

*(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3.1)*

# **Türkiye Halk Bankası Anonim Şirketi**

**Unconsolidated Financial Statements  
As of and For the Year Ended 31 December 2019  
With Auditors' Report Thereon**  
*(Convenience Translation of Unconsolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

14 February 2020

*This report contains "Auditors' Report" comprising 8 pages and; "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 150 pages.*

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

**INDEPENDENT AUDITOR'S REPORT**

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

**A) Report on the Audit of the Financial Statements**

**1) Qualified Opinion**

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

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

**2) Basis for Qualified Opinion**

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

The Bank reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according

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

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

### 3) **Emphasis of Matter**

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

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

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

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

### 4) **Key Audit Matters**

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

<b>Key Audit Matter</b>	<b>How the matter was addressed in the audit</b>
<p><b><i>Impairment of loans in accordance with TFRS 9</i></b></p> <p>Impairment of loans is a key area of judgement for the management. The Bank has the total loans amounting to TRY 309.208.101 thousands, which</p>	<p>As part of our audit work, the following procedures were performed:</p>

comprise 68% of the Bank's total assets in its unconsolidated financial statements and the total provision for impairment amounting to TRY 11.401.664 as at 31 December 2019.

As of 1 January 2018, the Bank recognizes provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. Applied accounting policies are explained in detail in the Section 3 Note VIII. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

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

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

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

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

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

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

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

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

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

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

	<p>assumptions and other judgements underlying the estimations of impairments were reasonable.</p> <p>Our specialists are involved in all procedures related to models and assumptions.</p> <p>In addition, we have evaluated the appropriateness of specific impairment provision with supportable input for non-performing loans which are assessed on individual basis by the Bank. Based on our discussions with the Bank management, we have evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.</p> <p>We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loans and receivables and related impairment provisions.</p>
<p><b>Key Audit Matter</b></p>	<p><b>How the matter was addressed in the audit</b></p>
<p><b><i>Valuation of Pension Fund Obligations</i></b></p> <p>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”).</p> <p>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.</p> <p>As of 31 December 2019, the Bank’s transferrable liabilities are calculated by an independent actuary</p>	<p>Our audit work included the following procedures:</p> <p>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.</p> <p>It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.</p> <p>In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank’s actuary.</p> <p>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.</p>

<p>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.</p> <p>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.</p>	
<p><b>Key Audit Matter</b></p>	<p><b>How the matter was addressed in the audit</b></p>
<p><i>Information Technologies Audit</i></p> <p>The Bank and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Bank and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Bank means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.</p>	<p>Procedures within the context of our information technology audit work:</p> <p>We identified and tested the Banks' controls over information systems as part of our audit procedures.</p> <p>Information generation comprise all layers of information systems including applications, networks, transmission systems and database. The information systems controls tested are categorized in the following areas:</p> <ul style="list-style-type: none"> <li>• Manage security</li> <li>• Manage changes</li> <li>• Manage operations</li> </ul> <p>We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner.</p> <p>We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.</p>

	<p>Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation.</p> <p>We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components.</p> <p>Finally, we understood and tested the controls over database, network, application and operating system layers of applications.</p>
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## **5) Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## **B) Report on Other Legal and Regulatory Requirements**

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

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

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

### **Additional Paragraph for English Translation**

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

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

Hasan Kılıç  
Partner

Istanbul, 14 February 2020

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

1. The Bank's Headquarter Address:  
Barbaros Mahallesi Şebboy Sokak No: 4 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](http://www.halkbank.com.tr)  
E-mail Address: halkbank.ir@halkbank.com.tr

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

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

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

Istanbul, 14 February 2020

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

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

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

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**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION I: GENERAL INFORMATION ABOUT THE BANK**

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

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

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

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

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

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)**

**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**

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)**

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

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

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

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)**

**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.

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

As per the Higher Council of Privatization decision numbered 2006/69 dated 11 August 2006, the public shares were transferred to the Privatization Administration and 99,9% of the Bank shares were decided to be sold before 25 May 2008 using the block sale method. 13<sup>th</sup> 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.



