:

	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 the specific provisions	332.359	73.605	2.041.846
Rescheduled loans and other receivables	332.359	73.605	2.041.846
Prior 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

j.2. Information on the movement of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Prior period end balance	2.811.379	4.508.885	8.599.817
Additions (+)	3.530.141	148.504	1.630.758
Transfers from other categories of loans under follow-up (+)	-	2.314.879	5.820.793
Transfers to other categories of loans under follow-up (-)	3.181.201	4.954.471	-
Collections (-)	827.268	1.380.786	1.510.321
Write-offs (-)	-	-	593.315
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	2.333.051	637.011	13.947.732
Provision (-)	799.164	270.090	9.979.896
Net balance on balance sheet	1.533.887	366.921	3.967.836

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior 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>	-	-	-
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

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	924.035	79.645	4.218.214
Provisions(-)	296.121	34.662	3.466.879
Net balance in the balance sheet	627.914	44.983	751.335

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior 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

^(*)Rediscounts are not included.

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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)	1.533.887	366.921	3.967.836
Loans to granted real persons and legal entities (Gross)	2.333.051	637.011	13.947.732
Provisions (-)	799.164	270.090	9.979.896
Loans to granted real persons and legal entities (Net)	1.533.887	366.921	3.967.836
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior 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
Specific 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)	-	-	-
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, 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)	10.059	7.549	659.036
Interest Accruals and Valuation Differences	23.383	25.850	2.136.175
Provision (-)	13.324	18.301	1.477.139
Prior 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

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.

The Bank derecognised TRY 593.315 of 5th group follow-up loans in the current period due to the lack of reasonable expectations. In the current period, the non-performing loan ratio of the Bank decreased from 3.84% to 3.72% after the loans were written off in accordance with the amendment of the Provisions Regulation.

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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		Prior Period	
	TRY	FC	TRY	FC
Bills	-	-	-	-
Government bonds and similar securities	31.097.699	20.519.825	3.044.934	9.849.904
Total	31.097.699	20.519.825	3.044.934	9.849.904

a.2. Financial assets measured at amortised cost investments subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar	18.884.916	1.995.236	35.754.611	4.806.422
Total	18.884.916	1.995.236	35.754.611	4.806.422

b) Information on public sector debt investments financial assets measured at amortised cost:

	Current Period	Prior Period
Government bonds	83.751.989	72.004.446
Treasury bills	-	-
Other public sector debt securities	818.523	153.396
Total	84.570.512	72.157.842

c) Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Debt securities	84.621.031	72.208.355
<i>Quoted on a stock exchange</i>	84.621.031	72.208.355
<i>Not quoted</i>	-	-
Impairment provision (-)	-	-
Total	84.621.031	72.208.355

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d) Movement of financial assets measured at amortised cost within the year:

	Current Period	Prior Period
Beginning balance	72.208.355	56.073.053
Foreign currency differences on monetary assets	5.473.915	1.290.698
Purchases during the year ⁽¹⁾	20.575.242	18.670.158
Disposals through sales and redemptions	(13.636.481)	(3.825.554)
Impairment provision (-)	-	-
Balance at the end of the period	84.621.031	72.208.355

⁽¹⁾ Interest income accrual differences between 31 December 2020 amounting to TRY 14.515.145 and 31 December 2019 amounting to TRY 9.631.831 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⁾	Hollanda	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ ⁽¹⁾	Ankara	31,47	33,12
3. Kredi Kayıt Bürosu AŞ ⁽²⁾	İstanbul	18,18	18,18
4. Platform Ortak Kartlı Sistemler AŞ	İstanbul	20,00	20,00
5. Bileşim Finansal Teknolojiler ve Ödeme Sis. AŞ ⁽²⁾	İstanbul	33,33	33,33
6. Keskinöğlü Tavukçuluk ve Damızlık AŞ ⁽²⁾	Manisa	26,30	26,30

b) Information related to the associates as shown in (a):

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽³⁾
1.	13.898.418	2.271.129	34.962	335.865	12.032	76.543	101.743	674.237
2.	53.594	52.641	28	3.485	-	(506)	7.803	-
3.	431.272	228.107	216.231	6.851	-	55.857	22.180	-
4.	5.250	5.250	-	-	-	-	-	-
5.	189.199	156.928	16.452	2.009	-	2.989	13.252	-
6.	351.828	(620.618)	163.234	791	-	468.531	(1.258.528)	-

⁽¹⁾ The financial data is obtained from 31 December 2020 financial statements used in consolidation.

⁽²⁾ The financial data is obtained from unaudited 31 December 2020 financial statement.

⁽³⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 December 2020.

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c) Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	507.786	438.318
Movements during the period	244.524	69.468
<i>Purchases</i>	34.992	1.750
<i>Bonus shares obtained profit from current year's share</i>	12.709	875
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	(5.112)	-
<i>Transfers^{(1)/(2)}</i>	10.369	-
<i>Revaluation decrease (-)/ increase</i>	191.566	66.843
<i>Impairment provisions (-)/ reversals</i>	-	-
Balance at the end of the period	752.310	507.786
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ The Bank has classified the remaining shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. amounting to TRY 27.997 after the sale in the current period as an associate, which were classified as a subsidiary in the previous period.

⁽²⁾ Due to change of share percentage, the Bank has classified the shares of Bankalararası Kart Merkezi A.Ş. to the financial assets at fair value through other comprehensive income in the current period, which were classified as associates in the prior period.

d) Sectorial information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	674.237	482.671
Insurance companies	-	2.495
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518
Other non- financial investments	66.555	11.102

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 Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
COMMON EQUITY TIER I CAPITAL							
Paid in Capital	104.000	970.000	323.000	600.732	96.000	213.395	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-
Share premium	-	49.945	-	11.633	-	99.004	-
Reserves	54.881	75.558	15.417	615.134	24.413	554.275	1.692
Other Comprehensive Income according to TAS	17.128	1.063.258	-	6.248	10	13.383	-
Profit / Loss	186.876	32.549	(2.271)	56.639	94.996	70.494	546
Net Profit	186.876	32.549	72.427	76.005	100.943	35.600	546
Prior Period Profit/Loss	-	-	(74.698)	(19.366)	(5.947)	34.894	-
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 (-)	-	-	94	613	-	154	-
Leasehold Improvements (-)	-	2.102	-	13.427	-	7.704	-
Intangible Assets (-)	1.924	351	1.791	19.622	2.470	24.442	2
Total Core Capital	360.961	2.188.857	334.261	1.256.724	212.949	918.251	2.336
SUPPLEMENTARY CAPITAL	-	-	35.057	18.764	15.464	16.281	-
CAPITAL	360.961	2.188.857	369.318	1.275.488	228.413	934.532	2.336
NET AVAILABLE CAPITAL	360.961	2.188.857	369.318	1.275.488	228.413	934.532	2.336

⁽¹⁾ The information is presented from companies' financial statements as of 31 December 2020.

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.

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.

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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	İstanbul	99,96	99,97
2. Halk Gayrimenkul Yatırım Ortaklığı AŞ ^{(2) (3)}	İstanbul	79,33	79,36
3. Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
4. Halk Banka AD, Skopje	Makedonya	99,40	99,40
5. Halk Faktoring AŞ	İstanbul	97,50	99,99
6. Halkbank A.D. Beograd	Sırbistan	100,00	100,00
7. Halk Varlık Kiralama AŞ	İstanbul	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.	678.091	362.885	9.871	102.869	27.015	186.876	86.307	396.171
2.	2.752.250	2.163.964	1.896.600	5.066	-	32.549	54.977	2.240.689
3.	4.086.128	336.052	4.753	366.676	-	72.427	47.980	395.629
4.	9.555.905	1.289.773	412.354	260.726	14.823	76.005	58.989	1.277.510
5.	1.854.307	215.419	4.055	313.461	-	100.943	45.115	320.679
6.	6.482.282	950.397	128.524	182.408	26.425	35.600	24.200	863.142
7.	953.458	2.338	11	-	-	546	845	3.262

⁽¹⁾ The financial data is obtained from 31 December 2020 financial statements used in consolidation.

⁽²⁾ Halk Gayrimenkul Yatırım Ortaklığı AŞ is valued at stock price.

⁽³⁾ The 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.

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d) Movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	3.241.881	4.332.481
Movements during the period	2.255.201	(1.090.600)
Purchase ⁽⁴⁾	148.506	89.974
Bonus shares obtained profit from current year's share	30.224	171.789
Dividends from current year income	-	-
Sales ⁽²⁾	(56.003)	-
Transfer ⁽¹⁾⁽³⁾	(27.997)	(2.576.996)
Revaluation increase/decrease	2.160.471	1.039.403
Impairment Provisions (-)/Reversals	-	185.230
Balance at the end of the period	5.497.082	3.241.881
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ The Bank classified the shares of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ as non-current assets held for sale in the prior period.

⁽²⁾ The Parent Bank has sold the shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. in the current period which were classified as subsidiaries the previous period.

⁽³⁾ The Bank has classified the remaining shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş after the sale in the current period as an associate, which were classified as a subsidiary in the previous period.

⁽⁴⁾ The Bank increased its share in Halk Banka AD, Skopje in Macedonia to 99,40% by purchasing 0,11% of the shares of HalkBank AD, Skopje for a price of TRY 148.506 in the current period.

e) Sectorial information on subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	2.140.652	1.429.212
Insurance companies	-	-
Factoring companies	320.679	231.075
Leasing companies	395.629	385.000
Financing companies	-	-
Other financial subsidiaries	2.640.122	1.112.594
Other non-financial subsidiaries	-	84.000

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period
Quoted to domestic stock ⁽¹⁾	2.240.689	814.812
Quoted foreign stock exchange	-	-

⁽¹⁾ The Bank's 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.

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(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.

(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	1.796.012	40.055	310.409	22.161	-	2.124.315
Tangible assets purchased through financial lease	24.111	-	-	4.340	(19.771)	-
Right of Use Assets	734.098	520.428	-	203.211	-	1.051.315
Office machines	815.306	188.302	-	19.967	-	983.641
Fixed assets obtained due to non-performing loans	4.883.164	1.197.322	-	1.364.780	(35.194)	4.680.512
Lease hold improvements costs	202.803	59.774	-	-	-	262.577
Other	308.840	35.182	-	8.078	19.771	355.715
Total Cost	8.764.334	2.041.063	310.409	1.622.537	(35.194)	9.458.075
Accumulated depreciation (-)						
Immovable	188.578	8.574	59.012	2.180	-	253.984
Tangible assets purchased through financial lease	23.958	-	-	4.537	(19.421)	-
Right of Use Assets	169.306	204.042	-	64.076	-	309.272
Office machines	446.048	125.010	-	20.387	-	550.671
Fixed assets obtained due to non-performing loans	22.525	19.265	-	18.491	-	23.299
Lease hold improvements costs	123.404	31.188	-	-	-	154.592
Other	241.635	17.337	-	6.558	19.421	271.835
Total Accumulated Depreciation	1.215.454	405.416	59.012	116.229	-	1.563.653
Provision for impairment (-)						
Immovable	6.671	-	6.103	-	-	12.774
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	4.963	-	-	608	-	4.355
Total provision for impairment (-)	11.634	-	6.103	608	-	17.129
Net Book Value	7.537.246	1.635.647	245.294	1.505.700	(35.194)	7.877.293

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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	1.686.166	35.131	88.201	13.486	-	1.796.012
Tangible assets purchased through financial lease	25.302	-	-	1.191	-	24.111
Right of Use Assets	-	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
Right of Use Assets	-	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

(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	327.991	511.169	4.340	-	834.820
Total Cost	327.991	511.169	4.340	-	834.820
Accumulated Depreciation (-)					
Other intangible assets	165.938	95.957	-	-	261.895
Total Accumulated Depreciation	165.938	95.957	-	-	261.895
Net Book Value	162.053	415.212	4.340	-	572.925

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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	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

(14) Information on investment property:

	Current Period	Prior Period
Cost:		
Opening Balance	434.764	432.347
Acquisitions	875	2.417
Transfer	-	-
Disposals	-	-
Impairment Charge/Reversal	-	-
Ending Balance	435.639	434.764
Accumulated Depreciation (-)		
Opening Balance	78.737	75.499
Amortization Charge	3.255	3.238
Transfer	-	-
Disposals	-	-
Impairment Provisions	-	-
Total Accumulated Depreciation (-)	81.992	78.737
Net Book Value	353.647	356.027

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(15) Information on tax assets:

Please refer to Section 5 Explanations related to the Liabilities, footnote (10).

(16) Information on assets held for sale and held from discontinued operations:

	Current Period	Prior Period
Cost	-	2.576.996
Accumulated Depreciation (-)	-	-
Net book value	-	2.576.996
Prior Period Closing Balance	2.576.996	39.377
Acquisitions	-	145.599
Transfer (net)	-	2.431.395
Disposals (net)	(2.576.996)	(39.375)
Revaluation Increase	-	-
Impairment/Reversal	-	-
Depreciation	-	-
Closing net book value	-	2.576.996

Share purchase agreement was signed by and between the Bank, as seller and Türkiye Varlık Fonu Finansal Yatırımlar A.Ş., as purchaser on 22 April 2020, for the transfer of the shares in Halk Sigorta A.Ş. representing 89,18% of its share capital held by the Bank, and representing 6,14% of its share capital held by Halk Yatırım Menkul Değerler A.Ş. and the mentioned transfer of shares was completed at the same date.

Share purchase agreement was signed by and between the Bank, as seller and Türkiye Varlık Fonu Finansal Yatırımlar A.Ş., as purchaser on 22 April 2020, for the transfer of the shares in Halk Hayat ve Emeklilik A.Ş. representing 100% of its share capital held by the Bank, and the mentioned transfer of shares was completed at the same date.

For the total shares held by the Bank in Halk Sigorta A.Ş. representing 89,18% of its share capital, the price per share to be paid to the Bank is determined as TRY 0,0186 (full TRY) and the total sale price is TRY 578.905.

For the total shares held by the Bank in Halk Hayat ve Emeklilik A.Ş. representing 100% of its share capital, the price per share to be paid to the Bank is determined as TRY 4,1149 (full TRY) and the total sale price is TRY 1.695.339. In addition, TRY 306.994 of dividend income has been obtained from the company in the current period.

Net profit from the sale is accounted under equity.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 4.395.340 and does not exceed 10% of the balance sheet total (31 December 2019: TRY 2.751.529).

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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	11.028.158	-	10.547.317	61.271.001	4.063.473	894.825	1.528.413	123.289	89.456.476
Foreign currency deposits	32.388.126	-	14.493.218	96.236.799	4.090.991	3.154.734	7.608.486	13.273	157.985.627
Residents in Turkey	28.386.432	-	14.179.996	92.415.789	3.611.688	1.929.613	4.390.421	12.693	144.926.632
Residents abroad	4.001.694	-	313.222	3.821.010	479.303	1.225.121	3.218.065	580	13.058.995
Public sector deposits	3.708.109	-	13.485.208	4.173.024	442.413	161.066	13.676	-	21.983.496
Commercial inst. deposits	11.820.116	-	32.587.470	49.309.349	825.344	604.306	2.994.737	-	98.141.322
Other inst. deposits	1.105.021	-	3.660.760	20.127.802	2.481.584	452.782	4.469.915	-	32.297.864
Precious metals	18.324.815	-	134.150	3.375.240	382.651	75.080	147.787	-	22.439.723
Interbank deposits	9.601.355	-	14.584.786	10.645.338	150.308	-	-	-	34.981.787
CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	86.802	-	12.009.319	7.107.240	150.308	-	-	-	19.353.669
Foreign banks	7.035.553	-	111.316	3.315.793	-	-	-	-	10.462.662
Participation banks	2.479.000	-	2.464.151	222.305	-	-	-	-	5.165.456
Total	87.975.700	-	89.492.909	245.138.553	12.436.764	5.342.793	16.763.014	136.562	457.286.295

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	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

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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	Prior Period	Current Period	Prior Period
Saving deposits	40.394.097	36.907.556	48.828.336	30.985.259
Foreign currency saving deposits	28.680.997	18.785.110	66.880.922	39.155.466
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	410.927	311.411	-	-
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	235.014	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	3.213	3.188
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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(2) Information on derivative financial liabilities:

Negative differences table related to the derivative financial liabilities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	26.206	-	26.993
Swap transactions	19.744	480.510	51	323.519
Future transactions	-	-	-	-
Options	369	7.212	283	2.872
Other	-	-	-	-
Total	20.113	513.928	334	353.384

(3) Information on funds borrowed:

a) Information on Banks and other financial institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	380.664	1.564.665	530.197	1.969.879
Foreign banks, institutions and funds	-	8.441.670	-	8.516.765
Total	380.664	10.006.335	530.197	10.486.644

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	380.359	212.013	529.866	726.701
Medium and long-term	305	9.794.322	331	9.759.943
Total	380.664	10.006.335	530.197	10.486.644

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 19,56% of saving deposits and 34,55% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets.

The Bank's 42,22% of bank deposits and 42,72% of other deposits consist of foreign currency deposits.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(4) Marketable securities issued (net):

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bills	3.551.547	-	4.682.528	-
Bonds	1.078.233	7.553.277	1.384.736	10.512.530
Assets Backed Securities	1.011.622	-	1.011.493	-
Total	5.641.402	7.553.277	7.078.757	10.512.530

(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 Technology, Ministry of Treasury and Finance, and other funds.

Maturity structure of funds:

	Current Period	Prior Period
Short Term	1.201	1.135
Long Term	3.616.102	3.207.869
Total	3.617.303	3.209.004

(6) Information on other liabilities:

Other liabilities balance does not exceed 10% of the balance sheet total.

(31 December 2019: 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.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

c) Explanations on operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	28.613	28.545	46.461	41.583
1 - 4 years	259.499	227.436	200.231	165.000
More than 4 years	738.599	526.905	630.661	373.342
Total	1.026.711	782.886	877.353	579.925

(8) Information on derivative financial liabilities for hedging purposes:

None.

(9) Explanations on provisions:

a) Provisions for the foreign currency losses on the principal amount of foreign currency indexed loans and finance lease receivables:

As of 31 December 2020 the Bank does not have a provision amount of the currency differences on foreign currency indexed loans and finance lease receivables (31 December 2019: None).

b) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2020, the Bank's specific provision for unindemnified non-cash loans balance is TRY 150.942 (31 December 2019: TRY 114.712).

c) Information on other provisions:

Total other provision balance amounting to TRY 615.302 (31 December 2019: TRY 557.583) consists of TRY 150.942 (31 December 2019: TRY 114.712) for specific provisions of unindemnified and unfunded non-cash loans, TRY 306.224 (31 December 2019: 172.593) for stage 1 and stage 2 expected credit loss amount of non-cash loans, TRY 94.052 (31 December 2019: TRY 76.714) for legal cases filed against the Bank, and TRY 64.084 (31 December 2019: TRY 193.564) of other provisions.

d) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2020 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	9,50%	8,20%
Discount Rate	12,80%	12,10%
Estimated Real Wage Growth Rate	9,70%	8,40%

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Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	716.240	528.046
Charge for the year	68.632	53.735
Interest Expense	85.653	84.895
Actuarial gain/loss	99.035	86.753
Prior period service cost composed current period	2.584	1.632
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	5.999	6.304
Benefits paid within the period (-)	(45.478)	(45.125)
Total	932.665	716.240

e) Liabilities for employee benefits:

As of 31 December 2020, unused vacation accruals are TRY 175.003, personnel dividend provision is TRY 361.483, severance indemnity provision for Bank personnel is TRY 896.563 and severance indemnity provision for outsourcing firms is TRY 36.102 (31 December 2019: TRY 133.654 for unused vacation accruals; TRY 688.345 for severance indemnity provision for Bank personnel; TRY 27.895 for severance indemnity provision for outsources; TRY 255.877 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 2020, 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 2020, 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.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

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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 2020, the number of personnel who benefit from the Fund is 38.069 (31 December 2019: 36.625).

Below table shows the present values of premiums and salary payments as of 31 December 2020, 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	(3.853.779)	(3.113.389)
Net Present Value of Long Term Insurance Line Premiums	4.204.433	3.321.573
Net Present Value of Total Liabilities Other Than Health	350.654	208.184
Net Present Value of Health Liabilities	(838.882)	(659.388)
Net Present Value of Health Premiums	2.626.604	2.075.379
Net Present Value of Health Liabilities	1.787.722	1.415.991
Pension Fund Assets	4.276.670	3.304.716
General Administration Expenses (1%)	(46.927)	(37.728)
Amount of Actuarial and Technical Deficit	6.368.119	4.891.163

Plan assets are comprised as follows:

Total Assets	Current Period	Prior Period
Banks	3.125.060	1.890.018
Marketable Securities	916.070	1.136.573
Property and Equipment	128.147	104.141
Other	107.393	173.984
Total	4.276.670	3.304.716

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.

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The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follows:

Change in Assumptions (%)			
Assumptions	Death Benefits	Medical Benefits	Total
Discount rate +1	(19,8%)	(19,5%)	(19,5%)
Discount rate -1	27,3%	26,8%	26,8%
Inflation rate +1	27,4%	33,2%	33,2%
Inflation rate -1	(20,1%)	(23,1%)	(23,1%)

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2020, the Bank's calculated current tax asset is amounting to TRY 326.239 and recognized under corporate tax provision account as of the mentioned date (31 December 2019: TRY 422.949 corporate tax liability).

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate tax payable	-	422.949
Income on securities tax	475.152	625.775
Property income tax	1.136	2.199
Banking and insurance transactions tax (BITT)	153.656	158.774
Foreign exchange transactions tax	9.021	4.360
Value added tax payable	-	-
Other	51.929	44.915
Total	690.894	1.258.972

a.3. Information on premiums:

	Current Period	Prior Period
Social insurance premiums-employee	21	22
Social insurance premiums-employer	27	28
Bank social aid pension fund premium-employee	18.063	14.605
Bank social aid pension fund premium-employer	28.084	21.370
Pension fund membership fees and provisions-employee	-	-
Pension fund membership fees and provisions-employer	-	-
Unemployment insurance-employee	1.279	1.057
Unemployment insurance-employer	2.526	2.083
Other	362	349
Total	50.362	39.514

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

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b) Information on deferred tax liability:

	Current Period	Prior Period
Deffered Tax Asset/(Liability)		
Provisions ⁽¹⁾	1.501.262	843.555
Valuation of Financial Assets	(1.324.198)	(736.461)
Other	(508.816)	(416.955)
Net Deffered Tax Asset (Liability)	(331.752)	(309.861)
Deffered Tax Accounting Under Equity	(86.970)	(203.421)
Fair Value of Security Internal Efficiency Market Value Difference Through Other Comprehensive Income	53.300	(66.750)
Actuarial Loss / Earning	34.772	14.965
Real Estate Revaluation	(175.042)	(151.636)

⁽¹⁾ Consists of employee rights obligations and other provisions.

(11) Information on liabilities regarding assets held for sale and discontinued operations:

None.

(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	-	8.824.063	-	6.146.988
Subordinated loans	-	8.824.063	-	6.146.988
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.036.525	-	6.037.858	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.036.525	-	6.037.858	-
Total	6.036.525	8.824.063	6.037.858	6.146.988

^(*) Detailed information is disclosed in Section Four Footnote I.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Curren Period	Prior Period
Common stock	2.473.776	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 10.000.000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period.

In accordance with the decision of the Board of Directors of the Bank dated 11 May 2020, the capital is increased, where the total sales proceeds through the capital increase shall amount to TRY 7.000.000, by the total nominal capital amount to be calculated based on the share sale price to be determined in accordance with the Wholesale Transactions Procedure of Borsa İstanbul A.Ş. with the Decision of the Capital Markets Board dated 14 May 2020. Accordingly, the recognition of the capital increase of TRY 1.223.776 on 20 May 2020 was realized on 21 May 2020, based on the permission obtained from the BRSA. The change made to the relevant Articles of Association was registered on 10 June 2020, and it was announced in the Trade Registry Gazette dated 15 June 2020 and numbered 10097.

After the increase, TRY 1.223.776 of nominal and TRY 5.776.224 of share premium, totaling a capital increase of TRY 7.000.000, have been recognized in the financial statements. Mentioned capital increase was made by the Bank's main shareholder Türkiye Varlık Fonu.