**TÜRKİYE HALK BANKASI AŞ**  
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*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)**

**V. EXPLANATIONS ON THE BANK’S FUNCTIONS AND LINES OF ACTIVITY (continued)**

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

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

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

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)**

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

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

**SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS**

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**

ASSETS	Note	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I. FINANCIAL ASSETS (NET)</b>		<b>30.196.996</b>	<b>39.709.838</b>	<b>69.906.834</b>	<b>21.189.525</b>	<b>38.439.541</b>	<b>59.629.066</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>2.970.056</b>	<b>35.259.174</b>	<b>38.229.230</b>	<b>4.149.691</b>	<b>35.934.002</b>	<b>40.083.693</b>
1.1.1 Cash and Balances with Central Bank	(1)	2.472.458	32.016.123	34.488.581	3.982.876	30.974.174	34.957.050
1.1.2 Banks	(3)	507.416	3.243.051	3.750.467	180.915	4.959.828	5.140.743
1.1.3 Money Markets		-	-	-	-	-	-
1.1.4 Expected Loss Provision (-)		9.818	-	9.818	14.100	-	14.100
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	(2)	<b>16.266.722</b>	<b>64</b>	<b>16.266.786</b>	<b>14.475.244</b>	<b>21.455</b>	<b>14.496.699</b>
1.2.1 Government Debt Securities		16.104.564	64	16.104.628	14.409.039	21.455	14.430.494
1.2.2 Equity Instruments		145.601	-	145.601	-	-	-
1.2.3 Other Financial Assets		16.557	-	16.557	66.205	-	66.205
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	(4)	<b>10.956.522</b>	<b>3.302.262</b>	<b>14.258.784</b>	<b>2.564.581</b>	<b>1.422.613</b>	<b>3.987.194</b>
1.3.1 Government Debt Securities		10.275.808	3.170.818	13.446.626	2.389.866	1.339.997	3.729.863
1.3.2 Equity Instruments		100.631	131.444	232.075	58.724	82.616	141.340
1.3.3 Other Financial Assets		580.083	-	580.083	115.991	-	115.991
<b>1.4 Derivative Financial Assets</b>	(2)(11)	<b>3.696</b>	<b>1.148.338</b>	<b>1.152.034</b>	<b>9</b>	<b>1.061.471</b>	<b>1.061.480</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		3.696	1.148.338	1.152.034	9	1.061.471	1.061.480
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)</b>		<b>265.772.751</b>	<b>104.232.298</b>	<b>370.005.049</b>	<b>210.751.960</b>	<b>95.936.717</b>	<b>306.688.677</b>
<b>2.1 Loans</b>	(5)	<b>223.887.121</b>	<b>85.320.980</b>	<b>309.208.101</b>	<b>174.099.895</b>	<b>84.974.331</b>	<b>259.074.226</b>
<b>2.2 Lease Receivables</b>	(10)	-	-	-	-	-	-
<b>2.3 Factoring Receivables</b>		-	-	-	-	-	-
<b>2.4 Other Financial Assets Measured at Amortised Cost</b>	(6)	<b>53.297.037</b>	<b>18.911.318</b>	<b>72.208.355</b>	<b>45.110.667</b>	<b>10.962.386</b>	<b>56.073.053</b>
2.4.1 Government Debt Securities		53.246.524	18.911.318	72.157.842	45.060.153	10.962.386	56.022.539
2.4.2 Other Financial Assets		50.513	-	50.513	50.514	-	50.514
<b>2.5 Expected Credit Loss (-)</b>		<b>11.411.407</b>	<b>-</b>	<b>11.411.407</b>	<b>8.458.602</b>	<b>-</b>	<b>8.458.602</b>
<b>III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)</b>	(16)	<b>2.576.996</b>	<b>-</b>	<b>2.576.996</b>	<b>39.377</b>	<b>-</b>	<b>39.377</b>
3.1 Held for Sale		2.576.996	-	2,576,996	39,377	-	39,377
3.2 Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>1.837.784</b>	<b>1.911.883</b>	<b>3,749,667</b>	<b>3,367,602</b>	<b>1,403,197</b>	<b>4,770,799</b>
<b>4.1 Investments in Associates (Net)</b>	(7)	<b>25.115</b>	<b>482.671</b>	<b>507.786</b>	<b>22.490</b>	<b>415.828</b>	<b>438.318</b>
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		25.115	482.671	507.786	22.490	415.828	438.318
<b>4.2 Subsidiaries (Net)</b>	(8)	<b>1,812,669</b>	<b>1,429,212</b>	<b>3,241,881</b>	<b>3,345,112</b>	<b>987,369</b>	<b>4,332,481</b>
4.2.1 Unconsolidated Financial Subsidiaries		1,728,669	1,429,212	3,157,881	3,287,966	987,369	4,275,335
4.2.2 Unconsolidated Non- Financial Subsidiaries		84,000	-	84,000	57,146	-	57,146
<b>4.3 Joint Ventures (Net)</b>	(9)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>	(12)	<b>7,537,034</b>	<b>212</b>	<b>7,537,246</b>	<b>3,147,814</b>	<b>100</b>	<b>3,147,914</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(13)	<b>162,053</b>	<b>-</b>	<b>162,053</b>	<b>140,250</b>	<b>-</b>	<b>140,250</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		162,053	-	162,053	140,250	-	140,250
<b>VII. INVESTMENT PROPERTIES (Net)</b>	(14)	<b>356,027</b>	<b>-</b>	<b>356,027</b>	<b>356,848</b>	<b>-</b>	<b>356,848</b>
<b>VIII. CURRENT TAX ASSET</b>	(15)	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,042</b>	<b>-</b>	<b>6,042</b>
<b>IX. DEFERRED TAX ASSET</b>	(15)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. OTHER ASSETS (Net)</b>	(17)	<b>2,514,640</b>	<b>236,889</b>	<b>2,751,529</b>	<b>2,742,059</b>	<b>901,023</b>	<b>3,643,082</b>
<b>VARLIKLAR TOPLAMI</b>		<b>310,954,281</b>	<b>146,091,120</b>	<b>457,045,401</b>	<b>241,741,477</b>	<b>136,680,578</b>	<b>378,422,055</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**