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.

f) Information on the Bank's acquired shares:

Between 1 January – 31 December 2020, the Bank has resold previously acquired shares amounting to TRY 1.500 and repurchased shares amounting to TRY 18.339 within the scope of the Board of Directors' decision dated 29 August 2018 and 17 March 2020.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

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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		Prior Period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	2.085.896	696.265	2.337.040	512.845
Valuation differences	2.085.896	696.265	2.337.040	512.845
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	(77.633)	(230.418)	342.755	(121.133)
Valuation differences	(77.633)	(228.348)	342.755	(115.287)
Exchange rate difference	-	(2.070)	-	(5.846)
Total	2.008.263	465.847	2.679.795	391.712

j) Legal Reserves

	Current Period	Prior Period
I. Legal Reserve	1.463.693	1.392.459
II. Legal Reserve	585.488	585.488
Special Reserves	17.812	12.408
Share Buyback Reserve Fund	351.767	262.384
Total	2.418.760	2.252.739

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	22.955.992	21.401.704
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital (-)	-	-
Total	22.955.992	21.401.704

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

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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	Prior Period
Commitments for credit card expenditure limits	27.941.932	16.709.743
Payment commitments for cheques	4.472.298	3.219.679
Loan granting commitments	4.594.177	3.061.215
Forward asset purchase and sale commitments	1.826.745	2.232.623
Forward deposit purchase and sale commitments	-	-
Commitments for credit cards and banking services promotions	22.752	24.943
Tax and fund liabilities from export commitments	124.240	83.156
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	4.948.441	4.172.444
Total	43.930.585	29.503.803

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	Prior Period
Letters of credit	2.408.221	3.823.229
Bank acceptances	6.495.595	6.961.998
Other guarantees	4.824.419	2.713.220
Total	13.728.235	13.498.447

b.2. Certain guarantees, tentative guarantees, sureties and similar transactions:

	Current Period	Prior Period
Letters of certain guarantees	16.981.843	16.257.998
Letters of advance guarantees	5.104.565	4.382.365
Letters of tentative guarantees	2.215.108	713.001
Letters of guarantee given to customs offices	2.706.440	1.939.926
Other letters of guarantee	73.819.146	53.125.931
Total	100.827.102	76.419.221

TÜRKİYE HALK BANKASI A.Ş.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

c) Total non-cash loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	12.107.654	8.095.714
<i>Within one year or less original maturity</i>	786.030	1.646.649
<i>Within more than one year maturity</i>	11.321.624	6.449.065
Other non-cash loans	102.447.683	81.821.954
Total	114.555.337	89.917.668

d.1. Sectoral risk concentration of non-cash loans

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	178.288	0,32	180.941	0,30	99.163	0,24	233.454	0,47
<i>Farming and Stockbreeding</i>	127.020	0,23	13.346	0,02	73.632	0,18	10.396	0,02
<i>Forestry</i>	1.542	-	-	-	715	0,00	-	0,00
<i>Fishery</i>	49.726	0,09	167.595	0,28	24.816	0,06	223.058	0,45
Manufacturing	11.874.058	21,48	26.933.274	45,45	8.403.481	20,66	23.512.393	47,74
<i>Mining and Quarrying</i>	221.231	0,40	1.029.151	1,74	164.007	0,40	503.437	1,02
<i>Production</i>	10.066.831	18,21	24.400.533	41,17	6.417.873	15,78	21.620.953	43,90
<i>Electricity, Gas and Water</i>	1.585.996	2,87	1.503.590	2,54	1.821.601	4,48	1.388.003	2,82
Construction	17.550.791	31,75	12.737.999	21,49	12.363.810	30,40	11.241.946	22,83
Services	23.687.034	42,85	19.229.647	32,43	18.056.269	44,41	14.105.048	28,64
<i>Wholesale and Retail Trade</i>	14.830.746	26,83	6.887.229	11,62	10.642.848	26,17	6.179.958	12,55
<i>Accommodation and Dining</i>	315.979	0,57	3.908.626	6,59	257.825	0,63	2.463.170	5,00
<i>Transportation and Telecom.</i>	1.063.530	1,92	6.690.395	11,29	605.619	1,49	4.268.126	8,67
<i>Financial Institutions</i>	4.001.035	7,24	84.775	0,14	3.793.359	9,33	108.345	0,22
<i>Real Estate and Rental Services</i>	2.869.168	5,19	1.494.380	2,52	2.269.193	5,58	937.340	1,90
<i>Professional Services</i>	13.891	0,03	459	-	14.340	0,04	745	0,00
<i>Educational Services</i>	100.317	0,18	90.355	0,15	100.488	0,25	72.927	0,15
<i>Health and Social Services</i>	492.368	0,89	73.428	0,12	372.597	0,92	74.437	0,15
Other	1.990.613	3,60	192.692	0,33	1.748.351	4,29	153.753	0,32
Total	55.280.784	100,00	59.274.553	100,00	40.671.074	100,00	49.246.594	100,00

d.2. Non-cash loans classified under I. and II. Group

	Group I		Group II	
	TRY	FC	TRY	FC
Non-Cash Loans	53.442.979	57.456.246	1.837.805	1.818.307
Letters of Guarantee	48.450.236	48.741.061	1.825.219	1.810.586
Bills of Exchange and Bank Acceptances	185.902	6.301.972	-	7.721
Letters of Credit	42.663	2.352.972	12.586	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	4.764.178	60.241	-	-

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

e) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading Derivatives		Derivative Financial Instruments held for Risk Management	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign Currency related Derivative Transactions (I):	45.428.327	42.358.965	-	-
Currency Forwards-Purchases/Sales	2.793.387	5.331.751	-	-
Currency Swaps-Purchases/Sales	38.760.894	33.506.700	-	-
Currency Futures-Purchases/Sales	-	-	-	-
Currency Options-Purchases/Sales	3.874.046	3.520.514	-	-
Interest Rate related Derivative Transactions (II)	25.566.030	27.707.502	-	-
Interest Rate Contracts	-	-	-	-
Interest Rate Swaps-Purchases/Sales	25.566.030	27.707.502	-	-
Interest Rate Options-Purchases/Sales	-	-	-	-
Interest Rate Futures-Purchases/Sales	-	-	-	-
Other Trading Derivatives (III) ⁽¹⁾	5.809.526	3.236.795	-	-
A. Total Trading Derivatives (I+II+III)	76.803.883	73.303.262	-	-
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)	76.803.883	73.303.262	-	-

⁽¹⁾ Other trading derivative transactions include forward precious metal purchase and sale transactions of TRY 42.111 and TRY 2.287.355, respectively, and swap precious metal purchase transactions of TRY 3.480.060.

f) Information on contingent liabilities and assets:

Bank's commitments for the cheques given to customers are TRY 4.472.298 (31 December 2019: TRY 3.219.679).

g) Services provided on behalf of others:

None.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	5.764.979	356.099	9.496.259	569.749
Medium and long term loans	26.269.402	5.333.299	20.954.208	5.140.532
Interest on non-performing loans	399.263	-	909.582	-
Premiums from resource utilization support fund	-	-	-	-
Total	32.433.644	5.689.398	31.360.049	5.710.281

⁽¹⁾ Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
CBRT	238.787	-	229.026	36.754
Domestic banks	20.222	654	26.199	4.032
Foreign banks	9.876	2.505	21.059	24.183
Foreign headquarters and branches	-	-	-	-
Total	268.885	3.159	276.284	64.969

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	2.857	13	8.871	1.292
Financial Assets at Fair Value through Other Comprehensive Income	4.217.753	315.066	1.361.763	135.895
Financial Assets Measured at Amortized Cost	9.463.980	1.269.723	6.810.309	842.768
Total	13.684.590	1.584.802	8.180.943	979.955

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest income from subsidiaries and associates	223.288	147.402

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	45.992	181.257	56.819	225.970
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	45.992	58.896	56.819	51.082
<i>Overseas banks</i>	-	122.361	-	174.888
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	9	23.488	10	18.678
Total	46.001	204.745	56.829	244.648

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses given to subsidiaries and associates	29.348	595.228

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	1.632.761	834.713	1.873.614	708.748
Total	1.632.761	834.713	1.873.614	708.748

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d) Maturity structure of interest expenses on deposits:

Current Period		Time deposits						Cumulative deposit	Total
Account name	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	160	1.302.671	547.428	21.060	526	-	-	1.871.845	
Saving deposits	170	699.878	5.406.941	535.631	82.413	419.816	10.410	7.155.259	
Public deposits	45	1.255.214	266.960	37.481	27.792	669	-	1.588.161	
Commercial deposits	746	2.996.076	3.992.479	188.546	62.634	721.648	-	7.962.129	
Other deposits	1	317.081	1.470.403	181.899	41.783	235.361	-	2.246.528	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	1.122	6.570.920	11.684.211	964.617	215.148	1.377.494	10.410	20.823.922	
Foreign currency									
Deposits	43	124.840	1.180.649	48.464	29.287	79.237	-	1.462.520	
Bank deposits	4	135.739	-	-	-	-	-	135.743	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	719	9.596	1.835	399	1.013	-	13.562	
Total	47	261.298	1.190.245	50.299	29.686	80.250	-	1.611.825	
Grand total	1.169	6.832.218	12.874.456	1.014.916	244.834	1.457.744	10.410	22.435.747	
Prior Period		Time deposits						Cumulative deposit	Total
Account name	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	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	7.188	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	

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(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	7.276	6.944
Other	503.835	414.881
Total	511.111	421.825

(4) a) Information on trading profit/loss:

	Current Period	Prior Period
Profit	67.320.643	48.076.102
Profit from the capital market transactions	181.836	299.336
Profit on derivative financial transactions	10.551.518	8.927.439
Foreign exchange gains	56.587.289	38.849.327
Loss (-)	72.602.061	51.343.198
Loss from the capital market transactions	125.914	5.944
Loss from derivative financial transactions	7.825.574	10.426.874
Foreign exchange losses	64.650.573	40.910.380

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	10.551.518	8.927.439
Effect of the change in foreign exchange on profit	9.987.260	8.614.436
Effect of the change in interest rate on profit	564.258	313.003
Loss on derivative financial instruments (-)	7.825.574	10.426.874
Effect of the change in foreign exchange on loss	7.284.619	10.154.504
Effect of the change in interest rate on loss	540.955	272.370
Profit/loss on derivative financial instruments	2.725.944	(1.499.435)

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(5) Information on other operating income:

	Current Period	Prior Period
Adjustments for prior period expenses	1.001.826	2.156.048
Income from the asset sale	314.899	115.316
Rent income	45.903	47.187
Other income	78.589	88.889
Total	1.441.217	2.407.440

(6) Impairment losses on loans and other receivables:

	Current Period	Prior Period
Expected Credit Losses	6.830.591	4.551.745
<i>12 Month Expected Credit Loss (Stage 1)</i>	<i>1.080.400</i>	<i>319.366</i>
<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>2.170.642</i>	<i>189.879</i>
<i>Non – Performing Loans (Stage 3)</i>	<i>3.579.549</i>	<i>4.042.500</i>
Marketable Securities Impairment Expense	-	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	<i>-</i>	<i>-</i>
<i>Financial Assets at Fair Value through Other Comprehensive Income</i>	<i>-</i>	<i>-</i>
Impairment losses from associates, subsidiaries, jointly controlled entities	-	-
<i>Associates</i>	<i>-</i>	<i>-</i>
<i>Subsidiaries</i>	<i>-</i>	<i>-</i>
<i>Joint Ventures</i>	<i>-</i>	<i>-</i>
Other	17.408	146.153
Total	6.847.999	4.697.898

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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	117.391	101.441
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	6.103	2.036
Depreciation expenses of fixed assets	386.151	337.323
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	95.957	41.486
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets to be sold	-	-
Amortization expenses of assets to be sold	19.265	11.509
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	2.348.433	1.895.078
<i>Leasing Expenses on TFRS 16 Exceptions</i>	102.234	83.700
<i>Maintenance expenses</i>	50.079	54.145
<i>Advertisement expenses</i>	242.884	191.409
<i>Other expenses</i>	1.953.236	1.565.824
Loss on sales of assets	970	225
Other	1.407.995	1.042.924
Total	4.382.265	3.432.022

(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 18.753.184 (31 December 2019: TRY 10.612.036) of net interest income and TRY 2.614.865 (31 December 2019: TRY 2.778.218) of net fees and commissions income. The profit from continuing operations before tax of the Bank is amounting to TRY 3.229.900 (31 December 2019: TRY 1.968.257).

(9) Information on tax provisions for continuing and discontinued operations:

For the period then ended 31 December 2020, the Bank's tax provision amounting to TRY 629.855 (31 December 2019: TRY 247.948) consists of TRY 491.513 (31 December 2019: TRY 435.511) of current tax charge and TRY 848.133 (31 December 2019: TRY 1.200.560) of deferred tax charge, TRY 709.791 (31 December 2019: TRY 1.388.123) of deferred tax income.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(10) Information on net income/expense from continuing and discontinued operations after tax:

As of 31 December 2020, the Bank's net operating income after tax is amounting to TRY 2.600.045 (31 December 2019: TRY 1.720.309).

(11) Information on net profit/loss:

a) Income and expenses from ordinary banking operations:

There is no issue to be disclosed.

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 the 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.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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 56.198.451 increase for the year 2020 (31 December 2019: TRY 18.035.777 increase). “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 10.073.386 for the year 2020 (31 December 2019: TRY 11.153.133 decrease).

For the year ended 31 December 2020, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 1.317.260 decrease (31 December 2019: TRY 2.395.944 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	34.488.581	34.957.050
Cash in TRY and foreign currency	3.665.767	4.417.864
Central Bank and others ⁽¹⁾	30.822.814	30.539.186
Cash equivalents	3.750.467	5.136.433
Demand and Time Deposits Up to 3 Months	3.750.467	5.136.433
Money Market Placements	-	-
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.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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	63.476.219	34.488.581
Cash in TRY and foreign currency	4.779.704	3.665.767
Central Bank and others ⁽¹⁾	58.696.515	30.822.814
Cash Equivalents	2.145.651	3.750.467
Demand and Time Deposits Up to 3 Months	2.145.651	3.750.467
Money Market Placements	-	-
Cash and Banks	65.621.870	38.239.048
Reserve deposits in Central Bank of Turkey	(23.830.380)	(14.096.591)
Accruals on reserve deposits in Central Bank of Turkey	(118.855)	(19.628)
Accruals on banks	(1.549)	(475)
Accruals on the money market placements	-	-
Total Cash and Cash Equivalents	41.671.086	24.122.354

⁽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	2.331.642	313.114	-	-	-	-
Closing balance	3.128.930	264.217	-	-	-	-
Interest and commissions income	222.651	830	-	-	-	-

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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	1.377.511	224.571	-	-	-	-
Closing balance	2.331.642	313.114	-	-	-	-
Interest and commissions income	147.402	1.687	-	-	-	-

b) Deposits held by 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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Beginning balance	3.574.573	2.889.487	-	-	-	-
Closing Balance	458.773	3.574.573	-	-	-	-
Interest expense on deposits	19.465	583.973	-	-	-	-

c) 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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Financial Assets At Fv Through Profit And Loss						
Beginning balance	17.918	109.322	-	-	-	-
Closing Balance	-	17.918	-	-	-	-
Total Profit/Loss	(19)	5.846	-	-	-	-

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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 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 Bank performs brokerage on the activities of Halk Yatırım Menkul Değerler AŞ within the scope of “the Brokerage Contract for Order Submission”.

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	3.128.930	0,72
Non-cash loans	264.217	0,23
Deposits	458.773	0,10
Forward and option contracts	-	-

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 11.431 as of 31 December 2020 (31 December 2019: TRY 10.308).

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(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

Current Period	Quantity	Number of Employees	Countries		
Domestic Branch	1007	20.098			
Abroad Agencies	3	4	IRAN		
			ENGLAND		
			SINGAPORE	Total Assets	Statutory Capital
Overseas Branch	5	66	T.R.N.C.	1.760.646	-
			BAHRAIN	23.411.017	-
Off-shore Branches	1	3			

Prior Period	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 or other significant operational changes of the Bank:

The Bank opened 8 branches during the year 2020.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION SIX: OTHER EXPLANATIONS

I. OTHER EXPLANATIONS

On October 15, 2019, U.S. Department of Justice, United States Attorney Southern District of New York indicted the Bank by repeating the allegations set forth in the case filed against the former executive of the Bank due to Iranian sanction violations.

First, the Bank applied to the District Court on 4 November 2019, and requested a special appearance to discuss the issues of personal jurisdiction and recusal. On 5 December 2019, the District Court denied the request of special appearance. The Bank objected to the District Court's decision and appealed the decision at the Court of Appeals Second Circuit on 17 December 2019. On 21 February 2020, the Second Circuit denied Bank's objection.

In the meeting held by the Bank's Board of Directors on 27 March 2020, it was decided to attend the District Court hearing on 31 March 2020, to accept the arraignment and to appoint Williams & Connolly law firm with a proxy to represent the Bank

At the hearing on 31 March 2020, the District Court decided to postpone the hearing initially to 9 June 2020 and subsequently to 30 June 2020 due to the global scale COVID-19 outbreak.

At the hearing held in the District Court on 30 June 2020; the schedule regarding the motion to recuse, discovery motions, and filings of other motions were identified. It was decided that the jury hearing would begin on 1 March 2021 for which the schedule was revised on 26 October 2020. Accordingly, the jury hearings are scheduled to be held on 3 May 2021. In this regard, the Bank filed its recusal motion on 14 July 2020 and its other motions to dismiss the indictment on 10 August 2020 at the District Court.

Bank's recusal motion was denied by the District Court on 24 August 2020 and by the Court of Appeals Second Circuit on 23 December 2020.

District Court denied Bank's motion to dismiss the indictment on 1 October 2020. The Bank appealed the Court of Appeals Second Circuit for the motion to dismiss the indictment with regard to Foreign Sovereign Immunity Act (exemption from the jurisdiction of the US courts). On 23 December 2020, the Court of Appeals Second Circuit granted Bank's motion to stay the case pending sovereign immunity appeal. Accordingly, the jury hearings are expected to be rescheduled instead of starting on 3 May 2021.

In addition, a civil case was filed against the Bank on 27 March 2020 with a claim for damages by plaintiffs in the District Court "on the grounds that they (the plaintiffs) could not collect their judgments from Iran due to violations of sanctions" and it was served to the Bank's attorneys on 1 July 2020. The Bank filed a motion at the District Court to dismiss the complaint of plaintiffs on 25 September 2020. The motion process within this scope was completed on 16 December 2020. The civil case is pending at the District Court.

TÜRKİYE HALK BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The proceedings of both the criminal case and civil case are closely monitored by the Bank through law firms representing the bank.

The appeal process of the case which resulted in the conviction of the defendant former executive of the Bank, who was released on 19 July 2019 and returned to Turkey, is completed. The decision of the conviction was upheld.

SECTION VII: AUDITORS' REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

The Bank's publicly available unconsolidated financial statements and footnotes as of 31 December 2020 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 15 February 2021 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ

**Consolidated Financial Statements as of 31 December 2020
with Auditor's 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 Parent Bank") and its consolidated subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, 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 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and 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

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 2020 amounted to TRY 18.215.607 thousand. If such classification were not made, total assets and shareholders' equity excluding tax effects would be lower by TRY 1.334.666 thousand as at 31 December 2020.

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, the New York Southern District Attorney General of the United States (“US”) Department of Justice prepared an indictment and filed a lawsuit against the Parent Bank for alleged violations of Iranian sanctions. This criminal lawsuit action is ongoing.

In addition, a civil lawsuit was filed against the Parent Bank on 27 March 2020 with a claim for compensation by plaintiffs in the District Court “on the grounds that they (plaintiffs) could not satisfy their judgments from Iran due to violations of sanctions” and it was served to the Parent Bank’s lawyers on 1 July 2020. The civil lawsuit action at the District Court is ongoing.

In addition, the appeal process of the case which resulted in the conviction of the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned to Turkey, is completed. The decision related to the conviction was upheld.

At this stage, the Parent Bank’s Management state that there is no penalty, compensation, sanction or other measure arising from the ongoing criminal and civil lawsuits against the Parent Bank. 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 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 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. In addition to the matter explained in the Basis for Qualified Opinion section, the issues described below have been identified as key audit matters and are disclosed in our report.



Key Audit Matter
***Impairment of loans in accordance with TFRS 9
“Financial Instruments Standard”***

Impairment of loans is a key area of judgement for the management. The Group has the total loans and receivables amounting to TRY 463.287.709 thousand, which comprise 67% of the Group’s total assets in its consolidated financial statements and the total provision for expected credit loss amounting to TRY 17.352.045 as at 31 December 2020.

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. In addition, the impairment of loans and receivables includes estimates and assumptions about the effects of the Covid-19 outbreak.

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.

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 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 audit procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for expected credit loss has been recognized in a timely manner within the framework of the provisions of the relevant regulation.

We have tested relevant inputs and assumptions used by the management considering the effects of the Covid-19 outbreak 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 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 Group management, we evaluated whether the key assumptions and other judgements, including the effects of Covid-19, underlying the estimations of impairments were reasonable.

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

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.

Key Audit Matter
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 XVII 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 2020, 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.e 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.

How the matter was addressed in the audit

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. In addition, we have reviewed the sufficiency of disclosures prepared with this regard.



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.
- 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 2020 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 Müjde Aslan.

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. 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**

Müjde Aslan
Partner
Istanbul, 15 February 2021

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

1. The Bank's Headquarter Address:
Barbaros Mahallesi Şebboy Sokak No: 4 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** : AUDITOR'S REPORT

Subsidiaries and associates 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 Gayrimenkul Yatırım Ortaklığı AŞ	2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3. Halk Finansal Kiralama AŞ	
4. Halk Faktoring AŞ	
5. Halk Banka A.D., Skopje	
6. Halkbank A.D. Beograd	
7. Halk Varlık Kiralama AŞ	

The consolidated financial statements for year ended 31 December 2020 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, 15 February 2021

R. Süleyman Özdil

Chairman of the Board of Directors,
Chairman of the Audit Committee

Osman Arslan

Member of the Board of Directors,
Chief Executive Officer

Mevlüt Uysal

Independent Member of the Board of Directors, Member of Audit Committee

Yusuf Duran Ocak

Financial Management and Planning Vice Chief Executive Officer

Osman Bektaş

Financial Accounting Department Head

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

Name/Title : Atiye Ece Gülergün / Specialist
Tel : 0216 503 52 48
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 2020

(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 2020 the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2020	%	31 December 2019	%
Türkiye Varlık Fonu ⁽¹⁾	1.862.602	75,29	638.276	51,06
Public shares ⁽¹⁾	611.094	24,70	611.643	48,93
Other shareholders ⁽²⁾	80	0,01	81	0,01
Total	2.473.776	100,00	1.250.000	100,00

⁽¹⁾TRY 1.224.326 of the shares among the total shares of Türkiye Varlık Fonu are traded on the exchange.

⁽²⁾TRY 80 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.)

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 Parent 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 2020

(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, Chairman of the Audit Committee
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
Kerem ALKİN	Member of the Board of Directors
Meltem TAYLAN AYDIN	Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Ebubekir ŞAHİN	Member of the Board of Directors
Sezai UÇARMAK	Member of the Board of Directors
Mevlüt UYSAL	Independent Member of the Board of Directors, Member of the Audit Committee
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
İlhan BÖLÜKBAŞ	Executive Vice President, Loan Allocation and Management
Celal CANDAN	Executive Vice President, Credit Monitoring and Legal Follow-up
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 TUNCA Y	Executive Vice President, Retail Banking

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

a) The professionals to the Parent Bank's top management who have assigned to their position in 2020 are listed with titles and dates of assignment.

Title	Name and Surname	Beginning Date
Member of the Board of Directors	Kerem ALKİN	12 June 2020
Member of the Board of Directors	Ebubekir ŞAHİN	12 June 2020
Executive Vice President, Credit Risk Monitoring and Legal Follow-up	Celal CANDAN	25 September 2020

b) The professionals from the Parent Bank's top management who have left their position in 2020 are listed with titles and dates of leaving.

Title	Name and Surname	Leaving Date
Executive Vice President (P.P)	Nazmi BAĞDINLI	14 February 2020
Member of the Board of Directors, Member of the Audit Committee	Mehmet Emin ÖZCAN	12 June 2020
Member of the Board of Directors, Chairman of the Audit Committee	Sadık TILTAK	12 June 2020

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

Except for 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 Parent 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.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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 Parent 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 Parent Bank received government bonds in settlement of the accumulated specific duty losses and the Parent 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.

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 Parent 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 Parent 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.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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.

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 Halkbank. 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.

c) 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 2020, the Parent Bank operates with a total of 1013 branches consisting of 1007 domestic and 6 foreign branches that are 5 in Turkish Republic of Northern Cyprus and 1 in Bahrain. Domestic branches include 34 satellite branches. The Parent 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 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.

are accounted for at "equity method" in the accompanying consolidated financial statements.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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.

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 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.

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".

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

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

Demir-Halk Bank N.V. ("Demir Halk Bank") and Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş. 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 2020

(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 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

CONSOLIDATED ASSETS	Note	Audited Current Period 31 December 2020				Audited Prior Period 31 December 2019			
		TRY	FC	TOTAL	TRY	FC	TOTAL		
I. FINANCIAL ASSETS (NET)		62.791.771	83.722.118	146.513.889	30.233.397	42.074.025	72.307.422		
1.1 Cash and Cash Equivalents		8.916.830	58.981.674	67.898.504	3.057.952	36.497.025	39.554.977		
1.1.1 Cash and Balances with Central Bank	(1)	8.396.106	56.588.336	64.984.442	2.472.611	32.841.376	35.313.987		
1.1.2 Banks	(3)	287.479	2.393.667	2.681.146	508.021	3.655.952	4.163.973		
1.1.3 Money Markets		252.997	-	252.997	87.138	-	87.138		
1.1.4 Expected Loss Provision (-)		19.752	329	20.081	9.818	303	10.121		
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	15.704.422	19.241	15.723.663	16.295.809	9.954	16.305.763		
1.2.1 Government Debt Securities		15.529.875	1.349	15.531.224	16.131.520	64	16.131.584		
1.2.2 Equity Instruments		145.757	17.892	163.649	145.601	9.890	155.491		
1.2.3 Other Financial Assets		28.790	-	28.790	18.688	-	18.688		
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	38.164.766	22.379.674	60.544.440	10.875.940	4.418.750	15.294.690		
1.3.1 Government Debt Securities		37.528.538	22.192.136	59.720.674	10.275.808	4.283.752	14.559.560		
1.3.2 Equity Instruments		44.745	187.538	232.283	20.049	134.998	155.047		
1.3.3 Other Financial Assets		591.483	-	591.483	580.083	-	580.083		
1.4 Derivative Financial Assets	(2)(11)	5.753	2.341.529	2.347.282	3.696	1.148.296	1.151.992		
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		5.753	2.341.529	2.347.282	3.696	1.148.296	1.151.992		
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-		
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)		401.555.604	129.174.012	530.729.616	267.318.842	112.081.816	379.400.658		
2.1 Loans	(5)	353.822.723	103.387.503	457.210.226	222.430.880	90.963.797	313.394.677		
2.2 Lease Receivables	(10)	1.882.644	2.339.714	4.222.358	1.021.658	2.369.156	3.390.814		
2.3 Factoring Receivables		1.810.629	44.496	1.855.125	2.146.745	38.381	2.185.126		
2.4 Other Financial Assets Measured at Amortised Cost	(6)	60.843.380	23.961.309	84.804.689	53.297.037	19.174.085	72.471.122		
2.4.1 Government Debt Securities		60.792.861	23.961.309	84.754.170	53.246.524	19.174.085	72.420.609		
2.4.2 Other Financial Assets		50.519	-	50.519	50.513	-	50.513		
2.5 Expected Credit Loss (-)		16.803.772	559.010	17.362.782	11.577.478	463.603	12.041.081		
III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(16)	1.441	-	1,441	1,009,587	66,831	1,076,418		
3.1 Held for Sale		1,441	-	1,441	1,009,587	66,831	1,076,418		
3.2 Discontinued Operations		-	-	-	-	-	-		
IV. EQUITY INVESTMENTS		83,121	681,339	764,460	116,254	476,980	593,234		
4.1 Investments in Associates (Net)	(7)	83,121	681,339	764,460	32,254	476,980	509,234		
4.1.1 Associates Valued Based on Equity Method		16,566	681,339	697,905	21,152	476,980	498,132		
4.1.2 Unconsolidated Associates		66,555	-	66,555	11,102	-	11,102		
4.2 Subsidiaries (Net)	(8)	-	-	-	84,000	-	84,000		
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-		
4.2.2 Unconsolidated Non- Financial Subsidiaries		-	-	-	84,000	-	84,000		
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)	9,775,477	503,411	10,278,888	9,107,424	201,549	9,308,973		
VI. INTANGIBLE ASSETS (Net)	(13)	579,463	59,245	638,708	166,525	38,734	205,259		
6.1 Goodwill		-	-	-	-	-	-		
6.2 Other		579,463	59,245	638,708	166,525	38,734	205,259		
VII. INVESTMENT PROPERTIES (Net)	(14)	1,197,116	10,145	1,207,261	1,096,814	7,649	1,104,463		
VIII. CURRENT TAX ASSET		339,626	2,897	342,523	602	7,469	8,071		
IX. DEFERRED TAX ASSET	(15)	37,353	4,748	42,101	48,878	3,462	52,340		
X. OTHER ASSETS (Net)	(17)	4,738,592	957,171	5,695,763	4,115,999	458,990	4,574,989		
TOTAL ASSETS		481,099,564	215,115,086	696,214,650	313,214,322	155,417,505	468,631,827		

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

CONSOLIDATED LIABILITIES	Note	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. DEPOSITS	(1)	261.818.132	206.243.696	468.061.828	163.097.510	137.590.041	300.687.551
II. FUNDS BORROWED	(3)	706.399	12.548.123	13.254.522	1.410.975	12.756.895	14.167.870
III. MONEY MARKETS		103.487.981	1.114.631	104.602.612	50.388.047	2.951.294	53.339.341
IV. SECURITIES ISSUED (Net)	(4)	6.692.145	7.553.277	14.245.422	8.781.602	10.512.530	19.294.132
4.1 Bills		3.655.382	-	3.655.382	4.745.320	-	4.745.320
4.2 Assets Backed Securities		1.958.530	-	1.958.530	2.651.546	-	2.651.546
4.3 Bonds	(5)	1.078.233	7.553.277	8.631.510	1.384.736	10.512.530	11.897.266
V. FUNDS		3.617.303	-	3.617.303	3.209.004	-	3.209.004
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		3.617.303	-	3.617.303	3.209.004	-	3.209.004
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(2)(8)	20.113	514.112	534.225	334	353.384	353.718
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		20.113	514.112	534.225	334	353.384	353.718
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		1.002	636	1.638	1.081	426	1.507
IX. LEASE LIABILITIES (Net)	(7)	768.088	125.686	893.774	534.189	109.870	644.050
X. PROVISIONS	(9)	2.116.831	116.754	2.233.585	1.678.800	71.545	1.750.345
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.487.055	16.345	1.503.400	1.119.640	14.108	1.133.748
10.3 Insurance for Technical Provision (Net)		-	93.638	93.638	-	53.652	53.652
10.4 Other Provisions		629.776	6.771	636.547	559.160	3.785	562.945
XI. CURRENT TAX LIABILITY	(10)	778.424	989	778.413	1.324.515	8.772	1.333.287
XII. DEFERRED TAX LIABILITIES	(10)	331.752	2.152	333.904	315.308	2.152	317.460
XIII. NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(11)	-	-	-	3.098.809	85.508	3.184.317
13.1 Held for Sale		-	-	-	3.098.809	85.508	3.184.317
13.2 Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	6.036.525	8.824.063	14.860.588	6.037.858	6.146.988	12.184.846
14.1 Loans		-	8.824.063	8.824.063	-	6.146.988	6.146.988
14.2 Other Debt Instruments		6.036.525	-	6.036.525	6.037.858	-	6.037.858
XV. OTHER LIABILITIES	(6)	28.274.400	1.743.535	30.017.935	24.768.998	1.198.004	25.967.002
XVI. SHAREHOLDERS' EQUITY	(13)	41.839.276	939.625	42.778.901	31.561.248	636.140	32.197.388
16.1 Paid-in Capital		2.473.776	-	2.473.776	1.250.000	-	1.250.000
16.2 Capital Reserves		6.708.624	82.326	6.790.950	1.014.978	412	1.015.390
16.2.1 Share Premium		5.815.863	-	5.815.863	39.773	-	39.773
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		892.761	82.326	975.087	975.205	412	975.617
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.998.743	4.280	3.003.023	2.650.400	1.500	2.651.900
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(220.937)	(218.119)	(439.056)	337.320	(83.834)	253.486
16.5 Profit Reserves		25.276.429	601.525	25.877.954	23.664.169	388.010	24.052.179
16.5.1 Legal Reserves		2.498.334	33.826	2.532.160	2.459.822	29.703	2.489.525
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		22.730.914	104.574	22.835.488	21.157.205	104.574	21.261.779
16.5.4 Other Profit Reserves		47.181	463.125	510.306	47.142	253.733	300.875
16.6 Income or (Loss)		4.347.012	461.862	4.808.874	2.362.968	324.212	2.687.180
16.6.1 Prior Periods' Income or (Loss)		796.482	327.750	1.124.232	179.946	239.626	419.572
16.6.2 Current Period Income or (Loss)		3.550.530	134.112	3.684.642	2.183.022	84.586	2.267.608
16.7 Minority Shares	(14)	255.629	7.751	263.380	281.413	5.840	287.253
TOTAL LIABILITIES		456.487.371	239.727.279	696.214.650	296.208.278	172.423.549	468.631.827

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 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS

CONSOLIDATED OFF-BALANCE SHEET	Note	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019		
		TRY	FC	TOTAL	TRY	FC	TOTAL
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		115.245.846	128.240.627	243.486.473	83.750.565	113.362.625	197.113.190
I. GUARANTEES AND WARRANTIES	(1)	55.057.122	61.446.729	116.503.851	40.418.066	50.599.764	91.017.830
1.1 Letters of guarantee		50.051.793	52.484.618	102.536.411	37.770.126	39.576.362	77.346.488
1.1.1 Guarantees subject to public procurement law		2.868.957	6.032.807	8.901.764	2.075.213	5.738.203	7.813.416
1.1.2 Guarantees given for foreign trade operations		151.890	11.076.113	11.228.003	193.126	8.775.306	8.968.432
1.1.3 Other letters of guarantee		47.030.946	35.375.698	82.406.644	35.501.787	25.062.853	60.564.640
1.2 Bank loans		185.902	6.309.693	6.495.595	8.260	6.953.738	6.961.998
1.2.1 Import acceptances		-	161.040	161.040	-	27.704	27.704
1.2.2 Other bank acceptances		185.902	6.148.653	6.334.555	8.260	6.926.034	6.934.294
1.3 Letters of credit		55.249	2.554.133	2.609.382	16.891	3.884.760	3.901.651
1.3.1 Documentary letters of credit		55.249	2.554.133	2.609.382	16.891	3.884.760	3.901.651
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed refinancing		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		4.764.178	98.285	4.862.463	2.622.789	184.904	2.807.693
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		42.401.518	7.565.424	49.966.942	28.057.633	4.628.061	32.685.694
2.1 Irrevocable commitments	(3)	41.793.629	2.726.999	44.520.628	27.742.136	2.136.154	29.878.290
2.1.1 Forward asset purchase commitments		371.052	1.455.693	1.826.745	967.531	1.265.092	2.232.623
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		3.912.914	808.401	4.721.315	2.564.640	573.699	3.138.339
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for Cheques		4.472.298	-	4.472.298	3.219.679	-	3.219.679
2.1.8 Tax and fund liabilities from export commitments		124.240	-	124.240	83.156	-	83.156
2.1.9 Commitments for credit card expenditure limits		27.941.832	90.210	28.032.042	16.709.743	63.100	16.772.843
2.1.10 Commitments for credit cards and banking services promotions		22.752	-	22.752	24.943	-	24.943
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		4.948.441	377.695	5.326.136	4.172.444	234.263	4.406.707
2.2 Revocable commitments		607.889	4.838.425	5.446.314	315.497	2.491.907	2.807.404
2.2.1 Revocable loan granting commitments		-	2.210.353	2.210.353	-	1.347.727	1.347.727
2.2.2 Other revocable commitments		607.889	2.628.072	3.235.961	315.497	1.144.180	1.459.677
III. DERIVATIVE FINANCIAL INSTRUMENTS		17.787.206	59.228.474	77.015.680	15.274.866	58.134.800	73.409.666
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		17.787.206	59.228.474	77.015.680	15.274.866	58.134.800	73.409.666
3.2.1 Forward foreign currency buy/sell transactions		203.727	2.589.660	2.793.387	1.508.922	3.824.584	5.333.506
3.2.1.1 Forward foreign currency transactions-buy		114.039	2.395.844	2.509.883	779.407	1.490.661	2.269.468
3.2.1.2 Forward foreign currency transactions-sell		89.688	193.816	283.504	729.515	2.334.523	3.064.038
3.2.2 Currency and interest rate swaps		17.149.875	47.388.846	64.538.721	12.849.494	48.469.357	61.318.851
3.2.2.1 Currency swap-buy		-	18.551.480	18.551.480	432.526	15.653.590	16.086.116
3.2.2.2 Currency swap-sell		15.739.875	4.681.336	20.421.211	11.996.968	5.528.265	17.525.233
3.2.2.3 Interest rate swap-buy		705.000	12.078.015	12.783.015	210.000	13.643.751	13.853.751
3.2.2.4 Interest rate swap-sell		705.000	12.078.015	12.783.015	210.000	13.643.751	13.853.751
3.2.3 Currency, interest rate and marketable securities options		433.604	3.440.442	3.874.046	916.450	2.604.064	3.520.514
3.2.3.1 Currency call options		216.802	1.720.219	1.937.021	457.977	1.302.273	1.760.250
3.2.3.2 Currency put options		216.802	1.720.223	1.937.025	458.473	1.301.791	1.760.264
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		-	5.809.526	5.809.526	-	3.236.795	3.236.795
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		1.497.151.707	500.356.330	1.997.508.037	1.210.945.097	362.728.818	1.573.673.915
IV. CUSTODIES		631.841.811	61.211.567	693.053.378	571.163.381	50.656.660	621.820.041
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		127.376.877	2.619.679	129.996.556	207.557.418	1.120.996	208.978.414
4.3 Cheques in collection process		21.031.738	44.640.396	65.672.134	15.793.262	31.771.413	47.564.675
4.4 Commercial notes in collection process		427.050.907	9.156.674	436.207.581	289.702.098	7.018.616	296.720.714
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		2.319.655	1.143.741	3.463.396	4.005.746	810.205	4.815.951
4.8 Custodians		54.062.634	3.651.077	57.713.711	54.104.857	9.635.430	63.740.287
V. PLEDGED ASSETS		865.309.896	439.144.763	1.304.454.659	639.781.716	312.072.158	951.853.874
5.1 Marketable securities		6.996.977	1.733.141	8.730.118	5.805.905	1.262.225	7.068.130
5.2 Collateral notes		7.863.081	1.769.758	9.632.839	7.208.610	1.344.753	8.553.363
5.3 Commodity		25.813	-	25.813	25.813	-	25.813
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		650.415.346	338.008.605	988.423.951	500.970.141	253.826.850	754.796.991
5.6 Other pledged assets		169.327.906	56.874.541	226.202.447	120.641.178	42.752.230	163.393.408
5.7 Pledges		30.680.773	40.758.718	71.439.491	5.130.069	12.912.100	18.042.169
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1.612.397.553	628.596.957	2.240.994.510	1.294.695.662	476.091.443	1.770.787.105

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 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

STATEMENT OF PROFIT OR LOSS	Note	Audited Current Period 1 January-31 December 2020	Audited Prior Period 1 January-31 December 2019
I. INTEREST INCOME	(1)	54,729,179	47,668,735
1.1 Interest on Loans		38,299,040	37,221,483
1.2 Interest on Reserve Requirements		1,660	96,989
1.3 Interest on Banks		278,677	344,109
1.4 Interest on Money Market Transactions		47,629	69,368
1.5 Interest on Marketable Securities Portfolio		15,337,624	9,197,377
1.5.1 Fair Value Through Profit or Loss		29,860	16,557
1.5.2 Fair Value Through Other Comprehensive Income		4,570,645	1,522,716
1.5.3 Measured at Amortized Cost		10,737,119	7,658,104
1.6 Financial Lease Interest Income		366,211	322,356
1.7 Other Interest Income		398,338	417,053
II. INTEREST EXPENSE (-)	(2)	35,197,360	36,007,406
2.1 Interest on Deposits		22,370,782	23,011,889
2.2 Interest on Funds Borrowed		427,462	552,139
2.3 Interest Expense on Money Market Transactions		8,798,676	9,445,246
2.4 Interest on Securities Issued		2,480,878	2,637,772
2.5 Interest on Leases		77,732	96,205
2.6 Other Interest Expenses		1,041,830	264,155
III. NET INTEREST INCOME (I - II)		19,531,819	11,661,329
IV. NET FEES AND COMMISSIONS INCOME		2,889,949	2,716,482
4.1 Fees and Commissions Received		3,922,178	3,851,049
4.1.1 Non – cash Loans		962,059	936,746
4.1.2 Other	(13)	2,960,119	2,914,303
4.2 Fees and Commissions Paid (-)		1,032,229	1,134,567
4.2.1 Non – cash Loans		4,228	4,692
4.2.2 Other	(13)	1,028,001	1,129,875
V. DIVIDEND INCOME	(3)	4,960	14,441
VI. TRADING INCOME / LOSS (Net)	(4)	(5,213,013)	(3,227,754)
6.1 Trading Gains / (Losses) on Securities		100,666	294,927
6.2 Gains / (Losses) on Derivate Financial Transactions		2,731,597	(1,473,142)
6.3 Foreign Exchange Gains / (Losses)		(8,045,276)	(2,049,539)
VII. OTHER OPERATING INCOME	(5)	1,820,064	2,620,242
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		19,033,779	13,784,740
IX. EXPECTED LOSS PROVISIONS (-)	(6)	6,980,823	4,672,517
X. OTHER PROVISION EXPENSES (-)	(6)	18,161	147,354
XI. PERSONNEL EXPENSE (-)		3,804,543	3,029,501
XII. OTHER OPERATING EXPENSES (-)	(7)	4,750,152	3,562,647
XIII. NET OPERATING INCOME /LOSS (IX-X-XI)		3,480,100	2,372,721
XIV. INCOME AFTER MERGER		-	-
XV. INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		25,498	33,538
XVI. INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XVII. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(8)	3,505,598	2,406,259
XVIII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(9)	(752,503)	(306,921)
18.1 Current Tax Provision		602,783	477,171
18.2 Deferred Tax Income Effect (+)		865,404	1,221,643
18.3 Deferred Tax Expense Effect (-)		715,684	1,391,893
XIX. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(10)	2,753,095	2,099,338
XX. INCOME FROM DISCONTINUED OPERATIONS		1,461,462	2,163,741
20.1 Income from non- Current Assets Held for Sale		613,933	2,163,741
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		867,529	-
20.3 Income from Other Discontinued Operations		-	-
XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)		494,089	1,798,587
21.1 Expenses for Non-current Assets Held for Sale		494,089	1,798,587
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)	(8)	987,373	365,154
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(9)	(48,603)	(171,619)
23.1 Current Tax Provision		48,981	176,370
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		378	4,751
XXIV. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)	(10)	938,770	193,535
XXV. NET PROFIT/(LOSS) (XVIII+XXIII)	(11)	3,691,865	2,292,873
25.1 Profit / (Loss) of Group		3,684,642	2,267,608
25.2 Profit / (Loss) of Minority Shares (-)	(12)	7,223	25,265
Profit / (Loss) Per Share (full TRY)		1,843,2632	1,814,0864

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 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited	Audited
		Current Period	Prior Period
INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		1 January - 31 December 2020	1 January - 31 December 2019
I.	CURRENT PERIOD INCOME/LOSS	3.691.865	2.292.873
II.	OTHER COMPREHENSIVE INCOME	(341.419)	609.117
2.1	Not Reclassified Through Profit or Loss	351.123	161.399
2.1.1	Property and Equipment Revaluation Increase/Decrease	448.027	206.466
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(98.012)	(87.021)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	4.802	29.011
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(3.694)	12.943
2.2	Reclassified Through Profit or Loss	(692.542)	447.718
2.2.1	Foreign Currency Translation Differences	3.776	(4.392)
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(823.049)	543.008
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	126.731	(90.898)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	3.350.446	2.901.990

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 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Audited Current Period 1 January- 31 December 2020	Audited Prior Period 1 January- 31 December 2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	4.681.250	(1.285.633)
1.1.1	Interest received	45.845.461	42.017.429
1.1.2	Interest paid	(34.737.175)	(36.205.992)
1.1.3	Dividend received	4.960	14.580
1.1.4	Fees and commissions received	4.550.474	3.973.956
1.1.5	Other income	1.044.949	3.236.634
1.1.6	Collections from previously written off loans	1.786.986	1.858.918
1.1.7	Cash payments to personnel and service suppliers	(3.846.371)	(3.171.206)
1.1.8	Taxes paid	(1.109.206)	(351.948)
1.1.9	Other	(8.858.828)	(12.658.004)
		(1)	
1.2	Changes in Assets and Liabilities Subject to Banking Operations	64.448.953	14.563.051
1.2.1	Net Increase / decrease in financial assets at fair value through profit or loss	581.561	(1.768.837)
1.2.2	Net (increase) / decrease in due from banks	-	-
1.2.3	Net (increase) / decrease in loans	(145.850.059)	(52.972.613)
1.2.4	Net (increase) / decrease in other assets	(10.856.053)	1.129.813
1.2.5	Net increase / (decrease) in bank deposits	7.366.126	(3.408.437)
1.2.6	Net increase / (decrease) in other deposits	160.055.469	53.709.536
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	(1.350.472)	(1.269.042)
1.2.9	Net increase / (decrease) in matured payables	-	-
1.2.10	Net increase / (decrease) in other liabilities	54.502.381	19.142.631
		(1)	
I.	Net cash provided from banking operations	69.130.203	13.277.418
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II.	Net cash provided from/ (used in) investing activities	(49.553.545)	(22.359.553)
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(183.498)	(111.070)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	225.190	39.375
2.3	Fixed assets purchases	(936.919)	(557.443)
2.4	Fixed assets sales	1.852.907	699.405
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(58.930.404)	(21.377.381)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	10.889.499	11.592.662
2.7	Cash paid for purchase of investment securities	(19.478.709)	(19.959.111)
2.8	Cash obtained from sale of investment securities	17.561.792	7.407.102
2.9	Other	(563.799)	(93.092)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash flow from financing activities	434.302	7.577.393
3.1	Cash obtained from loans borrowed and securities issued	13.855.727	12.282.799
3.2	Cash used for repayment of loans borrowed and securities issued	(20.198.723)	(4.478.815)
3.3	Bonds issued	7.000.000	-
3.4	Dividends paid	-	-
3.5	Payments for leases	(222.702)	(226.591)
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1.597.022)	2.353.847
		(1)	
V.	Net increase / (decrease) in cash and cash equivalents	18.413.938	849.105
VI.	Cash and cash equivalents at beginning of the period	24.297.690	23.448.585
		(4)	
VII.	Cash and cash equivalents at end of the period	42.711.628	24.297.690
		(5)	

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

TÜRKİYE HALK BANKASI A.Ş.

STATEMENT OF PROFIT DISTRIBUTION

AS OF 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited Current Period 31 December 2020 ⁽¹⁾	Audited Prior Period 31 December 2019
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1. Current Period Profit	3,229,900	1,968,257
1.2. Taxes and Legal Duties Payables (-)	(629,855)	(247,948)
1.2.1. Corporate Tax (Income Tax)	(491,513)	(435,511)
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	(138,342)	187,563
A. Net Profit For The Period (1.1-1.2)	2,600,045	1,720,309
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	76,637
1.5. Other Statutory Reserves (-)	-	-
B. Net Profit Available for Distribution [(A-(1.3+1.4+1.5))⁽²⁾]	-	1,456,109
1.6. First Dividend to shareholders (-)	-	-
1.6.1. To Owners of Ordinary Shares	-	-
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Redeemed Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. Dividends to personnel (-)	-	-
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	-
1.9.1. To Owners of Ordinary Shares	-	-
1.9.2. To Owners of Privileged Shares	-	-
1.9.3. To Owners of Redeemed Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	-
1.11. Status Reserves (-)	-	1,456,109
1.12. Extraordinary Reserves ⁽²⁾	-	-
1.13. Other Reserves	-	-
II. Distribution of Reserves		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.2.1. Dividends to Shareholders (-)	-	-
2.2.2. To Owners of Ordinary Shares	-	-
2.2.3. To Owners of Privileged Shares	-	-
2.2.4. To Profit Sharing Bonds	-	-
2.2.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.3. Dividends to Personnel (-)	-	-
2.4. Dividends to the Boards of Directors (-)	-	-
III. Earnings per Share		
3.1. To Owners of Ordinary Shares	-	1,3762
3.2. To Owners of Ordinary Shares (%)	-	%137,62
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 (%)	-	-

⁽¹⁾ As of 31 December 2020, the Parent Bank's General Assembly has not been held yet.

⁽²⁾ In accordance with the Circular No. 2004/3 of the BRSA, TL 187.563 deferred tax asset income has been deducted.

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

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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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 and Auditing Standards Authority (“POA”) for the matters not regulated by the aforementioned legislations.

The accompanying consolidated 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.

Effects of COVID 19

In December 2019, a new type of coronavirus (COVID-19) which emerged in Wuhan city of China, caused fatal respiratory diseases all over the world and named as a global outbreak by the World Health Organization on 11 March 2020. Various measures have been taken all over the world in order to avoid the negative effects of the disease that has become a pandemic, and due to the measures taken, there have been a recession in economies.

In order to be protected from the effects of the pandemic, Banking Regulation and Supervision Agency (BRSA), Central Bank of Republic of Turkey (CBRT), Capital Markets Board of Turkey (CMB) and The Banks Association of Turkey (TBA) have taken various decisions regarding the banking sector in our country. These measures, which closely concern the banking sector, are listed below in general.

1. With the regulation made by the BRSA on 17 March 2020 in Regulation on Provisions, the delinquency period for the classification of loans as non-performing has been extended from 90 days to 180 days until 31 December 2020 and Expected Credit Loss provisions for the loans classified as Second Group Loans Under Close Monitoring within the scope of TFRS 9 are decided to be continued according to the banks’ own risk models. According to decision made by the BRSA on 8 December 2020, period for the classification of loans have been extended to 30 June 2021.
2. With the regulation made by the CBRT on 17 March 2020, foreign currency reserve deposit ratios for the banks whose credit growth rate is at qualified reference interval have been decreased by 500 basis points. With the decision made by the CBRT on 27 November 2020, beginning from 25 December 2020 loan growth rate conditions have been cancelled and same rates have been started to be applied to all banks.

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3. With the decision made by the TBA on 19 March 2020, it has been recommended that loan demands of the affected firms should be swiftly evaluated and met, credit access and terms should be improved, credit channels should be maintained, and a certain flexibility should be introduced in terms of due dates, installments and assurances regarding the clients whose income-expenditure balance is affected by the pandemic outbreak.
4. In the regulation issued on 23 March 2020 by BRSA, it is stated that negative valuation differences arising related to securities at Fair Value through Other Comprehensive Income and obtained before 23 March 2020 may not be taken into account in the equity calculation to be used in the CAR calculation, and impairment provisions arising from the securities owned by Banks may not be taken into account in the foreign currency net general position calculation, as effective until 31 December 2020. In accordance with the regulation dated 8 December 2020 by BRSA, the effective period of these applications is extended until 30 June 2021.
5. With the decision of the BRSA dated 26 March 2020, it has been decided to exempt Banks from their obligations to meet the Liquidity Coverage Ratio. With the 9312 numbered decision of the BRSA dated 8 December 2020, it has been decided to terminate the relevant exemption as of 31 December 2020.
6. With the amendments made by the BRSA on the Regulation on Provisions on 27 March 2020, classification period to loans under close monitoring has been extended from 30 days to 90 days until 31 December 2020 and Expected Credit Loss provisions for the loans classified as First Group Loans within the scope of TFRS 9 are decided to be continued according to the banks' own risk models. According to order made by the BRSA on 8 December 2020, the ending date of related regulation has been extended to 30 June 2021.
7. With the Board Resolution dated 16 April 2020 issued by the BRSA, it has been decided that 0% risk weight can be applied to the foreign currency denominated receivables of the Banks from the Republic of Turkey Central Management within the scope of CAR regulation.
8. With the decision made by the BRSA on 23 March 2020, banks were entitled to use the buying exchange rate used in preparation of financial statements as of 31 December 2019 when calculating the amount subject to credit risk for calculating the revalued amounts as per the Turkish Accounting Standards and related specific reserves, excluding the foreign currency assets measured at historical cost. With the Board Resolution dated 8 December 2020 issued by BRSA, by terminating the previous regulation, a new practice has been issued regarding this calculation to enable using the simple arithmetic average of buying exchange rates of the Central Bank for the last 252 days before the calculation date, and the effective period is extended to 30 June 2021. In accordance with the letter of BRSA dated 14 December 2020, it has been decided that this application is effective as of the date of the Board Resolution dated 8 December 2020.
9. With the resolution numbered 8998 dated 16 April 2020 by BRSA, banks have been exempted from the obligations to meet 20% legal limit regarding the IRRBB ratio until 31 December 2020. Mentioned exemption has been terminated as of 31 December 2020 with the resolution numbered 9312 dated 8 December 2020.