LIABILITIES	Note	Audited Current Period			Audited Prior Period		
		31 December 2019			31 December 2018		
		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I. DEPOSITS</b>	(1)	166.473.587	131.260.589	297.734.176	140.018.439	108.836.815	248.855.254
<b>II. FUNDS BORROWED</b>	(3)	530.197	10.486.644	11.016.841	372.398	11.543.629	11.916.027
<b>III. MONEY MARKETS</b>		50.249.750	2.951.294	53.201.044	32.759.788	5.402.273	38.162.061
<b>IV. SECURITIES ISSUED (Net)</b>	(4)	7.078.757	10.512.530	17.591.287	3.023.139	12.024.839	15.047.978
4.1 Bills		4.682.528	-	4.682.528	2.011.697	-	2.011.697
4.2 Assets Backed Securities		1.011.493	-	1.011.493	1.011.442	-	1.011.442
4.3 Bonds		1.384.736	10.512.530	11.897.266	-	12.024.839	12.024.839
<b>V. FUNDS</b>	(5)	3.209.004	-	3.209.004	2.874.121	-	2.874.121
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		3.209.004	-	3.209.004	2.874.121	-	2.874.121
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL ASSETS</b>	(2) (8)	334	353.384	353.718	16	410.422	410.438
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		334	353.384	353.718	16	410.422	410.438
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		-	-	-	-	-	-
<b>IX. LEASE LIABILITIES</b>	(7)	525.530	54.395	579.925	-	-	-
<b>X. PROVISIONS</b>	(9)	1.663.354	-	1.663.354	1.853.914	-	1.853.914
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.105.771	-	1.105.771	887.228	-	887.228
10.3 Insurance for Technical Provision (Net)		-	-	-	-	-	-
10.4 Other Provisions		557.583	-	557.583	966.686	-	966.686
<b>XI. CURRENT TAX LIABILITY</b>	(10)	1.298.409	77	1.298.486	669.903	106	670.009
<b>XII. DEFERRED TAX LIABILITIES</b>	(10)	309.861	-	309.861	452.769	-	452.769
<b>XIII. NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	(11)	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(12)	6.037.858	6.146.988	12.184.846	6.182.084	-	6.182.084
14.1 Loans		-	6.146.988	6.146.988	-	-	-
14.2 Other Debt Instruments		6.037.858	-	6.037.858	6.182.084	-	6.182.084
<b>XV. OTHER LIABILITIES</b>	(6)	24.623.421	1.082.612	25.706.033	22.085.654	891.011	22.976.665
<b>XVI. SHAREHOLDERS' EQUITY</b>	(13)	31.744.821	452.005	32.196.826	28.896.436	124.299	29.020.735
16.1 Paid-in Capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
16.2 Capital Reserves		1.088.227	60.293	1.148.520	1.230.674	-	1.230.674
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		1.088.227	60.293	1.148.520	1.230.674	-	1.230.674
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		3.641.906	512.845	4.154.751	2.738.739	291.471	3.030.210
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		342.755	(121.133)	221.622	(24.601)	(167.172)	(191.773)
<b>16.5 Profit Reserves</b>		23.701.624	-	23.701.624	20.475.295	-	20.475.295
16.5.1 Legal Reserves		2.252.739	-	2.252.739	1.864.266	-	1.864.266
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		21.401.704	-	21.401.704	18.563.848	-	18.563.848
16.5.4 Other Profit Reserves		47.181	-	47.181	47.181	-	47.181
<b>16.6 Income or (Loss)</b>		1.720.309	-	1.720.309	3,226.329	-	3,226.329
16.6.1 Prior Periods' Income or (Loss)		-	-	-	704.534	-	704.534
16.6.2 Current Period Income or (Loss)		1,720,309	-	1,720,309	2,521,795	-	2,521,795
<b>16.7 Minority Shares</b>		-	-	-	-	-	-
		<b>293.744.883</b>	<b>163.300.518</b>	<b>457.045.401</b>	<b>239.188.661</b>	<b>139.233.394</b>	<b>378.422.055</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AS OF 31 DECEMBER 2019**