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The Parent Bank has arranged its activities within the scope of the above-mentioned decisions and extended the period regarding the classification of loans under follow-up from 90 days to 180 days and classification of loans under close monitoring from 30 days to 90 days. As stated in the BRSA announcement for the mentioned loans, provisions were continued to be set within the framework of the Parent Bank's risk model, for loans overdue 30-90 days in Stage 1 12-Month Expected Credit Loss Provision, and for loans overdue 90-180 days in the Stage 2 Expected Credit Loss for Significant Increase in Credit Risk. However, in order to follow the financial effects that may arise after the decision will be repealed, monitoring is performed for loans and their ECLs that may arise in case of related stage changes.

As regards to the consideration of macroeconomic factors, the Parent Bank regularly evaluates scenario weights and macroeconomic factors in its model and if deemed necessary, makes additional provision through individual assessment due to the fact that the effects of the pandemic are still being experienced.

The possible effects of the outbreak on the Parent Bank's financial statements are regularly monitored by the relevant Units and the Parent Bank Management.

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 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 profit or loss 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.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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.

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 Yatırım Menkul Değerler A.Ş., Halk Gayrimenkul Yatırım Ortaklığı A.Ş., Halk Finansal Kiralama A.Ş., Halk Faktoring A.Ş., Halk Banka A.D., Skopje, Halkbank Osiguruvanje A.D. Skopje (subsidiary), Beograd and Halk Varlık Kiralama A.Ş. are included in the scope of consolidation.

Subsidiaries are entities that are 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.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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b. Basis of consolidation of associates:

The Parent Bank's investments in associates, Demir-Halk Bank N.V. ("Demir Halk Bank") and Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş. 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.

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. and Kobi Girişim Sermayesi A.Ş. 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.

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Acquisitions 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.

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.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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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 accounts under TFRS 9 Standard.

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 2020, the Parent bank has credit default swap transaction amounting to USD 260 million with 5 year maturity. In these transactions, the Parent Bank sells the 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.

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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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.

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.

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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.

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.

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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 announced by the T.R Ministry of Treasury and Finance. 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.

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 derecognised or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

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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.

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.

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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.

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.

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.

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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.

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

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.

Within the scope of the measures taken by the BRSA in order to reduce the effects of the COVID-19 outbreak, the delinquency period of classification to loans under follow-up has been extended from 90 days to 180 days until 30 June 2021 and the Expected Credit Loss provisions for the loans classified as Second Group Loans Under Close Monitoring within the scope of TFRS 9 are decided to be continued according to the banks' own risk models.

In this context, the Parent Bank extended the delinquency period for classification to loans under follow-up from 90 days to 180 days and for classification to loans under close monitoring from 30 days to 90 days. As stated in the BRSA announcement for the mentioned loans, provisions are continued to be set within the framework of the Parent Bank's risk model, for loans overdue 30-90 days in 12-Month Expected Credit Loss Provision (Stage 1), and for loans overdue 90-180 days in the Expected Credit Loss for Significant Increase in Credit Risk (Stage 2).

Low Credit Risk

TFRS 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

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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.

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 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.

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.

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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	33,33-4%
Assets held under financial leases	4-5	25-20%

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.

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.

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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.

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 IFRS 16. ATMs, and other leasing transaction balances are not considered within the scope of IFRS 16 as they are below the materiality level and the corresponding rent payments are recognized under Other Operating Expenses.

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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.

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.

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In the event of a modification in the lease agreement which affects the lease payments or defined assets, the Group re-measures its lease liability by using the current borrowing rate. The Group 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.

XVI. 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.

XVII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the TAS 19 "Employee Benefits". According to related legislation and union agreements, the Parent 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 Group 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.

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 Parent Bank. Provisional article 23 of the Banking Act No: 5411 requires the Parent 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.

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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 2020 no technical deficit has been reported.

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 20% over temporary timing differences expected to reverse.

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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.

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.

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. On the other hand, withholding tax is paid over interest income in TRNC. The relevant withholding tax payments are deducted from the corporate taxes paid.

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First period advance corporate tax return for the period of 1 January 2020 – 31 March 2020 is accrued and paid in May 2020, second period advance corporate tax return for the period 1 April 2020 - 30 June 2020 is accrued and paid in August, third period advance corporate tax return for the period 1 July 2020 - 30 September 2020 is accrued and paid in November. Forth period advance corporate tax return for the period 1 October 2020 - 31 December 2020 will be issued in February 2021, and paid following its assessment date.

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 subsidiary, acquired in 2011, Halk Banka A.D., Skopje is subject to tax regulations in the Republic of Macedonia and the corporate tax is 10%.

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.

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XIX. 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.

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 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.

In accordance with the decision of the Board of Directors of the Parent Bank dated 11 May 2020, the capital is increased, where the total sales proceeds through the capital increase shall amount to TRY 7.000.000, by the total nominal capital amount to be calculated based on the share sale price to be determined in accordance with the Wholesale Transactions Procedure of Borsa İstanbul A.Ş. with the Decision of the Capital Markets Board dated 14 May 2020. Accordingly, the recognition of the capital increase of TRY 1.223.776 on 20 May 2020 was realized on 21 May 2020, based on the permission obtained from the BRSA. The change made to the relevant Articles of Association was registered on 10 June 2020, and it was announced in the Trade Registry Gazette dated 15 June 2020 and numbered 10097. After the increase, TRY 1.223.776 of nominal and TRY 5.776.224 of share premium, totaling a capital increase of TRY 7.000.000, have been recognized in the financial statements. Mentioned capital increase was made by the Parent Bank's main shareholder Türkiye Varlık Fonu.

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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.

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 Parent Bank in the current and prior period.

XXIII. 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.

The information of the Group's business segments is explained in Section Four, disclosure numbered VIII.

XXIV. 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

Equity amount and capital adequacy standard ratio calculation is made within the framework of "Regulation on Equities of the Banks" and "Regulation on Measurement and Evaluation of Banks' Capital Adequacy" and in accordance with the amendments announced by the BRSA in the resolution dated 8 December 2020.

These amendments include the following provisions respectively; in case of the net valuation differences of the securities included in the Fair Value Through Other Comprehensive Income portfolio as of 23 March 2020 are negative, these differences are not to be taken into account in the calculation of equity amount for the capital adequacy ratio, and the simple arithmetic average of Central Bank buying exchange rates of the last 252 business days can be used for the monetary and non-monetary assets' carrying values in accordance with Turkish Accounting Standard except from the foreign currency items measured at historical cost basis for calculating the amount subject to credit risk and for the related specific provisions.

As of 31 December 2020, the capital adequacy ratio and the capital amount of the Group were realized as 14,56% (31 December 2019: 13,65%) and TRY 60.686.958 (31 December 2019: TRY 46.276.327) which were calculated within the scope of the above-mentioned regulation amendments.

1. Information About Total Consolidated 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	3.694.227	
Share Premium	5.815.863	
Reserves	25.877.954	
Other Comprehensive Income according to TAS	3.300.002	
Profit	4.808.874	
Current Period Profit	3.684.642	
Prior Period Profit	1.124.232	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	97.763	
Minority Interest	2.407	
Common Equity Tier I Capital Before Deductions	43.597.090	
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 (-)	612.009	
Leasehold Improvements on Operational Leases (-)	131.218	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	638.708	638.708

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Current Period		
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 (-)	351.767	
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	1.733.702	
Total Common Equity Tier I Capital	41.863.388	
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	8.175.150	
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	8.175.150	
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	8.175.150	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	50.038.538	
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)	4.722.923	
Tier II Capital Before Deductions	10.652.718	
Deductions From Tier II Capital	-	

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Current Period		
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	10.652.718	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	60.691.256	-
Total Tier I Capital and Tier II Capital (Total Equity)	60.691.256	-
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 (-)	4.298	-
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)	60.686.958	-
Total Risk Weighted Assets	416.944.817	-
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	10,04	-
Tier I Capital Ratio (%)	12,00	-
Capital Adequacy Ratio (%)	14,56	-
BUFFERS		
Bank-specific total CET1 Capital Ratio (a+b+c)	3,508	-
a) Capital Conservation Buffer Ratio (%)	2,500	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%) **	0,008	-
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	5,540	-
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	147.261	-
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	685.755	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1.936.577	-
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)	6.005.337	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.722.923	-
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 1.1.2018-1.1.2022)		
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	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	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 1 Capital Before Deductions	32.358.087	
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 (-)	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 I Capital	757.789	
Total Common Equity Tier I Capital	31.600.298	
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)	-	
Third parties' share in the Tier I Capital	-	
Third parties' share in the Tier I Capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	5.958.900	

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Prior Period		
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)	37.559.198	
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 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	8.728.461	
Total Equity (Total Tier I and Tier II Capital)	46.287.659	
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	
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 (-)	-	

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
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 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 1.1.2018-1.1.2022)		
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.

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.

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(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)	TRSTHAL62716	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	8.175
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	03.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	03.07.2018	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 non-compliances 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.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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.

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 22,50% and 26,89% of the total cash loan portfolio, respectively.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The Group's largest 100 and 200 non-cash loan customers compose 38,36% and 49,46% of the total non-cash loan portfolio, respectively.

The Group's largest 100 ve 200 cash and non-cash loan customers represent 15,16% and 19,09% 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 5.615.289 (31 December 2019: TRY 2.538.286 TL).

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	192.853.810	151.164.406	125.735.774	124.400.202
Conditional and unconditional exposures to regional governments or local authorities	2.517.478	2.848.057	3.137.023	3.418.604
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1.851.801	1.153.229	735.067	1.031.548
Conditional and unconditional exposures to multilateral development banks	25.119	36.069	61.819	69.304
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	7.772.698	6.976.275	9.613.528	10.565.900
Conditional and unconditional exposures to corporates	198.705.671	183.778.337	165.770.190	156.910.238
Conditional and unconditional retail exposures	145.294.360	125.463.573	88.950.562	85.308.495
Conditional and unconditional exposures secured by real estate property	97.492.656	85.901.048	75.089.042	69.935.742
Past due items	5.894.333	6.278.132	7.000.426	4.488.762
Items in regulatory high-risk categories	-	-	-	16.107
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	914.433	803.886	861.057	537.478
Other Receivables	26.178.751	25.086.992	22.963.553	21.564.186

⁽¹⁾Includes the risk amounts after credit conversions.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Profile of significant exposures in major regions:

	Risk Classification ⁽¹⁾								Total			
	Conditional unsecured exposures to governments or banks	Conditional unsecured exposures to regional governments or banks authorities	Conditional unsecured exposures to administrative bodies and non-codified undertakings	Conditional unsecured exposures to Banks	Conditional unsecured exposures to Multilateral Development Banks	Conditional unsecured exposures to banks and non-financial houses to corporates	Conditional unsecured exposures to real estate property	Items in regulatory categories		Stock Investments	Other	
Current Period												
1. Domestic	19,108,105.3	2,509,764	1,827,084	25,119	2,758,246	195,324,954	14,100,496	93,854,257	5,814,200	-	24,922,990	659,121,163
2. European Union (EU) Countries	17	-	-	-	2,620,190	301,236	6,743	9,132	42	-	60,237	2,997,597
3. OECD Countries ⁽²⁾	-	-	-	-	146,148	134,555	498	2,998	-	-	-	289,487
4. Off-Shore Banking Regions	-	-	-	-	298	47,562	1,020	-	-	-	-	48,881
5. USA, Canada	1,772,740	7,714	24,717	-	256,443	-	973	446	-	-	-	257,913
6. Other Countries	-	-	-	-	1,991,373	2,897,364	4,281,630	3,625,823	80,091	-	1,190,184	15,871,636
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	914,433	914,433
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-
Total	192,853,810	2,517,478	1,851,801	25,119	7,772,698	198,705,671	145,294,360	97,492,656	5,894,333	-	914,433	679,501,110
Prior Period												
1. Domestic	124,428,259	3,126,743	692,715	61,819	3,404,291	158,967,966	87,552,020	73,936,374	6,923,621	-	848,786	222,161,951
2. European Union (EU) Countries	-	-	-	-	3,050,418	269,806	5,262	8,848	44	-	23	42,008
3. OECD Countries	-	-	-	-	182,521	46,584	179	1,700	-	-	-	1,158
4. Off-Shore Banking Regions	-	-	-	-	606	1,852,894	134	-	-	-	-	15
5. USA, Canada	-	-	-	-	1,671,037	4,739	216	243	-	-	-	24
6. Other Countries	1,307,515	10,280	42,352	-	1,304,655	4,628,201	1,392,751	1,141,877	76,761	-	12,248	703,397
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-
Total	125,735,774	3,137,023	735,067	61,819	9,613,528	165,770,190	88,950,562	75,089,042	7,000,426	-	861,057	22,963,553

(1) Refers to the risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

(2) OECD Countries other than EU countries, USA and Canada.

(3) Assets and liabilities that are not consistently allocated.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Profile of significant exposures by sectors:

Current Period	Risk Classifications ⁽¹⁾										FC	Total	
	Conditional and unconditional exposures to central government or central banks	Conditional and unconditional exposures to regional government or local authorities	Conditional and unconditional exposures to Development Banks	Conditional and unconditional exposures to commercial banks	Conditional and unconditional exposures to corporate houses	Conditional and unconditional exposures to real estate	Conditional and unconditional exposures to retail	Conditional and unconditional exposures to other	Items in past due high-risk categories	Stock investments			
Agriculture	300,093	-	1,314	-	571,226	851,555	222,574	287,788	-	191,569	1,922,106	245,013	2,167,119
Farming and Stockbreeding	129,371	-	1,313	-	260,439	420,899	119,594	9,691	-	119,739	944,322	116,724	1,061,046
Forestry	99,363	-	-	-	36,726	368,437	76,028	9,149	-	71,827	676,939	6,612	683,551
Fishery	21,339	-	-	-	272,061	42,219	26,932	9,948	-	3	300,845	12,167	422,522
Manufacturing	16,602,932	-	24,989	12,294	-	72,711,202	17,604,189	18,133,798	1,608,543	-	45,930	83,128,280	43,615,597
Mining and Quarrying	331,183	-	-	172	-	3,699,242	250,040	295,373	28,556	-	22	1,531,112	3,073,476
Production	16,069,617	-	24,989	12,122	-	53,429,628	17,224,834	17,034,127	1,262,047	-	45,908	76,798,103	28,305,169
Electricity, Gas and Water	202,132	-	-	-	-	15,582,332	129,315	804,298	317,940	-	4,799,065	12,236,952	17,036,017
Construction	4,345,495	-	9,094	-	23,335,047	3,508,545	83,680,733	1,786,801	-	-	93,398	32,396,695	9,049,758
Services	107,767,292	2,429,705	1,792,306	3,518	4,505,197	88,438,729	68,231,802	295,70,685	20,10,188	-	2,886,855	214,284,706	93,351,571
Wholesale and Retail Trade	14,751,065	107	2,554	2,353	-	24,287,290	40,666,744	124,16,145	1,047,561	-	16,463	85,974,365	72,115,917
Accommodation and Dining	2,417,066	10	-	-	9,912,455	3,920,249	8,622,707	191,113	-	-	95	9,274,002	15,789,693
Transportation and Telecom.	862,093	-	4	38	-	9,767,523	17,188,047	11,27,121	1,02,999	-	539	20,312,135	8,736,229
Financial Institutions	862,678	-	-	-	4,505,197	4,149,413	96,457	885,637	1,382	-	6,699	6,633,542	3,873,930
Real Estate and Rental Services	1,097,032	-	87	1,127	-	37,179,360	3,514,492	4,003,828	597,454	-	11,0684	14,964,620	31,539,444
Professional Services	266,646	-	-	-	48	1,847,215	184,868	4,166	-	-	407	2,303,228	122
Educational Services	346,567	-	1,137,437	-	427,785	385,040	637,050	33,817	-	-	11	2,357,303	610,404
Health and Social Services	87,164,145	2,429,588	652,215	-	2,714,855	613,558	1,693,329	31,696	-	-	2,751,957	72,465,511	25,585,832
Other	63,837,998	87,773	33,192	213	3,267,501	13,649,467	55,098,269	41,197,526	460,013	-	914,433	22,960,999	127,546,253
Total	192,853,810	2,517,478	1,851,801	25,119	7,777,698	198,705,671	145,294,360	974,92,656	5,894,333	-	914,433	26,178,751	459,278,040

(1) 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".

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Risk Period	Risk Classifications ⁽¹⁾										FC	Total		
	Conditional and unconditional exposures to central government or local authorities	Conditional and unconditional exposures to regional government or local authorities	Conditional and unconditional exposures to banks	Conditional and unconditional exposures to Development Banks	Conditional and unconditional exposures to real estate brokers	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail real estate	Conditional and unconditional exposures to property real estate	Items in high-risk categories	Stock investments				
Agriculture	110.211	-	4.32	78	502.782	515.574	173.185	27.249	-	137.840	1.089.158	378.193	1.467.351	
Farming and Stockbreeding	63.176	-	4.30	78	181.974	254.242	104.528	7.707	-	118.038	600.199	129.974	730.173	
Forestry	38.807	-	2	-	15.648	23.0667	46.740	6.282	-	19.800	348.471	9.475	357.946	
Fishery	8.228	-	-	-	305.160	306.655	21.917	13.260	-	2	140.488	238.744	379.232	
Manufacturing	76.55.635	-	23.395	28.767	59.009.412	12.477.416	15.529.597	2.350.659	-	47.269	52.645.180	44.476.970	97.122.150	
Mining and Quarrying	140.906	-	-	376	2.905.613	221.004	239.525	22.098	-	22	858.193	2671.351	3.529.544	
Production	73.35.94.1	-	23.395	28.391	43.837.151	12.166.632	13.207.758	1.938.692	-	47.247	47.775.718	30811.789	78.587.507	
Electricity, Gas and Water	178.788	-	-	-	12.266.648	87.780	2.082.314	389.569	-	-	4.011.269	10.993.830	15.005.099	
Construction	1.928.438	-	12.593	19.081.993	2.697.500	7.317.295	1.413.164	-	-	97.986	22.118.280	10.430.689	32.548.969	
Services	83.060.482	3.018.319	6.59.286	19.814	7.624.719	72.002.918	41.244.813	23.326.274	2.603.701	-	2.607.332	1.503.061.61	8.586.149.723.616.157.658	
Wholesale and Retail Trade	5.610.666	-	51	13.895	20.732.042	25.049.550	10.186.852	1.133.745	-	14.047	53.164.061	9.575.787	62.739.848	
Accommodation and Dining	1.044.448	10	185	124	8.123.958	1.481.318	6.564.644	302.242	-	93	3.993.271	13.523.751	17.517.022	
Transportation and Telecom.	286.533	-	3	368	6.942.665	1.134.833	929.811	97.815	-	589	12.972.343	6.420.294	19.392.637	
Financial Institutions	201.259	-	31	-	7.624.719	2.670.393	64.402	792.790	1.673	-	5.213	5.286.698	6.073.782	
Real Estate and Rental Services	350.034	-	120	2.242	30.485.575	1.893.252	3.103.535	741.181	-	104.329	9.462.047	27.218.221	36.680.268	
Professional Services	8.583	-	2	-	1.042.923	144.582	5.910	2.762.256	-	608	1.202.497	111	1.202.608	
Educational Services	15.7501	-	64.605	-	1.222.414	224.109	470.418	2.762.256	-	12	1.700.820	714.995	2.415.315	
Health and Social Services	75.401.438	3.018.309	594.289	31.85	1.825.871	354.426	1.134.642	44.879	-	2.482.441	6.252.924	22.334.556	84.859.480	
Other	32.961.008	118.704	51.954	567	1.980.809	15.175.085	3.201.259	28.742.691	605.653	-	861.057	20.073.126	83.296.833	
Total	125.735.774	3.137.023	735.067	61.819	9.613.528	165.770.190	88.950.562	75.089.042	7.000.426	-	861.057	21.963.553	309.455.612	190.462.429

(1) 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".

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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	59.224.845	2.906.109	3.884.964	3.779.101	123.058.791
2. Conditional and unconditional exposures to regional governments or local authorities	39.766	24.177	14.905	144.595	2.294.035
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	119.676	66.584	20.298	128.317	1.516.926
4. Conditional and unconditional exposures to Multilateral Development Banks	408	150	4.377	5.813	14.371
5. Conditional and unconditional exposures to banks and brokerage houses	5.537.801	65.925	467.571	36.743	1.664.658
6. Conditional and unconditional exposures to corporates	23.962.542	12.996.730	11.574.956	30.808.791	119.362.652
7. Conditional and unconditional retail exposures	15.741.624	3.198.824	4.995.414	12.640.439	108.718.059
8. Conditional and unconditional exposures secured by real estate property	4.251.850	2.156.724	2.720.185	8.368.114	79.995.783
9. Past due items	5.894.333	-	-	-	-
10. Items in Regulatory High-Risk Categories	-	-	-	-	-
11. Stock Investments	914.433	-	-	-	-
12. Other Items	22.757.096	486	455	209.009	3.211.705
Total	138.444.374	21.415.709	23.683.125	56.120.922	439.836.980

⁽¹⁾Includes risk amounts before the effect of credit risk mitigation and 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	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 and after the credit conversions.

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Credit Quality Grade and Rating Matching Table								
Credit Quality Grade	IIRA		Fitch					
	Rating	Exposures to Central Governments or Central Banks	Exposures to administrative bodies and other non-commercial undertakings			Exposures to Banks and Brokerage Houses		Corporate Receivables
			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	
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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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Risks included in the consolidated counter-cyclical capital buffer calculation:

Country Name	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	335.872.354	-	335.872.354
Serbia	2.366.691	-	2.366.691
Northern Macedonia	2.299.713	-	2.299.713
Turkish Republic of Northern Cyprus	627.946	-	627.946
Malta	199.782	-	199.782
Other ⁽¹⁾	475.770	-	475.770

⁽¹⁾ Risk-Weighted Assets below TRY 5 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	155.048.907	-	4.858.022	-	7.855.111	246.023.815	275.107.961	527.025	-	605.354	2.172	-	4.298
2. Exposures after Credit Risk Mitigation	203.855.325	-	4.858.024	58.067.137	41.900.109	145.455.609	224.305.063	452.317	-	605.354	2.172	-	4.298
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	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

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Information by major sectors and type of counterparties:

Current Period	Credits		
Major Sectors /Counterparties	Significant Increase in Credit Risk (Stage II) ⁽¹⁾	Credit – Impaired Losses (Stage III) ⁽²⁾	Expected Credit Loss (IFRS 9) ⁽³⁾
Agriculture	298.230	114.328	140.327
<i>Farming and Stockbreeding</i>	289.039	86.096	120.788
<i>Forestry</i>	996	611	573
<i>Fishery</i>	8.195	27.621	18.966
Manufacturing	8.848.511	5.266.483	4.422.203
<i>Mining and Quarrying</i>	84.575	188.147	155.396
<i>Production</i>	4.195.778	4.534.217	3.542.102
<i>Electricity, Gas and Water</i>	4.568.158	544.119	724.705
Construction	4.888.986	3.098.413	1.971.249
Services	19.108.962	5.316.189	5.144.080
<i>Wholesale and Retail Trade</i>	5.003.931	2.945.805	2.331.063
<i>Accommodation and Dining</i>	6.341.923	586.473	897.569
<i>Transportation and Telecommunication</i>	642.313	229.118	153.942
<i>Financial Institutions</i>	548.796	9.070	96.182
<i>Real Estate and Rental Services</i>	6.169.869	986.770	1.141.948
<i>Professional Services</i>	61.503	10.782	10.400
<i>Educational Services</i>	98.843	433.164	407.201
<i>Health and Social Services</i>	241.784	115.007	105.775
Other	4.375.570	1.130.017	1.157.045
Total	37.520.259	14.925.430	12.834.904

⁽¹⁾Income accruals amounting to TRY 1.806.865 are not included in the table.

⁽²⁾Income accruals amounting to TRY 2.191.734 are not included in the table.

⁽³⁾Income accruals amounting to TRY 1.661.544 are not included in the table.

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Prior 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	135.661	117.476	94.523
Farming and Stockbreeding	125.367	89.979	77.891
Forestry	884	468	515
Fishery	9.410	27.029	16.117
Manufacturing	4.376.483	5.001.576	2.969.207
Mining and Quarrying	110.645	151.169	137.520
Production	4.217.818	4.312.359	2.574.584
Electricity, Gas and Water	48.020	538.048	257.103
Construction	4.796.518	2.301.231	1.499.308
Services	12.899.890	5.510.191	3.627.801
Wholesale and Retail Trade	4.673.522	2.991.760	2.112.335
Accommodation and Dining	1.742.190	665.322	435.693
Transportation and Telecommunication	770.483	198.994	129.531
Financial Institutions	598.581	14.320	24.648
Real Estate and Rental Services	4.763.458	1.073.968	627.821
Professional Services	69.481	13.135	10.273
Educational Services	104.017	428.897	192.578
Health and Social Services	178.158	123.795	94.922
Other	2.767.984	1.159.295	869.153
Total	24.976.536	14.089.769	9.059.992

⁽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 1.118.159 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	8.953.859	3.575.346	(1.369.150)	-	11.160.055
2. Stage I and Stage II expected credit loss	2.538.286	3.113.779	(36.776)	-	5.615.289

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Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Stage III expected credit loss	6.361.112	3.994.843	1.402.096	-	8.953.859
2. Stage I and Stage II expected credit loss	2.193.569	527.151	182.434	-	2.538.286

The net value and type of collaterals of the loans amounting TRY 37.520.259 followed under loans and other receivables under close monitoring section is below (31 December 2019: TRY 24.976.536).

Collateral Types ⁽¹⁾	Net Value of Collateral Current Period
Real estate mortgage	9.766.161
Salary pledge, vehicle pledge and pledge of commercial undertaking	444.531
CGF	2.814.323
Financial collaterals (cash, securities pledge, etc.)	31.668
Cheque / bills	88.383
Sureties	16.484.603
Other ⁽²⁾	7.890.590
Total	37.520.259

⁽¹⁾ Income accruals amounting to TRY 1.806.865 are not included in the table.

⁽²⁾ Comprised of share certificates, blockage on receivables, uncollateralized etc.

Collateral Types ⁽¹⁾	Net Value of Collateral Prior Period
Real estate mortgage	11.541.948
Salary pledge, vehicle pledge and pledge of commercial undertaking	371.401
CGF	2.465.470
Financial collaterals (cash, securities pledge, etc.)	80.926
Cheque / bills	172.918
Sureties	4.109.100
Other ⁽²⁾	6.234.773
Total	24.976.536

⁽¹⁾ Income accruals amounting to TRY 1.207.564 are not included in the table.

⁽²⁾ Comprised of share certificates, blockage on receivables, uncollateralized etc.

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The net value and type of collaterals belongs to loans amounted TRY 14.925.430 followed under non-performing loans section is below (31 December 2019: TRY 14.089.769).

Collateral Types⁽¹⁾	Net Value of Collateral Current Period
Cash	5.355
Mortgage	3.604.025
Pledge	405.867
Cheque / bills	13.282
Sureties	7.846.280
Other ⁽²⁾	3.050.621
Total	14.925.430

⁽¹⁾ Income accruals amounting to TRY 2.191.734 are not included in the table.

⁽²⁾ Comprised of share certificates, blockage on receivables, uncollateralized etc.

Collateral Types⁽¹⁾	Net Value of Collateral Prior Period
Cash	6.805
Mortgage	3.427.138
Pledge	402.900
Cheque / bills	12.735
Sureties	7.100.668
Other ⁽²⁾	3.139.523
Total	14.089.769

⁽¹⁾ Income accruals amounting to TRY 1.987.478 are not included in the table.

⁽²⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized etc..

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 Group 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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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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 Parent Bank as at financial statement date and the previous five working days in full TRY are as follows:

	24.12.2020	25.12.2020	26.12.2020	27.12.2020	30.12.2020	31.12.2020
USD	7,5300000	7,5200000	7,4200000	7,3300000	7,3400000	7,4000000
CHF	8,4385000	8,4434000	8,3424000	8,2668000	8,2982000	8,3970000
GBP	10,2190000	10,1743000	10,0194000	9,8865000	9,9546000	10,0810000
JPY	0,0723989	0,0724565	0,0713895	0,0705542	0,0709691	0,0715909
EUR	9,1776000	9,1533000	9,0773000	8,9851000	9,0124000	9,0835000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before the financial statement date are as follows:

	Monthly Average Buying Rate of Exchange
USD	7,6656522
CHF	8,6170652
GBP	10,2906435
JPY	0,0736755
EUR	9,3330652

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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	10.311.696	30.141.813	16.134.827	56.588.336
Banks	477.298	466.673	1.449.696	2.393.667
Financial assets at fair value through profit and loss	103	1.246	17.892	19.241
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income ⁽⁵⁾	9.017.791	11.505.972	2.680.200	23.203.963
Loans ⁽²⁾	59.660.602	38.270.424	5.501.798	103.432.824
Subsidiaries, associates and entities under common control	681.339	-	-	681.339
Financial assets measured at amortized cost ⁽⁶⁾	8.824.065	14.953.586	3.654.832	27.432.483
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	503.411	503.411
Intangible assets	-	-	-	-
Other assets ⁽³⁾	2.678.278	2.332.526	129.738	5.140.542
Total assets	91.651.172	97.672.240	30.072.394	219.395.806
Liabilities				
Bank deposits	9.419.898	5.078.086	357.205	14.855.189
Foreign currency deposits	70.552.958	90.381.535	30.454.014	191.388.507
Money market balances	-	1.114.631	-	1.114.631
Funds provided from other financial institutions	8.592.075	3.953.548	2.500	12.548.123
Bonds issued	-	7.553.277	-	7.553.277
Sundry creditors	259.308	446.355	292	705.955
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	9.361.098	869.809	391.065	10.621.972
Total liabilities	98.185.337	109.397.241	31.205.076	238.787.654
Net balance sheet position	(6.534.165)	(11.725.001)	(1.132.682)	(19.391.848)
Net off-balance sheet position	6.156.789	9.402.203	1.378.041	16.937.033
Financial derivative assets ⁽⁴⁾	7.325.960	14.650.743	4.755.882	26.732.585
Financial derivative liabilities ⁽⁴⁾	1.169.171	5.248.540	3.377.841	9.795.552
Non-cash loans ⁽¹⁾	37.665.288	19.910.193	3.871.248	61.446.729
Prior period				
Total assets	78.211.250	67.817.323	10.818.729	156.847.302
Total liabilities	87.073.343	71.815.898	12.898.168	171.787.409
Net balance sheet position	(8.862.093)	(3.998.575)	(2.079.439)	(14.940.107)
Net off-balance sheet position	8.232.005	(64.451)	3.132.568	11.300.122
Financial derivative assets	9.662.721	8.011.214	4.032.321	21.706.256
Financial derivative liabilities	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

⁽¹⁾ Non-cash loans are not included in the off-balance sheet position items.

⁽²⁾ Includes TRY 45,321 of foreign currency indexed loans and their accruals (31 December 2019: TRY 233,440).

⁽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 59,245, prepaid expenses TRY 819, and in equity in liabilities TRY 939,625 were not taken into account in foreign currency risk calculation.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounting to TRY 42,111 and swap precious metal purchase transactions amounting to TRY 3,480,060; financial derivative liabilities include forward precious metal sale transactions amounting to TRY 2,287,355. In addition, derivative transactions within the scope of forward foreign exchange purchase and sale are included.

⁽⁵⁾ Includes gold indexed bonds amounting to TRY 824,289 (31 December 2019: TRY 1,099,243).

⁽⁶⁾ Includes gold indexed bonds amounting to TRY 3,471,174 (31 December 2019: TRY 136,186).

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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.

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 rate risks are measured on a daily basis primarily through risk weighted asset and economic value change measurements, sensitivity, duration and gap analyses. Measurement results are daily reported to the Parent 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, money in transit, cheques purchased) and balances with the CBRT	6.746.564	-	-	-	-	58.237.878	64.984.442
Banks	1.168.834	31.035	34.508	5.396	-	1.441.373	2.681.146
Financial assets at fair value through profit and loss	28.070	27	31.047	998	248	15.663.273	15.723.663
Money market placements	108.213	-	-	-	-	144.784	252.997
Financial assets at fair value through other comprehensive income	4.662.839	13.804.387	25.149.794	14.392.953	2.302.184	232.283	60.544.440
Loans	69.201.918	88.839.669	128.536.576	113.482.637	31.461.527	25.687.899	457.210.226
Financial assets measured at amortised cost	555.772	29.092.955	7.129.636	16.995.568	31.030.758	-	84.804.689
Other assets ⁽¹⁾⁽⁴⁾	2.075.232	811.150	911.410	1.977.449	619.788	3.618.018	10.013.047
Total assets	84.547.442	132.579.223	161.792.971	146.855.001	65.414.505	105.025.508	696.214.650
Liabilities							
Bank deposits	21.213.099	4.168.538	32.818	66.496	-	9.584.903	35.065.854
Other deposits	239.625.563	87.530.460	18.243.189	2.417.905	27.076	85.151.781	432.995.974
Money market balances	103.677.703	795.333	-	-	-	129.576	104.602.612
Sundry creditors	4.706.444	-	-	-	-	4.536.210	9.242.654
Bonds issued	895.864	7.796.847	4.366.484	1.000.000	-	186.227	14.245.422
Funds provided from other financial institutions ⁽³⁾	839.080	5.397.838	3.653.635	2.547.328	765.962	50.679	13.254.522
Other liabilities ⁽¹⁾⁽²⁾	1.001.917	2.369	15.503.676	8.180.814	4.929.795	57.189.041	86.807.612
Total liabilities	371.959.670	105.691.385	41.799.802	14.212.543	5.722.833	156.828.417	696.214.650
Balance sheet long position	-	26.887.838	119.993.169	132.642.458	59.691.672	-	339.215.137
Balance sheet short position	(287.412.228)	-	-	-	-	(51.802.909)	(339.215.137)
Off-balance sheet long position	16.801.642	9.576.962	6.740.958	243.667	5.940.341	-	39.303.570
Off-balance sheet short position	(16.123.947)	(7.712.951)	(7.051.134)	(883.737)	(5.940.341)	-	(37.712.110)
Total position	(286.734.533)	28.751.849	119.682.993	132.002.388	59.691.672	(51.802.909)	1.591.460

⁽¹⁾ TRY 42.101 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 333.904 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⁾ 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	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	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	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 ⁽³⁾	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	16.523.967	4.712.199	10.147.950	90.946	5.546.352	52.368	37.073.782
Off-balance sheet short position	(15.946.471)	(3.457.074)	(10.281.891)	(1.051.815)	(5.546.352)	(52.281)	(36.335.884)
Total position	(142.742.773)	6.750.289	54.749.060	82.332.587	24.612.900	(24.964.165)	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⁾ Provisions are presented within non-bearing interest column.

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2. Average interest rates applied to the monetary financial instruments of the Group (%):

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⁾	-	-	-	12,00
Banks ⁽¹⁾	0,19	0,75	-	15,80
Financial assets at fair value through profit and loss ⁽⁶⁾	1,56	4,12	-	11,63
Money market placements	-	-	-	17,49
Financial assets at fair value through other comprehensive income	2,28	2,94	-	13,84
Loans ⁽²⁾	5,03	5,98	-	11,31
Financial assets measured at amortised cost	4,87	5,62	-	17,56
Liabilities				
Bank deposits ⁽⁴⁾	0,93	1,61	-	17,42
Other deposits ⁽⁴⁾	0,99	2,40	0,01	14,05
Money market borrowings	-	5,11	-	17,38
Sundry creditors ⁽³⁾	-	-	-	5,00
Bonds issued	-	4,75	-	14,11
Funds provided from other financial institutions	1,31	1,77	-	14,29

⁽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 2020.

⁽⁴⁾ Demand deposit amounts are considered in the average interest rate calculation.

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT as of the balance sheet date.

⁽⁶⁾ Borrowed securities are not included in the average interest rate calculation.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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⁾	-	-	-	10,00
Banks ⁽¹⁾	0,18	1,09	-	10,06
Financial assets at fair value through profit and loss ⁽⁶⁾	-	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 ⁽⁴⁾	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	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⁾ Demand deposit amounts are considered in the average interest rate calculation.

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT as of the balance sheet date.

⁽⁶⁾ Borrowed securities are not included in the average interest rate calculation.

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.

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.

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According to the mentioned regulation, within the scope of Interest Rate Risk in the Banking Book (IRRBB), the ratio of losses incurred due to economic value changes after interest shocks to total capital - legal maximum rate - is limited to 20%. On the other hand regarding IRRBB ratio, 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.

As part of the measures taken against the Covid-19 pandemic which occurred in 2020, banks have been exempted from the obligations to meet 20% legal limit regarding the IRRBB ratio until 31 December 2020 with the resolution numbered 8998 dated 16 April 2020 by BRSA. Mentioned exemption has been terminated as of 31 December 2020 with the resolution numbered 9312 dated 8 December 2020.

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
TRY	500	(11.814.957)	(19,34%)
	(400)	11.722.450	19,19%
EUR ⁽¹⁾	200	2.798.078	4,58%
	(200)	(4.088.887)	(6,69%)
USD	200	(2.050.333)	(3,36%)
	(200)	2.830.762	4,63%
Total (For negative shocks)		10.464.325	17,13%
Total (For positive shocks)		(11.067.212)	(18,12%)
Prior Period			
Currency	Applied Shock (+/- x base point)	Gains/(Losses)	Gains/Shareholders' Equity -Losses/ Shareholders' Equities
TRY	500	(7.837.303)	(16,84%)
	(400)	7.628.456	16,39%
EUR ⁽¹⁾	200	1.367.969	2,94%
	(200)	(1.859.217)	(3,99%)
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%)

⁽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			
	Balance Sheet Value	Fair Value Change	Market Value	The Amount of Capital Requirement
Stock investment excluding A,B,C,D group	764.460 ^(*)	674.237 ^(**)	-	142.475

^(*) Includes TRY 66.555 of unconsolidated subsidiary, TRY 697.905 of associates accounted for under the equity method.

^(**) It represents the fair value of Demirhalk Bank N.V. It is taken from the valuation report of Demirhalk Bank N.V. prepared as of 31 December 2020.

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	-	20.147	20.147	-	-	-
Total	-	20.147	20.147	-	-	-

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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 written duties and responsibilities of the units related to liquidity risk management is established. On the other hand, for Treasury transactions; maturity and amount limits are determined for TRY and FC transactions made in the interbank over-the-counter market, and limits are set on the maximum foreign currency position, forward and swap transactions that can be carried.

Liquidity risk analyzes (GAP analysis, core deposit reports, etc.) are conducted on a daily basis and shared with the Parent Bank's top management and related departments. Periodical stress tests are performed in line with the Parent Bank's liquidity management policies.

Systemic and bank specific 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 Parent 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. 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 Parent Bank's projected and instant liquidity needs under the condition that depositing and/or withdrawing additional collateral.

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According to the BRSA's "Regulation for Banks' Liquidity Coverage Ratio Calculations" published in the Official Gazette No. 28948 dated 21 March 2014, FC and TRY+FC liquidity coverage ratios are calculated by using high quality liquid assets divided by net cash outflows. Within this context, the Parent Bank is required to have the ability to cover net cash outflows with high quality liquid assets and its related ratios should be in compliance with the legal limits. Within the scope of the measures regarding the Covid-19 outbreak in 2020, deposit and participation banks have been exempted from the liability to comply with the minimum legal limits set as 100% and 80% for TRY + FC and FC liquidity coverage ratios until 31 December 2020, respectively, with the resolution of BRSA numbered 8967 and dated 26 March 2020. The exemption has been terminated as of 31 December 2020 with the BRSA resolution numbered 9312 and dated 8 December 2020.

As part of the important developments regarding liquidity risk; the Parent Bank's loan volume has increased significantly with the loan support provided to customers during the Covid-19 outbreak, and loan payment deferral opportunities has been offered to loan customers. Within this scope, the Parent Bank has taken measures to reduce liquidity risks and to provide the necessary liquidity buffer by effectively using the necessary deposit and fund resources.

Consolidated high quality liquid assets in TRY+FC are composed of 43,89% accounts held by the CBRT and the Central Banks of the foreign branches, 50,86% securities considered as high quality liquid assets and 5,25% cash and cash equivalents. The primary funding source for the Parent Bank is deposit. Other important funding sources are money market borrowings and securities issued.

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 677.149 thousand.

There are no operational or legal restrictions on liquidity transfer to subsidiaries or foreign branches of the Parent Bank. Each of the consolidated subsidiaries manage their own liquidity risk and liquidity adequacy is ensured on a consolidated basis.

The liquidity coverage ratio calculated on a daily basis and the early warning levels and limits regarding the liquidity metrics determined within the scope of the Bank's Liquidity Emergency Action Plan are calculated daily, and regularly reported to the Parent Bank's Audit Committee, Asset-Liability Committee and relevant business units.

The consolidated liquidity coverage ratios for the last three months are indicated in the table below.

PERIOD	FC (%)	TRY+FC (%)
31 October 2020	128,67	89,99
30 November 2020	136,36	87,41
31 December 2020	182,02	108,53

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Current Period	Total Unweighted Value ⁽¹⁾		Total Weighted Value ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			100.120.759	56.186.941
Cash Outflows				
Retail and Small Business Customers, of which;	214.617.520	108.065.700	19.509.278	10.806.570
Stable Deposits	39.049.480	-	1.952.474	-
Less Stable Deposits	175.568.040	108.065.700	17.556.804	10.806.570
Unsecured wholesale funding , of which;	200.917.565	72.196.379	91.455.271	32.472.143
Operational Deposits	35.013.844	9.020.372	8.753.461	2.255.093
Non-operational Deposits	159.508.177	60.600.026	77.253.366	27.720.822
Other Unsecured Funding	6.395.544	2.575.981	5.448.444	2.496.228
Secured Funding			-	-
Other cash outflows, of which;	11.648.819	6.917.255	5.837.438	3.688.034
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	949.895	1.015.198	949.895	1.015.198
Obligations related to structured financial products	19.934	-	19.934	-
Commitments related to debts to financial markets and other off- balance sheet obligations	10.678.990	5.902.057	4.867.609	2.672.836
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	143.576.345	55.747.383	11.317.080	4.713.310
Total Cash Outflows			128.119.067	51.680.057
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	34.798.391	12.945.307	22.486.276	9.840.447
Other Cash Inflows	281.378	3.061.589	281.378	3.061.589
Total Cash Inflows	35.079.769	16.006.896	22.767.654	12.902.036
			Total Adjusted Value	
Total HQLA Stock			100.120.759	56.186.941
Total Net Cash Outflows			105.351.412	38.778.018
Liquidity Coverage Ratio (%)			95,40%	149,15%

⁽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			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.)

Presentation of assets and liabilities according to their remaining maturities:

The Parent 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	6.187.629	58.545.526	-	251.287	-	-	-	64.984.442
Banks	1.461.011	1.157.976	31.056	14.914	4.214	11.975	-	2.681.146
Financial assets at fair value through profit and loss	16.429	-	2	15.530.733	29.051	228	147.220	15.723.663
Receivables from Money market	-	252.997	-	-	-	-	-	252.997
Financial assets at fair value through other comprehensive income	-	784.124	4.063.834	22.653.983	25.834.476	6.975.740	232.283	60.544.440
Loans	20.842.797	29.736.936	33.859.693	109.211.284	203.947.695	59.611.821	-	457.210.226
Financial assets measured at amortised cost	-	5.870.688	5.966.765	8.445.166	25.889.049	38.633.021	-	84.804.689
Other assets ⁽²⁾	240.253	2.174.205	2.103.637	1.449.244	2.054.235	968.931	1.022.542	10.013.047
Total assets	28.748.119	98.522.452	46.024.987	157.556.611	257.758.720	106.201.716	1.402.045	696.214.650
Liabilities								
Bank deposits	9.514.652	21.271.352	4.180.536	32.818	66.496	-	-	35.065.854
Other deposits	81.060.829	242.900.844	83.270.979	23.239.182	2.489.876	34.264	-	432.995.974
Funds provided from other financial institutions ⁽³⁾	5	119.961	575.771	2.591.477	4.365.922	5.601.386	-	13.254.522
Money market balances	-	103.803.299	59.313	-	-	740.000	-	104.602.612
Bonds issued	-	992.028	6.864.708	4.958.686	1.430.000	-	-	14.245.422
Sundry creditors	50.743	4.207.484	249.949	1.234.706	2.850.093	12.677	637.002	9.242.654
Other liabilities ⁽¹⁾	1.528.806	5.719.142	101.846	16.333.088	9.728.919	8.966.472	44.429.339	86.807.612
Total liabilities	92.155.035	379.014.110	95.303.102	48.389.957	20.931.306	15.354.799	45.066.341	696.214.650
Liquidity gap	(63.406.916)	(280.491.658)	(49.278.115)	109.166.654	236.827.414	90.846.917	(43.664.296)	-
Net off balance sheet position	-	(2.304)	620.011	464.823	508.930	-	-	1.591.460
Derivative financial assets	-	16.021.643	7.847.962	1.916.950	1.636.333	11.880.682	-	39.303.570
Derivative financial liabilities	-	(16.023.947)	(7.227.951)	(1.452.127)	(1.127.403)	(11.880.682)	-	(37.712.110)
Non-cash loans	35.094.122	2.874.408	10.434.702	40.597.782	25.043.586	2.459.251	-	116.503.851
Prior Period								
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
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

⁽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, associates and subsidiaries, office supply inventory, 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	355.458.727	88.568.202	24.038.902	2.645.931	34.342	(2.684.276)	468.061.828
Funds provided from other financial intuitions	124.672	590.583	2.645.604	4.531.978	6.088.824	(727.139)	13.254.522
Money market borrowings	103.938.774	59.859	-	-	747.982	(144.003)	104.602.612
Securities issued	1.040.386	7.068.563	5.151.860	1.531.819	-	(547.206)	14.245.422
Funds	7.800	35	211.490	617.046	3.317.615	(536.683)	3.617.303
Total	460.570.359	96.287.242	32.047.856	9.326.774	10.188.763	(4.639.307)	603.781.687

⁽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	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.

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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	1.734.998	1.241.034	34.708	-	-	3.010.740
Forward Contracts – Sell	631.159	161.002	34.069	-	-	826.230
Swaps – Buy	10.223.422	5.807.869	1.707.242	1.184.000	-	18.922.533
Swaps – Sell	13.482.734	5.390.348	1.243.058	675.070	-	20.791.210
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	84.221	-	-	-	-	84.221
Forward Precious Metal - Sell	1.184.714	1.102.641	-	-	-	2.287.355
Money Buy Options	1.467.840	469.181	-	-	-	1.937.021
Money Sell Options	1.468.509	468.516	-	-	-	1.937.025
Swaps Interest – Buy	155.000	120.000	175.000	452.333	11.880.682	12.783.015
Swaps Interest – Sell	155.000	120.000	175.000	452.333	11.880.682	12.783.015
Swaps Precious Metal - Buy	3.255.540	224.520	-	-	-	3.480.060
Swaps Precious Metal - Sell	-	-	-	-	-	-
Total	33.843.137	15.105.111	3.369.077	2.763.736	23.761.364	78.842.425

⁽¹⁾ Forward asset purchase and sale commitments amounting to TRY 1.784.635 and precious metal purchase commitment amounting to TRY 42.110 have been included in the table.

Prior 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 amounting to TRY 2.232.623 have been included in the table.

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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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⁾	610.376.487	468.570.592
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⁾	(14.683)	(61.235)
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⁾	37.634.584	42.549.277
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⁾	36.567.594	43.399.965
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⁾	4.958.752	2.342.071
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	-	-
Total Risk Amount	860.229.588	585.384.107

⁽¹⁾ The amounts are represented in the table as of 30 June 2020 and 31 December 2019.

⁽²⁾ The amounts in the table represent three-month averages.

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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)	692.898.165	461.101.142
2. Assets that are deducted from core capital	(756.288)	(303.124)
3. Total on balance sheet exposures	692.141.877	460.798.018
Derivative exposures and credit derivatives		
4. Replacement cost associated with derivative financial instruments and credit derivatives	2.979.921	1.129.984
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	549.344	552.868
6. The total amount of risk on derivative financial instruments and credit derivatives	3.529.265	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)	2.471.560	4.415.652
8. Risk amount of exchange brokerage operations	-	-
9. Total risks related with securities or commodity financing transactions	2.471.560	4.415.652
Off -Balance Sheet Items		
10. Gross notional amount of off-balance sheet items	167.045.638	120.829.656
11. Adjustments for conversion to credit equivalent amounts	(4.958.752)	(2.342.071)
12. The total risk of off-balance sheet items	162.086.886	118.487.585
Capital and Total Exposures		
13. Tier 1 Capital	49.386.153	37.047.239
14. Total Exposures	860.229.588	585.384.107
Leverage Ratio		
15. Leverage Ratio	5,74	6,33

⁽¹⁾ The amounts in the table represent three-month averages.

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 Parent 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 Parent Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

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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.

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 Parent 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.

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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 2020 are presented in the table below.