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

**II. STATEMENT OF OFF BALANCE SHEET ITEMS**

OFF-BALANCE SHEET	Note	Audited			Audited		
		Current Period			Prior Period		
		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>A. COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>84.003.573</b>	<b>109.842.637</b>	<b>193.846.210</b>	<b>70.717.925</b>	<b>86.627.054</b>	<b>157.344.979</b>
<b>I. GUARANTEES AND WARRANTIES</b>	(1)	<b>40.671.074</b>	<b>49.246.594</b>	<b>89.917.668</b>	<b>37.167.935</b>	<b>45.871.890</b>	<b>83.039.825</b>
1.1 Letters of guarantee		38.023.134	38.396.087	76.419.221	35.165.366	35.686.852	70.852.218
1.1.1 Guarantees subject to public procurement law		2.075.214	11.132.077	13.207.291	1.982.722	12.444.947	14.427.669
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		35.947.920	27.264.010	63.211.930	33.182.644	23.241.905	56.424.549
1.2 Bank loans		8.260	6.953.738	6.961.998	11.845	7.038.415	7.050.260
1.2.1 Import acceptances		-	27.704	27.704	-	94.572	94.572
1.2.2 Other bank acceptances		8.260	6.926.034	6.934.294	11.845	6.943.843	6.955.688
1.3 Letters of credit		16.891	3.806.338	3.823.229	119.895	3.016.499	3.136.394
1.3.1 Documentary letters of credit		16.891	3.806.338	3.823.229	119.895	3.016.499	3.136.394
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		2.622.789	90.431	2.713.220	1.870.829	130.124	2.000.953
1.9 Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>28.057.633</b>	<b>2.567.647</b>	<b>30.625.280</b>	<b>24.243.824</b>	<b>1.853.816</b>	<b>26.097.640</b>
2.1 Irrevocable commitments	(1)	27.742.136	1.761.667	29.503.803	24.091.686	1.680.920	25.772.606
2.1.1 Forward asset purchase commitments		967.531	1.265.092	2.232.623	807.737	1.228.932	2.036.669
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		2.564.640	496.575	3.061.215	4.159.896	451.988	4.611.884
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for Cheques		3.219.679	-	3.219.679	2.661.413	-	2.661.413
2.1.8 Tax and fund liabilities from export commitments		83.156	-	83.156	65.280	-	65.280
2.1.9 Commitments for credit card expenditure limits		16.709.743	-	16.709.743	12.674.648	-	12.674.648
2.1.10 Commitments for credit cards and banking services promotions		24.943	-	24.943	31.409	-	31.409
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		4.172.444	-	4.172.444	3.691.303	-	3.691.303
2.2 Revocable commitments		315.497	805.980	1.121.477	152.138	172.896	325.034
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		315.497	805.980	1.121.477	152.138	172.896	325.034
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>15.274.866</b>	<b>58.028.396</b>	<b>73.303.262</b>	<b>9.306.166</b>	<b>38.901.348</b>	<b>48.207.514</b>
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		15.274.866	58.028.396	73.303.262	9.306.166	38.901.348	48.207.514
3.2.1 Forward foreign currency buy/sell transactions		1.508.922	3.822.829	5.331.751	1.806.188	5.243.125	7.049.313