Current Period (1 January – 31 December 2020)	Corporate/ Commercial	Integrated	Treasury/ Investment ⁽¹⁾	Other ⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	12.006.217	25.712.589	16.330.643	679.730	54.729.179
Interest on loans	11.952.107	25.610.947	735.986	-	38.299.040
Interest income on marketable securities	-	84.220	15.253.404	-	15.337.624
Interest received from banks	-	-	277.296	1.381	278.677
Other interest income	54.110	17.422	63.957	678.349	813.838
Interest expense	10.626.323	11.228.426	13.154.303	188.308	35.197.360
Interest on deposits	10.055.539	10.857.240	1.458.003	-	22.370.782
Interest on borrowings	39.204	66.802	180.030	141.426	427.462
Interest on money market borrowings	-	38.529	8.730.470	29.677	8.798.676
Interest on marketable bonds issued	-	-	2.463.921	16.957	2.480.878
Other interest expense	531.580	265.855	321.879	248	1.119.562
Net interest income	1.379.894	14.484.163	3.176.340	491.422	19.531.819
Net fees and commissions income / (expenses)	976.093	1.542.501	439.994	(68.639)	2.889.949
Net trading profit / (loss) (Net)	12.426	1.728.209	(6.964.405)	10.757	(5.213.013)
Dividend income	-	-	4.196	764	4.960
Other income	322.020	706.039	710.809	1.588.156	3.327.024
Loans and other receivables' impairment loss	2.118.715	1.234.783	3.530.941	96.384	6.980.823
Other expenses	397.264	3.430.025	4.745.095	494.561	9.066.945
Income before taxes	174.454	13.796.104	(10.909.102)	1.431.515	4.492.971
Income tax provision	-	-	(690.897)	(110.209)	(801.106)
Net profit for the period	174.454	13.796.104	(11.599.999)	1.321.306	3.691.865
SEGMENT ASSETS (31 December 2020)					
Marketable securities ⁽²⁾	-	2.005.568	159.054.669	1.818	161.062.055
Derivative financial assets	-	447.253	1.900.029	-	2.347.282
Banks and money market receivables	-	284	2.894.293	39.211	2.933.788
Associates and subsidiaries (net)	-	-	764.460	-	764.460
Loans ⁽²⁾	142.281.833	285.849.473	12.303.576	-	440.434.882
Other assets ⁽²⁾	3.836.074	4.737.307	73.767.823	6.330.979	88.672.183
TOTAL ASSETS	146.117.907	293.039.885	250.684.850	6.372.008	696.214.650
SEGMENT LIABILITIES (31 December 2020)					
Deposits	171.817.704	259.510.901	36.733.223	-	468.061.828
Derivative financial liabilities	-	309.375	224.850	-	534.225
Money market balances	-	1.114.631	102.861.673	626.308	104.602.612
Loans	675.438	868.174	10.299.013	1.411.897	13.254.522
Marketable Securities issued	-	-	13.165.184	1.080.238	14.245.422
Other liabilities	2.273.342	11.535.395	35.391.807	190.694	49.391.238
Provisions and tax payable	247.237	239.340	2.839.678	19.647	3.345.902
Shareholders' equity	1.159.958	14.033.456	27.031.678	553.809	42.778.901
TOTAL LIABILITIES	176.173.679	287.611.272	228.547.106	3.882.593	696.214.650
OFF BALANCE SHEET ITEMS (31 December 2020)					
Guarantees and surety ships	60.710.939	37.275.102	18.517.810	-	116.503.851
Commitments	862.674	12.634.337	36.454.871	15.060	49.966.942
Derivative financial instruments	-	13.586.811	63.428.869	-	77.015.680

⁽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 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.

⁽³⁾ Halk Hayat ve Emeklilik A.Ş. and Halk Sigorta A.Ş.'s balances are presented under the Other column in the Operating Income / Expenses table.

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Prior 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)					
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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IX. EXPLANATIONS ON PRESENTATION OF THE CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value	Fair Value
	Current Period	Current Period
Financial Assets	657.822.390	636.016.030
Cash and Balances with the Central Bank of Turkey	64.984.442	64.984.442
Financial assets at fair value through P&L ⁽³⁾ ⁽⁴⁾	33.217	33.217
Banks	2.681.146	2.679.760
Money market placements	252.997	252.997
Financial assets at Fair Value through OCI ⁽¹⁾	59.472.055	59.472.055
Financial assets measured at amortised cost	84.804.689	79.478.703
Loans ⁽²⁾	440.093.062	423.614.074
Receivables from leasing transactions	3.706.703	3.706.703
Factoring receivables	1.794.079	1.794.079
Financial Liabilities	610.835.037	610.976.904
Deposits	468.061.828	468.176.844
Derivative financial liabilities held for trading	534.225	534.225
Funds provided from other financial intuitions	13.254.522	13.570.718
Money market borrowings	104.602.612	104.497.824
Securities issued	14.245.422	14.060.865
Miscellaneous payables	9.242.654	9.242.654
Lease payables	893.774	893.774

⁽¹⁾ "Equity investments not quoted on stock exchange" amounting to TRY 1.072.385 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⁾ As of 31 December 2020, marketable securities amounting to TRY 190.821 that are not valued with market price, are not included in financial assets at fair value through Profit and Loss.

⁽⁴⁾ The securities lending transactions amounting to TRY 15.499.625 followed in financial assets at fair value through profit or loss are not included in the table.

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	Book Value	Fair Value
	Prior Period	Prior 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⁾ 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.

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

TFRS 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⁾	33.217	-	-	33.217
Derivative financial assets	-	2.347.282	-	2.347.282
Financial Assets at Fair Value through Other Comprehensive Income ⁽¹⁾	59.472.055	-	-	59.472.055
Subsidiaries	-	-	-	-
Associates ⁽⁴⁾	-	-	681.339	681.339
Total Financial Assets	59.505.272	2.347.282	681.339	62.533.893
Financial Liabilities Measured at Fair Value:				
Derivative financial liabilities	-	534.225	-	534.225
Total Financial Liabilities	-	534.225	-	534.225

⁽¹⁾ Share certificates amounting to TRY 1.072.385 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 190.821 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 15.499.625 are not included in the financial assets measured at fair value through profit/loss.

⁽⁴⁾ The Parent Bank's associates, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. 16.566 TL, Bileşim Finansal Teknolojiler ve Ödeme Sis. AŞ 62.989 TL, Kredi Kayıt Bürosu AŞ. 2.516 TL and Platform Ortak Kartlı Sistemler 1.050 TL and Keskinöğlü Tavukçuluk ve Damızlık AŞ which are stated with their cost values in the financial statements are not included in the table since they do not have a fair value.

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Prior 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.

The movement of financial assets in the third level are as follows:

	Current Period
Balance at the beginning of the period	593.234
Purchases during the year	-
Non-paid up shares	-
Valuation Difference	183.368
Transfers	(34.833)
Sales	(60.430)
Period End Balance	681.339

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

	Prior 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	-
Sales	-
Period End Balance	593.234

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.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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) ⁽¹⁾	372.232.593	297.590.914	29.778.607	23.807.273
2 Standardized approach (SA)	372.232.593	297.590.914	29.778.607	23.807.273
3 Internal rating-based (IRB) approach	-	-	-	-
4 Counterparty credit risk	4.087.852	5.804.936	327.028	464.395
5 Standardized approach for counterparty credit risk (SA-CCR)	4.087.852	5.804.936	327.028	464.395
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	16.667.625	12.630.875	1.333.410	1.010.470
17 Standardized approach (SA)	16.667.625	12.630.875	1.333.410	1.010.470
18 Internal model approaches (IMM)	-	-	-	-
19 Operational Risk	22.443.361	21.710.397	1.795.469	1.736.832
20 Basic Indicator Approach	22.443.361	21.710.397	1.795.469	1.736.832
21 Standard Approach	-	-	-	-
22 Advanced measurement approach	-	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.513.386	1.241.710	121.071	99.337
24 Floor adjustment	-	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	416.944.817	338.978.832	33.355.585	27.118.307

⁽¹⁾ Amounts below the thresholds for deductions from capital are excluded from credit risk standard approach of RWA amount.

⁽¹⁾ According to the BRSA's decision dated 8 December 2020 which is based on the BRSA's decision dated 23 March 2020, simple arithmetic average of Central Bank buying exchange rates of the last 252 business days as of the calculation date were used in the calculation of the amount subject to credit risk in the current period.

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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				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and Balances with the Central Bank	-	64.976.341	64.976.341	-	-	-	-
Derivative Financial Assets	-	2.347.282	-	2.347.282	-	10.226	-
Financial assets at fair value through profit and loss	-	15.723.663	186.948	-	-	37.090	15.499.625
Banks	-	2.680.791	2.680.791	-	-	-	-
Receivables from Money markets	-	252.997	-	-	-	-	-
Financial Assets at Fair Value Through OCI (net)	-	60.544.440	51.539	-	-	60.492.901	-
Loans and receivables	-	440.434.882	440.430.584	-	-	-	4.298
Receivables from factoring	-	1.794.079	1.794.079	-	-	-	-
Financial Assets Measured at Amortised Cost (net)	-	84.793.952	84.793.952	-	-	-	-
Subsidiaries (net)	-	764.460	764.460	-	-	-	-
Associates (net)	-	-	-	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-	-
Finance lease receivables	-	3.706.703	3.706.703	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-
Tangible Assets (net)	-	10.278.888	10.278.888	-	-	-	-
Intangible Assets (net)	-	638.708	-	-	-	-	638.708
Real estate for investment purpose (net)	-	1.207.261	1.207.261	-	-	-	-
Current tax asset	-	342.523	342.523	-	-	-	-
Deferred tax asset	-	42.101	42.101	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	-	1.441	1.441	-	-	-	-
Other assets	-	5.684.138	5.683.739	-	-	399	-
Total Assets	-	696.214.650	616.941.350	2.347.282	-	60.540.616	16.142.631
Liabilities							
Deposits	-	468.061.828	-	-	-	-	468.061.828
Derivative financial liabilities	-	534.225	-	-	-	9.112	525.113
Loans borrowed	-	13.254.522	-	-	-	-	13.254.522
Money market borrowings	-	104.602.612	-	33.960.448	-	-	70.642.164
Securities issued	-	14.245.422	-	-	-	-	14.245.422
Funds	-	3.617.303	-	-	-	-	3.617.303
Other Liabilities	-	30.017.935	-	-	-	208	30.017.727
Factoring payables	-	1.638	-	-	-	-	1.638
Finance lease payables	-	893.774	-	-	-	-	893.774
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-
Provisions	-	2.233.585	-	-	-	-	2.233.585
Current tax Liability	-	778.413	-	-	-	-	778.413
Deferred tax Liability	-	333.904	-	-	-	-	333.904
Liabilities regarding assets held for sale and discontinued operations (net)	-	-	-	-	-	-	-
Subordinated Debt	-	14.860.588	-	-	-	-	14.860.588
Shareholders' equity	-	42.778.901	-	-	-	-	42.778.901
Total liabilities	-	696.214.650	-	33.960.448	-	9.320	662.244.882

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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	696.214.650	616.941.350	-	2.347.282	60.540.616
2 Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	33.960.448	9.320
3 Total net amount under regulatory scope of consolidation	696.214.650	616.941.350	-	36.307.730	60.549.936
4 Off-balance Sheet Amounts	243.486.473	166.470.793	-	77.015.680	4.508.223
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	-	783.412.143	-	113.323.410	65.058.159

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.

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.

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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)	2.161.233	456.268	-	1,40	2.617.500	1.338.473
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)	-	-	-	-	2.407.435	2.004.838
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions	-	-	-	-	-	-
Total					5.024.935	3.343.311

*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	2.617.500	718.314
Total subject to the CVA capital obligation	2.617.500	718.314

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	777.823	-	-	-	-	-	-	-	-	777.823
Claims on regional governments or local authorities	-	-	-	49	-	-	-	-	-	49
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	21	-	-	-	21
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	735.728	627.006	-	570.404	-	-	-	1.933.138
Claims on corporates	-	-	-	-	-	3.025.454	-	-	-	3.025.454
Claims included in the regulatory retail portfolios	-	-	-	-	6.765	-	-	-	-	6.765
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*	-	-	-	-	23.441	8.602	-	2.172	-	34.215
Toplam	777.823	-	735.728	627.055	30.206	3.604.481	-	2.172	-	5.777.465

*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	-	-	-	431	-	-
Cash-foreign currency	-	564.049	-	174.127	10.554	203.936
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	564.049	-	174.558	10.554	203.936

Counterparty Credit Risk-Credit Derivatives:

None.

Exposures to Central Counterparties (CCP):

	Exposure at default (post-CRM)	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)		26.227
Exposures for trades at QCCPs (excluding initial margin and default	34.151	26.163
(i) OTC Derivatives	1.275	26
(ii) Exchange-traded Derivatives	32.876	26.137
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	69	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	2.556	64
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	17.117.164	440.093.062	16.775.344	440.434.882
2	Debt Securities*	-	145.788.410	225.980	145.562.430
3	Off-balance sheet exposures	-	166.470.793	459.651	166.011.142
4	Total	17.117.164	752.352.265	17.460.975	752.008.454

* As of 31 December 2020 TRY 15.499.625 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	16.077.247
2	Loans and debt securities defaulted since the last reporting period	5.414.860
3	Receivables back to performing status	(165.483)
4	Amounts written off	(630.151)
5	Other changes	(3.579.309)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	17.117.164

Additional Disclosure Related To The Credit Quality Of Assets:

Breakdown According to Maturity:

Current Period	Demands	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total
Loans	20.842.797	29.736.936	33.859.693	109.211.284	203.947.695	59.611.821	457.210.226

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Exposures Provisioned Against By Major Regions:

31 December 2020	Non-Performing Loans	ECL (Stage 3)
Domestic	16.851.479	11.024.908
European Union (EU) Countries	124	84
OECD Countries	42	36
Off-Shore Banking Regions	-	-
USA, Canada	10	9
Other Countries	265.509	135.018
Total	17.117.164	11.160.055

Exposures Provisioned Against By Sectors:

Explained in Section 4 Credit Risk Information according to sectors and counterparties

Aging analysis of overdue but not impaired financial assets:

31 December 2020	
30-60 days overdue	2.066.797
60-90 days overdue	1.687.304
Total	3.754.101

*Based on the resolution of the BRSA dated 17 March 2020 and numbered 8948 and dated 8 December 2020 and numbered 9312; the total amount of the loans that continued to be classified as stage 2 which have past due days between 90 days and 180 days is amounting to TRY 4.147.613

**Rediscounts are included in the table.

Breakdown of restructured receivables based on whether or not provisions are allocated:

31 December 2020	
Loans Structured from Standard Loans	629.582
Loans Composed of Follow-up Loans	13.888.044
Loans Restructured from Non-Performing Loans	2.610.060

*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 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⁾	209.384.978	236.550.686	151.795.971	59.937.494	48.274.759	-	-
2 Debt Instruments ⁽¹⁾	145.562.430	-	-	-	-	-	-
3 Total	354.947.408	236.550.686	151.795.971	59.937.494	48.274.759	-	-
4 Of which defaulted	2.629.874	3.327.235	2.790.797	786.182	710.163	-	-

⁽¹⁾ As of 31 December 2020, TRY 15.499.625 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	143.832.749	559.825	191.909.156	944.654	172.391	0,09%
Claims on regional governments or local authorities	2.481.719	103.757	2.476.863	40.615	1.258.739	50,00%
Claims on administrative bodies and other non-commercial undertakings	1.690.841	452.903	1.653.522	198.279	1.851.801	100,00%
Claims on multilateral development banks	-	-	24.642	477	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	6.170.813	2.281.146	6.170.813	1.601.885	4.864.938	62,59%
Claims on corporates	162.980.077	88.033.281	142.651.464	56.054.207	197.870.749	99,58%
Claims included in the regulatory retail portfolios	172.336.973	51.878.635	136.143.262	9.151.098	108.970.770	75,00%
Claims secured by residential property	56.374.714	3.618.095	56.374.714	1.692.423	20.323.498	35,00%
Claims secured by commercial property	35.053.367	7.112.460	35.053.367	4.372.152	22.626.884	57,39%
Overdue loans	5.985.368	1.367.588	5.268.054	626.279	4.302.707	73,00%
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	914.433	-	914.433	-	1.822.464	199,30%
Other receivables	26.170.430	2.450.157	26.168.911	9.840	13.768.890	52,60%
Total	613.991.484	157.857.847	604.809.201	74.691.909	377.833.831	55,60%

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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Standardised Approach- Claims By Risk Classification And Risk Weights

Risk Classification	0%	10%	20%	35% ¹⁾	50%	75%	100%	150%	200%	250%	2%	4%	Total risk amount (pt-CCF and CRM)
Claims on sovereigns and Central Banks	192.645.532	-	44.859	-	-	-	163.419	-	-	-	-	-	192.853.810
Claims on regional governments or local authorities	-	-	-	-	2.517.478	-	-	-	-	-	-	-	2.517.478
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	1.851.801	-	-	-	-	-	1.851.801
Claims on multilateral development banks	25.119	-	-	-	-	-	-	-	-	-	-	-	25.119
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	2.750.769	-	1.410.032	-	3.609.725	-	-	-	2.172	-	7.772.698
Claims on corporates	-	-	581.303	-	739.759	-	197.384.609	-	-	-	-	-	198.705.671
Claims included in the regulatory retail portfolios	-	-	-	-	-	145.294.360	-	-	-	-	-	-	145.294.360
Claims secured by residential property	-	-	-	58.067.137	-	-	-	-	-	-	-	-	58.067.137
Claims secured by commercial property	-	-	-	-	33.597.270	-	5.828.249	-	-	-	-	-	39.425.519
Overdue loans	-	-	-	-	3.635.570	-	1.806.446	452.317	-	-	-	-	5.894.333
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	-	-	-	-	-	-	309.079	-	-	605.354	-	-	914.433
Other receivables	11.184.674	-	1.481.093	-	-	161.249	13.351.735	-	-	-	-	-	26.178.751
Total	203.855.325	-	4.858.024	58.067.137	41.900.109	145.455.609	224.305.063	452.317	-	605.354	2.172	-	679.501.110

¹⁾Secured by real estate mortgage.

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".

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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. Historical simulation method is used in VAR measurements.

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.

Market Risk: Standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	9.266.550
Equity risk (general and specific)	364.400
Foreign exchange risk	7.009.337
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	27.338
Scenario approach	-
Securitization	-
Total	16.667.625

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	11.921.941	12.686.192	11.301.244	11.969.792	15	1.795.469
Value at Operational Risk (Total * 12,5%)						22.443.361

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XII. EXPLANATIONS ON REMUNERATION POLICIES

Qualitative 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 fundamental principles of the remuneration policy are applicable for General Manager, Deputy General Managers and all bank employees.

Key personnel refer to the bank employee who performs a function that has a significant impact on the Parent Bank's risk profile. Establishment of a good governance system in banks is possible by organizing an effective risk management and creating environments where effective communication, transparency and accountability are ensured; for this reason, the Parent Bank gives importance to identify and separate key personnel.

Positions specified below are considered to key personnel by the Parent Bank:

- Board Members
- Deputy General Managers
- Group Presidents
- Head of the Supervisory Board
- Head of Internal Control Department
- Head of Risk Management Department
- Head of Compliance Department

As of the end of 2020, the number of critical key personnel is 23.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

2. Information on the design and structure of remuneration process

Benefits to be paid to the managers and employees at all levels are in line with the Parent Bank's ethical values, internal balances and strategic objectives and cannot be associated only with the short term performance of the Parent Bank. Remuneration policy and practices are one of the important factors in ensuring employee engagement and improving performance. While determining the remuneration policy created to protect employees with high performance, sectoral data are taken into consideration by taking the internal wage balance and budget possibilities into account.

Remuneration Committee at its meeting in December 2020 has reviewed 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. 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.

3. Evaluation about how the Parent Bank's remuneration processes take the current and future risks into account

The Parent Bank follows the Risk Management Principles while implementing all the remuneration processes.

4. Evaluation about how the Parent Bank associates variable remunerations with performance

Although it is possible to make payments to the senior management and other personnel of the Parent Bank depending on the Parent Bank's performance, these payments are subject to objective conditions and in a way that will positively affect the Parent Bank's corporate values.

5. Evaluation about the Parent 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		Prior Period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.737.084	3.325.836	1.370.369	2.490.953
CBRT	6.659.022	52.037.405	1.102.242	29.720.567
Other ⁽¹⁾	-	1.225.095	-	629.856
Total	8.396.106	56.588.336	2.472.611	32.841.376

⁽¹⁾ As of 31 December 2020, TRY 295.199 includes the reserve requirement held by the Central Bank of Macedonia and TRY 929.808 of the Central Bank of Serbia (31 December 2019: includes the required reserve amounting to TRY 175.723 held by Central Bank of Macedonia, TRY 454.128 held by the Central Bank of Serbia).

b) Information on balances with the Central Bank of the Republic of Turkey:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	6.502.868	19.937.084	1.049.181	15.456.782
Time unrestricted amount	-	-	-	-
Time restricted amount	-	8.307.240	-	200.627
Other ⁽²⁾	156.154	23.793.081	53.061	14.063.158
Total	6.659.022	52.037.405	1.102.242	29.720.567

⁽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%-6% 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%-22% varied according to their maturity compositions.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Starting from 27 November 2020, the interest related to the reserve requirements for banks held at TRY is paid as 1200 basis points.

With the change dated 2 January 2020, it has been decided to apply a commission charge on the reserve accounts and notice accounts held within the CBRT by 0,025 annually for foreign currencies held in USD up to the amount required to be held for deposit / participation fund liabilities in USD, and by 0,0025 annually for foreign currencies held in EUR and USD up to the amount required to be held for deposit / participation fund liabilities in other currencies except USD. As of 27 November 2020, it has been decided to apply a commission charge on the reserve accounts by 0 (zero) annually for foreign currencies held in USD up to the amount required to be held for deposit / participation fund liabilities in USD.

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.1072 dated 27 December 2019 of the Central Bank of the TRNC, reserve requirement ratio is applied between 5% to 8% for the Turkish currency and foreign currency liabilities as of 15 April 2020.

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.

(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		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	-	-	2.167.331	-
Total	-	-	2.167.331	-

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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		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	15.046.930	-	13.561.277	-
Total	15.046.930	-	13.561.277	-

c) Financial assets at fair value through profit and loss:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	16.265	-	53.516
Swap transactions	5.418	2.324.729	3.695	1.091.646
Futures transactions	-	-	-	-
Options	335	535	1	3.134
Other	-	-	-	-
Total	5.753	2.341.529	3.696	1.148.296

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	183.661	138.589	302.916	1.117.127
Foreign banks	103.818	2.255.078	205.105	2.538.825
Branches and offices abroad	-	-	-	-
Total	287.479	2.393.667	508.021	3.655.952

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

b) Information on foreign banks:

	Current Period	
	Unrestricted Amount	Restricted Amount
EU Countries	372.576	52.287
USA and Canada	271.769	-
OECD Countries	224.464	4.912
Offshore Banking Regions	167	-
Other	473.884	958.837
Total	1.342.860	1.016.036

	Prior Period	
	Unrestricted Amount	Restricted Amount
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

(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		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	6.842.329	20.028.890	-	1.999.958
Total	6.842.329	20.028.890	-	1.999.958

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a.2. Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	245.865	-	810.717	-
Total	245.865	-	810.717	-

b) Information on financial assets at fair value through other comprehensive income:

	Current Period	Prior Period
Debt securities	60.510.119	15.139.662
<i>Quoted on a stock exchange</i>	59.489.397	14.614.159
<i>Not quoted</i>	1.020.722	525.503
Share certificates	249.564	172.328
<i>Quoted on a stock exchange</i>	180.620	129.381
<i>Not quoted</i>	68.944	42.947
Impairment provision(-)	215.243	17.300
Total	60.544.440	15.294.690

(5) Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Group:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	612.522	-	449.555	-
Total	612.522	-	449.555	-

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b) Information on the first and second group loans including loans that have been restructured or rescheduled:

	Loans under close monitoring			
	Restructured Loans and Receivables			
Cash Loans	Standard Loans	Loans Not Subject to restructuring	Loans with Revised Contract Terms	Refinance
Non-specialized loans	322.681.440	21.254.226	80.339	13.807.644
Corporation loans	187.900.030	17.516.316	60.552	13.798.824
Export loans	11.569.029	385.083	-	-
Import loans	-	-	-	-
Loans given to financial sector	1.901.517	-	-	-
Consumer loans	79.517.042	1.324.809	18.910	3.809
Credit cards	14.610.617	488.063	877	-
Other	27.183.205	1.539.955	-	5.011
Specialized lending	72.824.894	2.377.989	-	61
Other receivables	-	-	-	-
Accruals	5.259.604	1.013.263	2.652	790.950
Total	400.765.938	24.645.478	82.991	14.598.655
	Standard Loans		Loans under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months expected loss provision	2.278.896	1.313.994	-	-
Significant Increase in Credit Risk	-	-	3.336.393	1.224.292

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 Parent Bank's close monitoring figures.

c) Distribution of cash loans by maturity structure:

	Loans under close monitoring		
	Standard Loans	Loans with Revised Contract Terms	Refinance
Current Period			
Short-term Loans	56.690.544	2.815.671	53.612
Medium and Long-term Loans	344.075.394	21.829.807	14.628.034
Prior Period			
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

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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	482.483	74.674.956	75.157.439
Real estate loans	6.782	48.574.630	48.581.412
Automobile loans	1.816	511.311	513.127
Consumer loans	473.885	25.589.015	26.062.900
Other	-	-	-
Consumer loans- Indexed to FC	1.279	494.933	496.212
Real estate loans	-	444.872	444.872
Automobile loans	-	10.605	10.605
Consumer loans	1.279	39.456	40.735
Other	-	-	-
Consumer loans- FC	8.361	3.320.771	3.329.132
Real estate loans	645	965.423	966.068
Automobile loans	74	4.875	4.949
Consumer loans	6.096	2.292.137	2.298.233
Other	1.546	58.336	59.882
Individual credit cards-TRY	4.353.228	871	4.354.099
Installment	1.740.821	871	1.741.692
Non-installment	2.612.407	-	2.612.407
Individual credit cards-FC	215	123.446	123.661
Installment	1	123.446	123.447
Non-installment	214	-	214
Personnel loans-TRY	20.915	343.481	364.396
Real estate loans	-	102	102
Automobile loans	-	-	-
Consumer loans	20.915	343.379	364.294
Other	-	-	-
Personnel loans-Indexed to FC	18	29.352	29.370
Real estate loans	-	26.523	26.523
Automobile loans	-	162	162
Consumer loans	18	2.667	2.685
Other	-	-	-
Personnel loans-FC	294	56.142	56.436
Real estate loans	64	40.435	40.499
Automobile loans	-	-	-
Consumer loans	230	15.464	15.694
Other	-	243	243
Personnel credit cards-TRY	131.241	144	131.385
Installment	46.527	144	46.671
Non-installment	84.714	-	84.714
Personnel credit cards-FC	43	2.454	2.497
Installment	-	2.454	2.454
Non-installment	43	-	43
Overdraft accounts-TRY (Retail customers) ^(*)	1.318.207	-	1.318.207
Overdraft accounts-FC (Retail customers) ^(**)	102.863	10.515	113.378
Total	6.419.147	79.057.065	85.476.212

⁽¹⁾ Interest income accruals and rediscounts are not included in the table above.