3.2.1.1 Forward foreign currency transactions-buy		779.407	1.489.169	2.268.576	1.553.375	3.068.338	4.621.713
3.2.1.2 Forward foreign currency transactions-sell		729.515	2.333.660	3.063.175	252.813	2.174.787	2.427.600
3.2.2 Currency and interest rate swaps		12.849.494	48.364.708	61.214.202	5.202.187	27.857.299	33.059.486
3.2.2.1 Currency swap-buy		432.526	15.601.222	16.033.748	1.012.983	6.973.576	7.986.559
3.2.2.2 Currency swap-sell		11.996.968	5.475.984	17.472.952	4.189.204	3.490.839	7.680.043
3.2.2.3 Interest rate swap-buy		210.000	13.643.751	13.853.751	-	8.696.442	8.696.442
3.2.2.4 Interest Rate swap-sell		210.000	13.643.751	13.853.751	-	8.696.442	8.696.442
3.2.3 Currency, interest rate and marketable securities options		916.450	2.604.064	3.520.514	2.297.791	3.561.455	5.859.246
3.2.3.1 Currency call options		457.977	1.302.273	1.760.250	1.148.905	1.780.728	2.929.633
3.2.3.2 Currency put options		458.473	1.301.791	1.760.264	1.148.886	1.780.727	2.929.613
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	3.236.795	3.236.795	-	2.239.469	2.239.469
<b>B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>		<b>1.206.385.046</b>	<b>359.967.108</b>	<b>1.566.352.154</b>	<b>954.219.496</b>	<b>310.868.814</b>	<b>1.265.088.310</b>
<b>IV. CUSTODIES</b>		<b>567.016.912</b>	<b>50.583.195</b>	<b>617.600.107</b>	<b>432.711.289</b>	<b>42.627.039</b>	<b>475.338.328</b>
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		203.825.309	1.420.996	205.246.305	161.920.322	1.017.194	162.937.516
4.3 Cheques in collection process		15.390.122	31.703.135	47.093.257	15.226.267	26.439.655	41.665.922
4.4 Commercial notes in collection process		289.691.963	7.013.429	296.705.392	239.240.554	5.575.684	244.816.238
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		4.005.722	810.205	4.815.927	4.280.917	486.438	4.767.355
4.8 Custodians		54.103.796	9.635.430	63.739.226	12.043.229	9.108.068	21.151.297
<b>V. PLEDGED ASSETS</b>		<b>639.368.134</b>	<b>309.383.913</b>	<b>948.752.047</b>	<b>521.508.207</b>	<b>268.241.775</b>	<b>789.749.982</b>
5.1 Marketable securities		5.413.902	1.067.288	6.481.190	5.608.542	733.250	6.341.792
5.2 Collateral notes		7.199.337	1.207.048	8.406.385	7.595.289	1.024.377	8.619.666
5.3 Commodity		25.813	-	25.813	25.812	-	25.812
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		500.960.484	251.445.308	752.405.792	384.287.726	224.420.837	608.708.563
5.6 Other pledged assets		120.638.529	42.752.213	163.390.742	76.477.704	39.614.525	116.092.229
5.7 Pledges		5.130.069	12.912.056	18.042.125	47.513.134	2.448.786	49.961.920
<b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)</b>		<b>1.290.388.619</b>	<b>469.809.745</b>	<b>1.760.198.364</b>	<b>1.024.937.421</b>	<b>397.495.868</b>	<b>1.422.433.289</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF INCOME AS OF 31 DECEMBER 2019**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