^(*) TRY 27.240 of the overdraft account consists of loans given to personnel.

^(**) TRY 1.198 of the overdraft account consists of loans given to personnel.

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Prior 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 and rediscounts are not included in the table above.

(²) TRY 23.696 of the overdraft account consists of loans given to personnel.

(³) TRY 783 of the overdraft account consists of loans given to personnel.

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

e) Information on commercial installments loans and corporate credit cards⁽¹⁾:

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	479.625	38.139.826	38.619.451
<i>Business premises loans</i>	4.416	805.467	809.883
<i>Automobile loans</i>	26.881	1.002.576	1.029.457
<i>Consumer loans</i>	448.328	36.331.783	36.780.111
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	211.626	1.610.044	1.821.670
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	14.990	14.990
<i>Other</i>	211.626	1.595.054	1.806.680
Commercial installment loans - FC	882.645	30.924.100	31.806.745
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	28.217	27.519.321	27.547.538
<i>Other</i>	854.428	3.404.779	4.259.207
Corporate credit cards-TRY	10.484.279	-	10.484.279
<i>Installment</i>	4.495.889	-	4.495.889
<i>Non-installment</i>	5.988.390	-	5.988.390
Corporate credit cards-FC	203	3.433	3.636
<i>Installment</i>	-	3.433	3.433
<i>Non-installment</i>	203	-	203
Overdraft accounts-TRY (Commercial customers)	3.227.895	-	3.227.895
Overdraft accounts-FC (Commercial customers)	16.789	-	16.789
Total	15.303.062	70.677.403	85.980.465

⁽¹⁾ Interest income accruals and rediscounts 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
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 and rediscounts are not included in the table above.

f) Loans by customers:

	Current Period	Prior Period
Public	6.859.354	6.777.183
Private	433.233.708	290.540.247
Total	440.093.062	297.317.430

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	428.811.083	288.462.207
Foreign loans	11.281.979	8.855.223
Total	440.093.062	297.317.430

h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans to Subsidiaries and Associates	35.597	-
Indirect Loans to Subsidiaries and Associates	-	-
Total	35.597	-

i) Credit-impaired losses (Stage III):

	Current Period	Prior Period
Loans and receivables with limited collectability	809.513	1.052.167
Loans and receivables with doubtful collectability	277.729	2.010.708
Uncollectible loans and receivables	10.072.813	5.890.984
Total	11.160.055	8.953.859

The reasons of increase in the expected loss provision for the Stage 3 loans of the group are additions to non-performing loan portfolio and increasing loss given default ratio after initial transferring date to non-performing loan portfolio.

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 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	355.455	75.667	2.178.938
Rescheduled loans and other receivables	355.455	75.667	2.178.938
Priod Period			
Gross amounts before the specific provisions	157.114	102.114	1.429.276
Rescheduled loans and other receivables	157.114	102.114	1.429.276

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

j.2. Information on the movement of non-performing loans:

Current Period:			
	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period end balance	2.837.569	4.525.448	8.714.230
Additions (+)	3.567.753	163.966	1.683.141
Transfers from other categories of loans under follow-up (+)	-	2.320.791	5.844.880
Transfers to other categories of loans under follow-up (-)	3.188.867	4.976.804	-
Collections (-)	847.319	1.382.394	1.515.079
Write-offs (-)	4.813	266	597.002
Sold (-)	1.803	-	26.267
<i>Corporate and Commercial Loans</i>	1.803	-	26.229
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	38
Current period end balance	2.362.520	650.741	14.103.903
Provision (-)	809.513	277.729	10.072.813
Net balance on balance sheet	1.553.007	373.012	4.031.090
Prior Period:			
	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	1.807.751	1.259.139	6.216.108
Additions (+)	7.485.713	884.101	882.012
Transfers from other categories of loans under follow-up (+)	-	5.559.746	2.753.513
Transfers to other categories of loans under follow-up (-)	5.729.924	2.583.335	-
Collections (-)	716.027	594.026	1.121.887
Write-offs (-)	9.944	177	15.516
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	2.837.569	4.525.448	8.714.230
Provision (-)	1.052.167	2.010.708	5.890.984
Net balance on balance sheet	1.785.402	2.514.740	2.823.246

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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	953.504	93.375	4.374.385
Provisions(-)	306.470	42.301	3.559.796
Net balance in the balance sheet	647.034	51.074	814.589
Prior period			
Balance at the end of the period	558.373	1.421.655	2.685.298
Provisions(-)	227.564	847.589	1.510.744
Net balance in the balance sheet	330.809	574.066	1.174.554

(¹) Accruals are not included in the table.

j.4. Gross and net amounts of non-performing loans according to user groups:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period (Net)			
Loans to granted real persons and legal entities (Gross)	2.362.520	650.741	14.103.903
Provisions (-)	809.513	277.729	10.072.813
Loans to granted real persons and legal entities (Net)	1.553.007	373.012	4.031.090
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior Period (Net)			
Loans to granted real persons and legal entities (Gross)	2.837.569	4.525.448	8.714.230
Provisions (-)	1.052.167	2.010.708	5.890.984
Loans to granted real persons and legal entities (Net)	1.785.402	2.514.740	2.823.246
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
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 Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current Period (Net)	10.391	7.603	659.545
Interest Accruals and Valuation Differences	24.315	26.478	2.140.941
Provision (-)	13.924	18.875	1.481.396
Prior 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

l) Main guidelines of the liquidation policy 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:

The Group derecognised TRY 602.081 of follow-up loans in the current period due to the lack of reasonable expectations. In the current period, the non-performing loan ratio of the Bank decreased from 3.84% to 3.72% after the loans were written off in accordance with the amendment of the Provisions Regulation.

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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		Prior Period	
	TRY	FC	TRY	FC
Bills	-	-	-	-
Government bonds and similar securities	31.097.699	20.519.825	3.044.934	9.849.904
Other	-	-	-	-
Total	31.097.699	20.519.825	3.044.934	9.849.904

a.2. Financial assets measured at amortised cost subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	18.884.916	1.995.236	35.754.611	4.806.422
Total	18.884.916	1.995.236	35.754.611	4.806.422

b) Information on public sector financial assets measured at amortised cost:

	Current Period	Prior Period
Government bonds	83.763.130	72.004.446
Treasury bills	172.517	262.767
Other public sector debt securities	818.523	153.396
Total	84.754.170	72.420.609

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c) Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Debt securities	84.804.689	72.471.122
<i>Quoted on a stock exchange</i>	84.621.031	72.208.355
<i>Not quoted</i>	183.658	262.767
Impairment provision (-)	-	-
Total	84.804.689	72.471.122

d) Movement of financial assets measured at amortised cost within the year:

	Current Period	Prior Period
Beginning balance	72.471.122	56.331.345
Foreign currency differences on monetary assets	5.543.919	1.358.984
Purchases during the year ⁽¹⁾	24.351.440	22.253.708
Disposals through sales and redemptions	(17.561.792)	(7.472.915)
Impairment provision (-)	-	-
Balance at the end of the period	84.804.689	72.471.122

⁽¹⁾ Interest income accrual differences between 31 December 2020 amounting to TRY 14.515.145 and 31 December 2019 amounting to TRY 9.632.018 have been included in purchases row.

(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 A.Ş. ⁽¹⁾	Istanbul	18,18	18,18
2. Platform Ortak Kartlı Sistemler A.Ş.	Istanbul	20,00	20,00
3. Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. ⁽¹⁾	Istanbul	33,33	33,33
4. Keskinöğlü Tavukçuluk ve Damızlık A.Ş. ⁽¹⁾	Manisa	26,30	26,30

TÜRKİYE HALK BANKASI A.Ş.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Information related to the associates as sorted above:

	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.	431.272	228.107	216.231	6.851	-	55.857	22.180	-
2.	5.250	5.250	-	-	-	-	-	-
3.	189.199	156.928	16.452	2.009	-	2.989	13.252	-
4.	351.828	(620.618)	163.234	791	-	468.531	(1.258.528)	-

⁽¹⁾ Financial informations are obtained from unaudited financial statements of 31 December 2020.

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 A.Ş.	Ankara	31,47	33,12

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.	13.898.418	2.271.129	34.962	335.865	12.032	76.543	101.743	674.237
2.	53.594	52.641	28	3.485	-	(506)	7.803	-

⁽¹⁾ The financial data is obtained from 31 December 2020 financial statements used in consolidation.

⁽²⁾ Financial information on the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 December 2020.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	509.234	458.722
Movements during the period	255.226	50.512
<i>Purchases</i>	34.992	1.750
<i>Bonus shares obtained profit from current year's share</i>	12.709	875
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	(5.112)	-
<i>Transfers⁽¹⁾ ⁽²⁾</i>	10.369	-
<i>Revaluation decrease (-)/ increase</i>	202.268	47.887
<i>Impairment Provisions (-)/ Reversals</i>	-	-
Balance at the end of the period	764.460	509.234
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ The Parent Bank has classified the remaining shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. the amount TRY 27.997 after the sale in the current period as an associate, which were classified as a subsidiary in the previous period.

⁽²⁾ Due to change of share percentage, the Parent Bank has classified the shares of Bankalararası Kart Merkezi A.Ş. to the financial assets at fair value through other comprehensive income in the current period, which were classified as associates in the prior period.

d) Sectorial information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	681.339	476.980
Insurance companies	-	4.427
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	16.566	16.725
Other non-financial investments	66.555	11.102

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 Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ	Halk Bank AD, Beograd	Halk Varlık Kiralama AŞ	Halk Osiguruvanje AD, Skopje
CORE CAPITAL								
Paid in Capital	104.000	970.000	323.000	600.732	96.000	213.395	100	62.369
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share premium	-	49.945	-	11.633	-	99.004	-	-
Reserves	54.881	75.558	15.417	615.134	24.413	554.275	1.692	105.360
Other Comprehensive Income according to TAS	17.128	1.063.258	-	6.248	10	13.383	-	-
Profit / Loss	186.876	32.549	(2.271)	56.639	94.996	70.494	546	(27.955)
Net Profit	186.876	32.549	72.427	76.005	100.943	35.600	546	3.760
Prior Period Profit/Loss	-	-	(74.698)	(19.366)	(5.947)	34.894	-	(31.715)
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 (-)	-	-	94	613	-	154	-	-
Leasehold Improvements (-)	-	2.102	-	13.427	-	7.704	-	-
Intangible Assets (-)	1.924	351	1.791	19.622	2.470	24.442	2	-
Total Core Capital	360.961	2.188.857	334.261	1.256.724	212.949	918.251	2.336	139.774
SUPPLEMENTARY CAPITAL	-	-	35.057	18.764	15.464	16.281	-	-
CAPITAL	360.961	2.188.857	369.318	1.275.488	228.413	934.532	2.336	139.774
NET AVAILABLE CAPITAL	360.961	2.188.857	369.318	1.275.488	228.413	934.532	2.336	139.774

⁽¹⁾ The financial data is obtained from 31 December 2020 financial statements used in consolidation.

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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.

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:

None

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 A.Ş.	Istanbul	99,96	99,97
2. Halk Gayrimenkul Yatırım Ortaklığı A.Ş. ⁽²⁾⁽³⁾	Istanbul	79,33	79,36
3. Halk Finansal Kiralama A.Ş.	Istanbul	100,00	100,00
4. Halk Banka A.D., Skopje	Macedonia	99,40	99,40
5. Halk Faktoring A.Ş.	Istanbul	97,50	99,99
6. Halk Banka A.D. Beograd	Serbia	100,00	100,00
7. Halk Varlık Kiralama A.Ş.	Istanbul	100,00	100,00
8. Halk Osiguruvanje A.D., Skopje	Macedonia	-	99,40

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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.	678.091	362.885	9.871	102.869	27.015	186.876	86.307	396.171
2.	2.752.250	2.163.964	1.896.600	5.066	-	32.549	54.977	2.240.689
3.	4.086.128	336.052	4.753	366.676	-	72.427	47.980	395.629
4.	9.555.905	1.289.773	412.354	260.726	14.823	76.005	58.989	1.277.510
5.	1.854.307	215.419	4.055	313.461	-	100.943	45.115	320.679
6.	6.482.282	950.397	128.524	182.408	26.425	35.600	24.200	863.142
7.	953.458	2.338	11	-	-	546	845	3.262
8.	165.595	139.774	8.342	526	136	3.760	(13.506)	37.189

⁽¹⁾ The financial data is obtained from 31 December 2020 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.

Movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period (before elimination)	3.261.227	4.332.481
Movements during the period	2.255.201	(1.071.254)
Purchases ⁽⁴⁾	148.506	109.320
Bonus shares obtained profit from current year's share	30.224	171.789
Dividends from current year income	-	-
Sales ⁽²⁾	(56.003)	-
Transfer ^{(1)/(3)}	(27.997)	(2.576.996)
Revaluation (increase)/decrease	2.160.471	1.039.402
Reversals / Provisions(-) for impairment	-	185.231
Share capital elimination of subsidiaries	(5.516.428)	(3.177.227)
Balance at the end of the period	-	84.000
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ The Parent Bank classified the shares of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ as non-current assets held for sale in the prior period.

⁽²⁾ The Parent Bank has sold the shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. in the current period which were classified as subsidiaries the previous period.

⁽³⁾ The Parent Bank has classified the remaining shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. after the sale in the current period as an associate, which were classified as a subsidiary in the previous period.

⁽⁴⁾ The Parent Bank increased its share in Halk Banka AD, Skopje in Macedonia to 99,40% by purchasing 0,11% of the shares of HalkBank AD, Skopje for a price of TRY 148.506 in the current period.

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e) Sectorial information on subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	2.140.652	1.429.212
Insurance companies	19.346	19.346
Factoring companies	320.679	231.075
Leasing companies	395.629	385.000
Financing companies	-	-
Other financial subsidiaries	2.640.122	1.112.594
Other non-financial subsidiaries	-	84.000

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period
Quoted to domestic stock ⁽¹⁾	2.240.689	814.812
Quoted foreign stock exchange	-	-

⁽¹⁾ The Parent 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		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.418.220	1.074.572	1.289.704	1.053.283
Between 1-4 years	2.312.601	1.728.743	1.748.564	1.413.713
More than 4 years	1.077.725	843.739	415.070	349.495
Total	4.808.546	3.647.054	3.453.338	2.816.491

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b) Information on gross investments of financial lease:

	Current Period	Prior Period
Gross financial lease investment	4.808.546	3.453.338
Unearned revenues from financial lease	(1.161.492)	(636.847)
Total	3.647.054	2.816.491

c) Information on receivables from non- performing loans of financial lease:

	Current Period	Prior Period
Financial lease receivables with limited collectability	374	7.866
Financial lease receivables with doubtful collectability	8.425	2.517
Uncollectible financial lease receivables	566.505	563.940
Provisions	(480.598)	(429.208)
Total	94.706	145.115

(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	3.500.266	421.362	517.695	60.490	(15.364)	4.363.469
Right of Used Assets	817.177	606.221	-	205.270	-	1.218.128
Tangible assets purchased through financial lease	24.111	-	-	4.340	(19.771)	-
Office machines	939.133	274.165	-	20.193	-	1.193.105
Fixed assets obtained due to non-performing loans	4.892.672	1.197.322	-	1.364.780	(35.194)	4.690.020
Lease hold improvements costs	251.269	74.203	-	-	-	325.472
Other	363.240	71.928	-	9.843	7.343	432.668
Total Cost	10.787.868	2.645.201	517.695	1.664.916	(62.986)	12.222.862
Accumulated depreciation (-)						
Immovable	280.431	26.637	59.012	12.834	(53)	353.193
Right of Used Assets	189.457	238.298	-	65.176	-	362.579
Tangible assets purchased through financial lease	23.958	-	-	4.537	(19.421)	-
Office machines	534.983	171.002	-	20.546	-	685.439
Fixed assets obtained due to non-performing loans	22.525	19.265	-	18.491	-	23.299
Lease hold improvements costs	150.921	40.879	-	-	-	191.800
Other	264.985	33.480	-	7.351	19.421	310.535
Total Accumulated Depreciation	1.467.260	529.561	59.012	128.935	(53)	1.926.845
Provision for impairment (-)						
Immovable	6.670	-	6.104	-	-	12.774
Fixed assets obtained due to non-performing loans	4.965	-	-	610	-	4.355
Total provision for impairment (-)	11.635	-	6.104	610	-	17.129
Net Book Value	9.308.973	2.115.640	452.579	1.535.371	(62.933)	10.278.888

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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	3.173.927	139.382	232.398	15.020	(30.421)	3.500.266
Right of Used Assets	-	1.037.737	-	201.345	(19.215)	817.177
Tangible assets purchased through financial lease	25.302	-	-	1.191	-	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
Right of Used Assets	-	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

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(13) Information on 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	421.528	563.799	4.340	-	980.987
Total Cost	421.528	563.799	4.340	-	980.987
Accumulated Depreciation (-)					
Other intangible assets	216.269	126.010	-	-	342.279
Total Accumulated Depreciation (-)	216.269	126.010	-	-	342.279
Net Book Value	205.259	437.789	4.340	-	638.708
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	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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(14) Information on investment property:

	Current Period	Priod Period
Cost		
Opening Balance	1.194.428	1.057.058
Acquisitions	95.261	86.070
Transfer	15.364	51.300
Disposals	1.312	-
Impairment Provisions	-	-
Ending Balance	1.303.741	1.194.428
Accumulated Depreciation		
Opening Balance	89.965	83.657
Additions	6.503	5.874
Disposals (-)	41	-
Impairment Provisions (-)	-	-
Transfer	53	434
Ending Balance	96.480	89.965
Net Book Value	1.207.261	1.104.463

(15) Information on tax assets:

Please refer to Section Five Explanations related to the Liabilities, footnote (10)

(16) Information on assets held for sale and held from discontinued operations:

	Current Period	Prior Period
Cost	1.441	1.076.418
Accumulated Depreciation (-)	-	-
Net book value	1.441	1.076.418
Opening Balance	1.076.418	9.593
Acquisition	-	145.599
Transfer (Net)	-	929.156
Disposals (Net)	(1.074.977)	(7.930)
Revaluation Increase	-	-
Impairment (-) / Reversal	-	-
Depreciation (-)	-	-
Closing net book value	1.441	1.076.418

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Share purchase agreement was signed by and between the Parent Bank and Halk Yatırım Menkul Değerler A.Ş., as seller and Türkiye Varlık Fonu Finansal Yatırımlar A.Ş., as purchaser on 22 April 2020, for the transfer of the shares in Halk Sigorta A.Ş. representing 89,18% of its share capital held by the Parent Bank, and representing 6,14% of its share capital held by Halk Yatırım Menkul Değerler A.Ş., and the mentioned transfer of shares was completed at the same date. Share purchase agreement was signed by and between the Parent Bank, as seller and Türkiye Varlık Fonu Finansal Yatırımlar A.Ş., as purchaser on 22 April 2020, for the transfer of the shares in Halk Hayat ve Emeklilik A.Ş. representing 100% of its share capital held by the Parent Bank, and the mentioned transfer of shares was completed at the same date.

For the total shares held by the Parent Bank in Halk Sigorta A.Ş. representing 89,18% of its share capital, the price per share to be paid to the Parent Bank is determined as TRY 0,0186 (full TRY) and the total sale price is TRY 578.905.

For the total shares held by the Parent Bank in Halk Hayat ve Emeklilik A.Ş. representing 100% of its share capital, the price per share to be paid to the Parent Bank is determined as TRY 4,1149 (full TRY) and the total sale price is TRY 1.695.339. In addition, TRY 306.994 of dividend income has been obtained from the company in the current period.

Due to aforementioned sales transaction, TRY 867.529 of consolidated net sales profit has been presented under Profit from Sales of Associates, Subsidiaries and Joint Ventures in the Income from Discontinued Operations. Income and expenses derived from the consolidation of these companies subject to sale until the date of sale are presented in the Income/Expense from non- Current Assets Held for Sale.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 5.695.763 and does not exceed 10% of the balance sheet total (31 December 2019: TRY 4.574.989).

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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	11.028.480	-	10.547.317	61.271.001	4.063.473	894.825	1.528.413	123.289	89.456.798
Foreign currency deposits	35.168.062	-	18.113.997	96.866.133	5.253.095	4.109.940	9.424.284	13.273	168.948.784
Residents in Turkey	28.297.921	-	14.179.996	92.415.789	3.611.688	1.929.613	4.390.421	12.693	144.838.121
Residents abroad	6.870.141	-	3.934.001	4.450.344	1.641.407	2.180.327	5.033.863	580	24.110.663
Public sector deposits	3.708.109	-	13.485.208	4.173.024	442.413	161.066	13.676	-	21.983.496
Commercial inst. deposits	11.726.342	-	32.521.802	49.196.778	825.344	604.306	2.994.737	-	97.869.309
Other inst. deposits	1.105.021	-	3.660.760	20.127.802	2.481.584	452.782	4.469.915	-	32.297.864
Precious metals	18.324.815	-	134.150	3.375.240	382.651	75.080	147.787	-	22.439.723
Interbank deposits	9.514.652	-	14.656.243	10.645.338	180.835	2.291	66.495	-	35.065.854
CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	86.802	-	12.009.319	7.107.240	150.308	-	-	-	19.353.669
Foreign banks	6.948.850	-	182.773	3.315.793	30.527	2.291	66.495	-	10.546.729
Participation banks	2.479.000	-	2.464.151	222.305	-	-	-	-	5.165.456
Total	90.575.481	-	93.119.477	245.655.316	13.629.395	6.300.290	18.645.307	136.562	468.061.828

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	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
Residents in Turkey	15.592.099	-	5.517.721	64.590.897	4.877.379	1.719.671	3.585.841	9.997	95.893.605
Residents abroad	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
CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	102.686	-	4.869.258	8.447.885	-	6.379	-	-	13.426.208
Foreign banks	5.935.216	-	264.609	3.607.708	62	-	-	-	9.807.595
Participation banks	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

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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	Prior Period	Current Period	Prior Period
Saving deposits	40.394.097	36.907.556	48.828.336	30.985.259
Foreign currency saving deposits	31.941.835	20.906.734	68.137.764	39.681.492
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	410.927	311.411	-	-
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	235.014	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	10.157	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	-	-

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(2) Information on derivative financial liabilities held for trading:

Negative differences table related to the derivative financial liabilities held-for-trading:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	26.206	-	26.906
Swap transactions	19.744	480.694	51	323.606
Future transactions	-	-	-	-
Options	369	7.212	283	2.872
Other	-	-	-	-
Total	20.113	514.112	334	353.384

(3) Information on funds borrowed:

a) Information on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	706.399	2.498.369	1.410.975	2.834.411
Foreign banks, institutions and funds	-	10.049.754	-	9.922.484
Total	706.399	12.548.123	1.410.975	12.756.895

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	601.693	811.014	1.410.645	1.677.419
Medium and long term	104.706	11.737.109	330	11.079.476
Total	706.399	12.548.123	1.410.975	12.756.895

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c) Additional disclosures related to the concentrations of the Parent Bank'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 19,11% of saving deposits and 36,10% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Group borrows loans from interbank money markets.

The Group's 42,36% of bank deposits and 44,20% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

	Current period		Prior period	
	TRY	FC	TRY	FC
Bills	3.655.382	-	4.745.320	-
Asset Back Securities	1.958.530	-	2.651.546	-
Bonds	1.078.233	7.553.277	1.384.736	10.512.530
Total	6.692.145	7.553.277	8.781.602	10.512.530

(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, Ministry of Treasury and Finance, and other funds.

a) Maturity structure of funds:

	Current Period	Prior Period
Short Term	1.201	1.135
Long Term	3.616.102	3.207.869
Total	3.617.303	3.209.004

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(6) Information on other liabilities:

Other liabilities balance does not exceed 10% of the balance sheet total.

(31 December 2019: 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 Parent 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:

None (31 December 2019: None).

c) Explanations regarding operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	29.347	29.162	69.587	60.938
Between 1-4 years	312.254	268.799	213.886	176.372
More than 4 years	826.943	595.813	667.444	406.749
Total	1.168.544	893.774	950.917	644.059

(8) Information on derivative financial liabilities for hedging purposes:

None.

(9) Explanations on provisions:

a) Provisions for the foreign currency losses on the principal amount of foreign currency indexed loans and finance lease receivables:

As of 31 December 2020 the Parent Bank does not have a provision amount of the currency differences on foreign currency indexed loans and finance lease receivables (31 December 2019: None).

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b) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2020, the Group's specific provision for unindemnified non-cash loans balance is TRY 150.942 (31 December 2019: TRY 114.712).

c) Information on other provisions:

Total other provision balance amounting to TRY 636.547 (31 December 2019: TRY 562.945) consists of TRY 150.942 for specific provisions of unindemnified and unfunded non-cash loans (31 December 2019: TRY 114.712), TRY 308.709 for stage 1 and stage 2 expected credit loss amount of non-cash loans (31 December 2019: TRY 173.769), TRY 99.928 for legal cases filed against the Group (31 December 2019: TRY 78.634), and TRY 77.968 of other provisions (31 December 2019: TRY 195.830).

d) Movement of employee termination benefits:

Severance indemnity provision of the Parent Bank as of 31 December 2020 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	9,50%	8,20%
Discount Rate	12,80%	12,10%
Estimated Real Wage Growth Rate	9,70%	8,40%

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	722.286	539.986
Charge for the year	70.613	57.512
Interest Expense	85.813	85.555
Actuarial (gain)/loss	99.629	86.777
Prior period service cost composed current period	2.584	1.632
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	5.839	5.390
Benefits paid within the period(-)	(45.482)	(54.566)
Total	941.282	722.286

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e) Liabilities for employee benefits:

As of 31 December 2020, unused vacation accruals are TRY 180.226, personnel dividend provision is TRY 381.892, severance indemnity provision for Group personnel is TRY 905.180 and severance indemnity provision for outsourcing firms is TRY 36.102 (31 December 2019: TRY 137.260 for unused vacation accruals; TRY 694.391 for severance indemnity provision for Group personnel; TRY 27.895 for severance indemnity provision for outsources; TRY 274.202 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 2020, 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 2020, in other words; it measures the amount to be paid to the Social Security Institution by the Parent 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 kadın/erkek	CSO 1980 kadın/erkek

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 2020 the number of personnel who benefit from the Fund is 38.069 (31 December 2019: 36.625).

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Below table shows the present values of premiums and salary payments as of 31 December 2020, 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	(3.853.779)	(3.113.389)
Net Present Value of Long Term Insurance Line Premiums	4.204.433	3.321.573
Net Present Value of Total Liabilities Other Than Health	350.654	208.184
Net Present Value of Health Liabilities	(838.882)	(659.388)
Net Present Value of Health Premiums	2.626.604	2.075.379
Net Present Value of Health Liabilities	1.787.722	1.415.991
Pension Fund Assets	4.276.670	3.304.716
General Administration Expenses (1%)	(46.927)	(37.728)
Amount of Actuarial and Technical Deficit	6.368.119	4.891.163
Total Assets	Current Period	Prior Period
Banks	3.125.060	1.890.018
Marketable Securities	916.070	1.136.573
Property and Equipment	128.147	104.141
Other	107.393	173.984
Total	4.276.670	3.304.716

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	Death Benefits	Medical Benefits	Total
Discount rate +1%	(19,8%)	(19,5%)	(19,5%)
Discount rate -1%	27,3%	26,8%	26,8%
Inflation rate +1%	27,4%	33,2%	33,2%
Inflation rate -1%	(20,1%)	(23,1%)	(23,1%)

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g) Insurance Technical Provisions (Net):

	Current Period	Prior period
Life-Mathematical Provisions	-	-
Provisions for unearned premium claims	51.174	26.900
Provision for outstanding claims	42.464	26.752
Provisions for unexpired risk reserves	-	-
Other	-	-
Total	93.638	53.652

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2020, the Group's corporate tax payable is amounting to TRY 4.498 and accounted for under corporate tax provision at the related date. (31 December 2019 corporate tax payable: TRY 431.563)

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate tax payable	4.498	431.563
Income on securities tax	475.152	625.775
Property income tax	1.719	2.199
Banking and insurance transactions tax (BITT)	157.964	162.114
Foreign exchange transactions tax	9.021	4.360
Value added tax payable	4.810	3.830
Other	73.321	62.557
Total	726.485	1.292.398

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a.3. Information on premiums:

	Current Period	Prior Period
Social insurance premiums-employee	291	261
Social insurance premiums-employer	830	745
Bank social aid pension fund premium-employee	18.063	14.605
Bank social aid pension fund premium-employer	28.084	21.370
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	1.311	1.078
Unemployment insurance-employer	2.634	2.167
Other	715	663
Total	51.928	40.889

b) Explanations related to deferred tax liability:

	Current Period	Prior Period
Deferred Tax Asset/(Liability)		
Provisions ⁽¹⁾	1.529.133	879.633
Valuation of Financial Assets	(1.322.586)	(735.286)
Other	(498.350)	(409.467)
Net Deferred Tax Asset/(Liability)⁽²⁾	(291.803)	(265.120)
Deferred Tax Accounting Under Equity	(11.841)	(134.878)
Fair Value of Security Internal Efficiency Market Value Difference Through Other Comprehensive Income	128.429	1.698
Actuarial Loss/Earning	34.772	15.060
Real Estate Revaluation	(175.042)	(151.636)

⁽¹⁾ Consists of employee rights obligations and other provisions.

⁽²⁾ Net deferred tax liability amounting to TRY 291.803 consists of TRY 42.101 deferred tax asset and TRY 333.904 deferred tax liability.

(11) Information on liabilities regarding non-current assets held for sale and discontinued operations:

Liabilities regarding assets held for sale and discontinued operations is none. (31 December 2019: TRY 3.184.317)

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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⁽¹⁾:

Information on Subordinated Loans	Current Period		Prior Period	
	TRY	FC	TRY	FC
To be included in the calculation of additional capital borrowings instruments	-	8.824.063	-	6.146.988
Subordinated loans	-	8.824.063	-	6.146.988
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.036.525	-	6.037.858	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.036.525	-	6.037.858	-
Total	6.036.525	8.824.063	6.037.858	6.146.988

⁽¹⁾ 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	2.473.776	1.250.000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

There is an application of registered capital system in the Parent Bank and registered capital ceiling amount is TRY 10.000.000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

In accordance with the decision of the Board of Directors of the Parent Bank dated 11 May 2020, the capital will be increased, where the total sales proceeds through the capital increase shall amount to TRY 7.000.000, by the total nominal capital amount to be calculated based on the share sale price to be determined in accordance with the Wholesale Transactions Procedure of Borsa İstanbul A.Ş. with the Decision of the Capital Markets Board dated 14 May 2020. Accordingly, the recognition of the capital increase of TRY 1.223.776 on 20 May 2020 was realized on 21 May 2020, based on the permission obtained from the BRSA. The change made to the relevant Articles of Association was registered on 10 June 2020, and it was announced in the Trade Registry Gazette dated 15 June 2020 and numbered 10097.

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After the increase, TRY 1.223.776 of nominal and TRY 5.776.224 of share premium, totaling a capital increase of TRY 7.000.000, have been recognized in the financial statements. Mentioned capital increase was made by the Parent Bank's main shareholder Türkiye Varlık Fonu.

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.

f) Information on the Parent Bank's acquired shares:

Between 1 January – 31 December 2020, the Parent Bank has resold previously acquired shares amounting to TRY 1.500 and repurchased shares amounting to TRY 18.339 within the scope of the Board of Directors' decision dated 29 August 2018 and 17 March 2020.

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.

i) Information on marketable securities revaluation fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	15.040	5.107	45.126	2.157
Valuation differences	15.040	5.107	45.126	2.157
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	(220.937)	(218.119)	337.320	(83.834)
Valuation differences	(220.937)	(216.049)	337.320	(77.988)
Exchange rate difference	-	(2.070)	-	(5.846)
Total	(205.897)	(213.012)	382.446	(81.677)

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j) Information on Legal Reserves

	Current Period	Prior Period
I. Legal Reserve	1.491.581	1.477.618
II. Legal Reserve	621.138	686.765
Special Reserves	67.674	62.758
Share Buyback Reserve Fund	351.767	262.384
Total	2.532.160	2.489.525

k) Information on Extraordinary Reserves:

	Current Period	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	22.835.488	21.261.779
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital (-)	-	-
Total	22.835.488	21.261.779

(14) Information on minority interest shares:

	Current Period	Prior Period
Paid-in Capital	203.804	211.047
Export Premium	10.306	10.389
Share Cancellation Profits	(27.346)	(26.162)
Marketable Securities Revaluation Fund	42	48
Legal Reserves	5.662	5.982
Extraordinary Reserves	10.071	9.196
Retained Earnings	48.853	48.662
Other Profit Reserves	3.573	1.928
Other Capital Reserves	1.192	898
Net Period Profit / Loss	7.223	25.265
Closing Balance	263.380	287.253

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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	Prior Period
Commitments for credit card expenditure limits	28.032.142	16.772.843
Payment commitments for cheques	4.472.298	3.219.679
Loan granting commitments	4.721.315	3.138.339
Two days forward foreign exchange buy/sell transactions	1.826.745	2.232.623
Forward deposit purchase and sale commitments	-	-
Commitments for credit cards and banking services promotions	22.752	24.943
Tax and fund liabilities from export commitments	124.240	83.156
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	5.321.136	4.406.707
Total	44.520.628	29.878.290

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	Prior Period
Letters of credit	2.609.382	3.901.651
Bank acceptances	6.495.595	6.961.998
Other guarantees	4.862.463	2.807.693
Total	13.967.440	13.671.342

b.2. Certain guarantees, tentative guarantees, sureties and similar transactions:

	Current Period	Prior Period
Letters of certain guarantees	17.484.487	16.502.447
Letters of advance guarantees	5.376.409	4.510.376
Letters of tentative guarantees	2.239.074	761.085
Letters of guarantee given to customs offices	2.706.492	1.940.202
Other letters of guarantee	74.729.949	53.632.378
Total	102.536.411	77.346.488

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b.3. Total non-cash loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	14.320.385	9.474.261
<i>Within one year or less original maturity</i>	1.895.645	2.389.105
<i>Within more than one year maturity</i>	12.424.740	7.085.156
Other non-cash loans	102.183.466	81.543.569
Total	116.503.851	91.017.830

b.4. Sectoral risk concentration of non-cash loans

	Current Period		Prior Period	
	TRY	(%)	FC	(%)
Agriculture	178.288	0,32	182.732	0,29
<i>Farming and Stockbreeding</i>	127.020	0,23	15.110	0,02
<i>Forestry</i>	1.542	-	27	-
<i>Fishery</i>	49.726	0,09	167.595	0,27
Manufacturing	11.874.058	21,56	27.334.702	44,49
<i>Mining and Quarrying</i>	221.231	0,40	1.034.911	1,68
<i>Production</i>	10.066.831	18,28	24.729.631	40,25
<i>Electricity, Gas and Water</i>	1.585.996	2,88	1.570.160	2,56
Construction	17.550.791	31,88	13.371.311	21,76
Services	23.463.372	42,61	20.194.698	32,87
<i>Wholesale and Retail Trade</i>	14.830.746	26,94	7.423.192	12,08
<i>Accommodation and Dining</i>	315.979	0,57	3.921.210	6,38
<i>Transportation and Telecom.</i>	1.063.530	1,93	6.946.739	11,31
<i>Financial Institutions</i>	3.777.373	6,86	172.834	0,28
<i>Real Estate and Rental Services</i>	2.869.168	5,21	1.510.509	2,46
<i>Professional Services</i>	13.891	0,03	43.748	0,07
<i>Educational Services</i>	100.317	0,18	103.009	0,17
<i>Health and Social Services</i>	492.368	0,89	73.457	0,12
Other	1.990.613	3,62	363.286	0,59
Total	55.057.122	100,00	61.446.729	100,00

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Prior 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

b.5. Non-cash loans classified under I. and II. Group

	Group I		Group II	
	TRY	FC	TRY	FC
Non-Cash Loans	53.219.317	59.628.068	1.837.805	1.818.661
Letters of Guarantee	48.226.574	50.673.678	1.825.219	1.810.940
Bills of Exchange and Bank Acceptances	185.902	6.301.972	-	7.721
Letters of Credit	42.663	2.554.133	12.586	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	4.764.178	98.285	-	-

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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):	45.640.124	-
Currency Forwards-Purchases/Sales	2.793.387	-
Currency Swaps-Purchases/Sales	38.972.691	-
Currency Futures-Purchases/Sales	-	-
Currency Options-Purchases/Sales	3.874.046	-
Interest Rate related Derivative Transactions (II)	25.566.030	-
Interest Rate Contracts	-	-
Interest Rate Swaps-Purchases/Sales	25.566.030	-
Interest Rate Options-Purchases/Sales	-	-
Interest Rate Futures-Purchases/Sales	-	-
Other Trading Derivatives (III) ⁽¹⁾	5.809.526	-
A. Total Trading Derivatives (I+II+III)	77.015.680	-
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)	77.015.680	-

⁽¹⁾ Other trading derivative transactions include forward precious metal purchase transactions amounting to TRY 42.111, forward precious metal sale transactions amounting to TRY 2.787.355, and swap precious metal purchase transactions amounting to TRY 3.480.060.

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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):	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.

d) Information on contingent liabilities and assets:

Group's commitments for the cheques given to customers are TRY 4.472.298 (31 December 2019: TRY 3.219.679).

e) Services provided on behalf of others:

None.

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IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	5.700.913	418.410	9.478.759	658.879
Medium and long term loans	26.132.241	5.647.948	20.851.434	5.322.112
Interest on non-performing loans	399.263	265	909.582	717
Premiums from resource utilization support fund	-	-	-	-
Total	32.232.417	6.066.623	31.239.775	5.981.708

⁽¹⁾ Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
CBRT	238.787	-	229.026	36.754
Domestic banks	25.314	1.392	26.307	4.034
Overseas banks	9.876	3.308	21.059	26.929
Head office and branches	-	-	-	-
Total	273.977	4.700	276.392	67.717

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets at fair value through profit or loss	29.847	13	15.265	1.292
Financial assets at fair value through other comprehensive income	4.217.753	352.892	1.361.763	160.953
Financial assets measured at amortised cost	9.463.974	1.273.145	6.810.309	847.795
Total	13.711.574	1.626.050	8.187.337	1.010.040

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d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	637	-

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	147.989	255.976	221.700	311.751
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	147.989	83.497	206.292	78.351
<i>Overseas banks</i>	-	172.479	15.408	233.400
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	9	23.488	10	18.678
Total	147.998	279.464	221.710	330.429

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	9.881	18.726

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	1.646.165	834.713	1.929.024	708.748
Toplam	1.646.165	834.713	1.929.024	708.748

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d) Maturity structure of interest expenses on deposits:

Current Period		Time deposits							Cumulative deposit	Total
Account name	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	124	1.302.671	547.428	21.060	526	-	-	1.871.809		
Saving deposits	170	699.878	5.406.941	535.631	82.413	419.816	10.410	7.155.259		
Public deposits	45	1.255.214	266.960	37.481	27.792	669	-	1.588.161		
Commercial deposits	746	2.976.075	3.968.658	156.009	60.825	662.152	-	7.824.465		
Other deposits	1	317.081	1.470.403	181.899	41.783	235.361	-	2.246.528		
7 days call accounts	-	-	-	-	-	-	-	-		
Total	1.086	6.550.919	11.660.390	932.080	213.339	1.317.998	10.410	20.686.222		
Foreign currency										
Deposits	1.500	146.586	1.184.177	53.121	42.480	107.257	-	1.535.121		
Bank deposits	13	135.177	-	285	-	402	-	135.877		
7 days call accounts	-	-	-	-	-	-	-	-		
Precious metal	-	719	9.596	1.835	399	1.013	-	13.562		
Total	1.513	282.482	1.193.773	55.241	42.879	108.672	-	1.684.560		
Grand total	2.599	6.833.401	12.854.163	987.321	256.218	1.426.670	10.410	22.370.782		
Prior Period										
Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year	Cumulative deposit	Total		
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		

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(3) Information on dividend income:

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	-	485
Financial Assets at Fair Value Through other Comprehensive Income	4.489	2.371
Other	471	11.585
Total	4.960	14.441

(4) a) Explanations on trading profit/loss (net):

	Current Period	Prior Period
Profit	68.931.835	49.224.043
Profit from the capital market operations	227.118	301.506
Profit on derivative financial instruments	10.558.638	8.953.732
Foreign exchange gains	58.146.079	39.968.805
Loss (-)	74.144.848	52.451.797
Loss from the capital market operations	126.452	6.579
Loss on derivative financial instruments	7.827.041	10.426.874
Foreign exchange losses	66.191.355	42.018.344

b) Information on derivative financial instruments

	Current period	Prior period
Profit on derivative financial instruments	10.558.638	8.953.732
Effect of the change in foreign exchange on profit	9.994.380	8.640.729
Effect of the change in interest rate on profit	564.258	313.003
Loss on derivative financial instruments (-)	7.827.041	10.426.874
Effect of the change in foreign exchange on loss	7.286.086	10.154.504
Effect of the change in interest rate on loss	540.955	272.370
Profit/loss on derivative financial instruments	2.731.597	(1.473.142)

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(5) Information on other operating income:

	Current period	Prior Period
Adjustments for prior period expenses	1.084.854	2.197.512
Insurance technical income	84.602	253
Income from the asset sale	316.265	115.340
Rent income	62.037	83.232
Other income	272.306	223.905
Total	1.820.064	2.620.242

(6) Impairment losses on loans and other receivables:

Expected Credit Losses:

	Current Period	Prior Period
Expected Credit Loss	6.980.823	4.672.517
12 Month Expected Credit Loss (Stage 1)	1.124.573	334.685
Significant Increase in Credit Risk (Stage 2)	2.176.110	200.679
Non – Performing Loans (Stage 3)	3.680.140	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	18.161	147.354
Total	6.998.984	4.819.871

TÜRKİYE HALK BANKASI A.Ş.

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(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	120.633	101.973
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	6.103	2.036
Depreciation expenses of fixed assets	427.738	372.949
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	104.179	49.080
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets to be sold	-	-
Amortization expenses of assets to be sold	19.265	11.509
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	2.548.420	2.050.428
<i>Leasing Expenses on TFRS 16 Exceptions</i>	83.928	90.104
<i>Maintenance expenses</i>	73.460	69.920
<i>Advertisement expenses</i>	269.608	207.672
<i>Other expenses</i>	2.121.424	1.682.732
<i>Loss on sales of assets</i>	970	225
Other	1.522.844	974.447
Total	4.750.152	3.562.647

(8) Information on profit/loss from continuing and discontinued operations before taxes:

The Group's income before tax is due from continued and discontinued activities.

The amount of profit before tax consists TRY 19.531.819 (31 December 2019: TRY 11.661.329) of net interest income and TRY 2.889.949 (31 December 2019: TRY 2.716.482) of net fees and income. The profit from continuing operations before tax is amounting to TRY 3.505.598 (31 December 2019: TRY 2.406.259).

Discontinued operations profit before tax is TRY 987.373 (31 December 2019: TRY 365.154).

TÜRKİYE HALK BANKASI A.Ş.

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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(9) Information on tax provisions for continued and discontinued operations:

For the period ended 31 December 2020, the Group's tax provision from continued operations amounting to TRY 752.503 (31 December 2019: TRY 306.921) consists of TRY 602.783 (31 December 2019: TRY 477.171) of current tax charge and TRY 865.404 (31 December 2019: TRY 1.221.643) of deferred tax charge and TRY 715.684 (31 December 2019: TRY 1.391.893) of deferred tax income.

For the period ended 31 December 2020, the Group's tax provision from discontinued operations is amounting to TRY 48.603 (31 December 2019: TRY 171.619) consists of TRY 48.981 (31 December 2019: TRY 176.370) of current tax charge and TRY 378 (31 December 2019: TRY 4.751) of deferred tax income.

(10) Information on net operating income/expense from continued and discontinued operations after tax:

As of 31 December 2020, the Group's operating income after tax from continued operations is amounting to TRY 2.753.095 (31 December 2019: TRY 2.099.338).

As of 31 December 2020, the Group's income after tax from discontinued operations is amounting to TRY 938.770 (31 December 2019: TRY 193.535).

(11) Information on net profit/loss:

a) Income and expenses from ordinary banking operations:

There is no requirement to make disclosure.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss:

There is no requirement to make disclosure.

(12) Minority interest profit/losses:

	Current Period	Prior Period
Minority interest profit/losses	7.223	25.265

(13) Other items in the 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.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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 CONSOLIDATED 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 54.502.381 (31 December 2019: TRY 19.142.631 increase) increase for the year 2020. 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 8.858.828 cash outflow for the year 2020 (31 December 2019: TRY 12.658.004 cash outflow).

For the year ended 31 December 2020, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 1.597.022 decrease (31 December 2019: TRY 2.353.847 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.

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(4) Cash and cash equivalents balance at the beginning 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
Total cash and cash equivalents	39.535.650	40.775.477
Reserve deposits in Central Bank of Turkey	(14.726.441)	(16.685.658)
Banks Blocked Amount	(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.

(5) Cash and cash equivalents balance at the end of the period:

	Current Period	Prior Period
Cash	64.984.442	35.313.987
Cash in TRY and foreign currency	5.062.920	3.861.322
Central Bank and others ⁽¹⁾	59.921.522	31.452.665
Cash Equivalents	2.903.040	4.221.663
Demand and Time Deposits Up to 3 Months	2.650.043	4.134.525
Money Market Placements	252.997	87.138
Cash and Banks	67.887.482	39.535.650
Reserve deposits in Central Bank of Turkey	(25.055.387)	(14.726.441)
Banks Blocked Amount ⁽¹⁾	-	(490.951)
Accruals on reserve deposits in Central Bank of Turkey	(118.855)	(19.629)
Accruals on Money Markets Placements	-	-
Accruals on banks	(1.612)	(939)
Total Cash and Cash Equivalents	42.711.628	24.297.690

⁽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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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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	-	329	-	-	-	-
Closing balance	-	-	-	-	-	-
Interest and commissions income	-	-	-	-	-	-

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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Beginning balance	50.673	42.260	-	-	-	-
Closing Balance	-	50.673	-	-	-	-
Interest expense on deposits	-	7.471	-	-	-	-

c) Forward and option contracts and similar transactions with the Parent Bank's risk group:

None.

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

(2) Disclosures for risk group of the Parent Bank:

a) The relations of the Parent 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 Parent Bank performs brokerage on the activities of Halk Yatırım Menkul Değerler AŞ within the scope of "the Brokerage Contract for Order Submission".

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:

None.

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 30.256 as of 31 December 2020 (31 December 2019: TRY 30.459).

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(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

Current Period	Quantity	Number of Employees	Countries		
Domestic Branches	1007	20.098			
Abroad Agencies	3	4	IRAN		
			ENGLAND		
			SINGAPORE	Total Assets	Legal Capital
Overseas Branches	5	66	T.R.N.C	1.760.646	-
Off-shore Branches	1	3	BAHRAIN	23.411.017	-

Period Period	Quantity	Number of Employees	Countries		
Domestic Branches	1000	18.895			
Abroad Agencies	3	4	IRAN		
			ENGLAND		
			SINGAPORE	Total Assets	Legal Capital
Overseas Branches	5	65	T.R.N.C	1.338.340	-
Off-shore Branches	1	3	BAHRAIN	20.235.920	-

(2) Explanations on branch and agency openings or closings or other significant operational changes of the Parent Bank:

The Parent Bank opened 8 domestic branches during the year 2020.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION VI: OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS

On October 15, 2019, U.S. Department of Justice, United States Attorney Southern District of New York indicted the Parent Bank by repeating the allegations set forth in the case filed against the former executive of the Parent Bank due to Iranian sanction violations.

First, the Parent Bank applied to the District Court on 4 November 2019, and requested a special appearance to discuss the issues of personal jurisdiction and recusal. On 5 December 2019, the District Court denied the request of special appearance. The Parent Bank objected to the District Court's decision and appealed the decision at the Court of Appeals Second Circuit on 17 December 2019. On 21 February 2020, the Second Circuit denied the Parent Bank's objection.

In the meeting held by the Parent Bank's Board of Directors on 27 March 2020, it was decided to attend the District Court hearing on 31 March 2020, to accept the arraignment and to appoint Williams & Connolly law firm with a proxy to represent the Parent Bank

At the hearing on 31 March 2020, the District Court decided to postpone the hearing initially to 9 June 2020 and subsequently to 30 June 2020 due to the global scale COVID-19 outbreak.

At the hearing held in the District Court on 30 June 2020; the schedule regarding the motion to recuse, discovery motions, and filings of other motions were identified. It was decided that the jury hearing would begin on 1 March 2021 for which the schedule was revised on 26 October 2020. Accordingly, the jury hearings are scheduled to be held on 3 May 2021. In this regard, the Bank filed its recusal motion on 14 July 2020 and its other motions to dismiss the indictment on 10 August 2020 at the District Court.

Bank's recusal motion was denied by the District Court on 24 August 2020 and by the Court of Appeals Second Circuit on 23 December 2020.

District Court denied the Parent Bank's motion to dismiss the indictment on 1 October 2020. The Parent Bank appealed the Court of Appeals Second Circuit for the motion to dismiss the indictment with regard to Foreign Sovereign Immunity Act (exemption from the jurisdiction of the US courts). On 23 December 2020, the Court of Appeals Second Circuit granted the Parent Bank's motion to stay the case pending sovereign immunity appeal. Accordingly, the jury hearings are expected to be rescheduled instead of starting on 3 May 2021.

In addition, a civil case was filed against the Parent Bank on 27 March 2020 with a claim for damages by plaintiffs in the District Court "on the grounds that they (the plaintiffs) could not collect their judgments from Iran due to violations of sanctions" and it was served to the Parent Bank's attorneys on 1 July 2020. The Bank filed a motion at the District Court to dismiss the complaint of plaintiffs on 25 September 2020. The motion process within this scope was completed on 16 December 2020. The civil case is pending at the District Court.

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EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

The proceedings of both the criminal case and civil case are closely monitored by the Parent Bank through law firms representing the bank.

The appeal process of the case which resulted in the conviction of the defendant former executive of the Bank, who was released on 19 July 2019 and returned to Turkey, is completed. The decision of the conviction was upheld.

SECTION VII: AUDITORS' REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

The Parent Bank's publicly available consolidated audited financial statements and footnotes as of 31 December 2020 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 15 February 2021 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

DIRECTORY

Trade Registration Number

862070

Istanbul Trade Registry Office

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- 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 Loans-2
- 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 Company and Project 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 No: 7/2A A Blok 34746 Ataşehir/Istanbul-TURKEY

- Department of Infrastructure Management
- Department of Information Technologies Operations
- Department of Information Technologies Planning and Governance
- Department of Digital Transformation
- Department of Enterprise Application and Digital Channel Development
- Department of Branch Operations
- Department of Core Banking Application Development

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Halkbank Social Media Accounts

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