**III. STATEMENT OF INCOME**

		Audited Current Period	Audited Prior Period
		1 January- 31 December 2019	1 January- 31 December 2018
INCOME AND EXPENSES	Note		
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>46.730.182</b>	<b>36.670.838</b>
1.1 Interest on Loans		37.070.330	28.811.827
1.2 Interest on Reserve Requirements		95.508	96.272
1.3 Interest on Banks		341.253	630.175
1.4 Interest on Money Market Transactions		-	57.377
1.5 Interest on Marketable Securities Portfolio		9.160.898	7.044.654
1.5.1 Fair Value Through Profit or Loss		10.163	15.305
1.5.2 Fair Value Through Other Comprehensive Income		1.497.658	288.106
1.5.3 Measured at Amortized Cost		7.653.077	6.741.243
1.6 Financial Lease Interest Income		-	-
1.7 Other Interest Income		62.193	30.533
<b>II. INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>36.118.146</b>	<b>28.591.260</b>
2.1 Interest on Deposits		23.537.115	20.719.577
2.2 Interest on Funds Borrowed		301.477	462.119
2.3 Interest Expense on Money Market Transactions		9.343.201	5.695.982
2.4 Interest on Securities Issued		2.582.362	1.463.544
2.5 Interest on Leases		94.269	-
2.6 Other Interest Expenses		259.722	250.038
<b>III. NET INTEREST INCOME (I - II)</b>		<b>10.612.036</b>	<b>8.079.578</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>2.778.218</b>	<b>1.949.657</b>
4.1 Fees and Commissions Received		3.879.937	2.725.776
4.1.1 Non – cash Loans		925.901	617.730
4.1.2 Other	(12)	2.954.036	2.108.046
4.2 Fees and Commissions Paid (-)		1.101.719	776.119
4.2.1 Non – cash Loans		151	125
4.2.2 Other	(12)	1.101.568	775.994
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>421.825</b>	<b>510.357</b>
<b>VI. TRADING INCOME / LOSS (Net)</b>	<b>(4)</b>	<b>(3.267.096)</b>	<b>149.255</b>
6.1 Trading Gains / (Losses) on Securities		293.392	29.870
6.2 Gains / (Losses) on Derivate Financial Transactions		(1.499.435)	1.934.763
6.3 Foreign Exchange Gains / (Losses)		(2.061.053)	(1.815.378)
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>2.407.440</b>	<b>624.474</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>12.952.423</b>	<b>11.313.321</b>
<b>IX. EXPECTED LOSS PROVISIONS (-)</b>	<b>(6)</b>	<b>4.551.745</b>	<b>2.354.618</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	<b>(6)</b>	<b>146.153</b>	<b>780.455</b>
<b>XI. PERSONNEL EXPENSE (-)</b>		<b>2.854.246</b>	<b>2.393.536</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>3.432.022</b>	<b>3.066.894</b>
<b>XIII. NET OPERATING INCOME /LOSS (IX-X-XI)</b>		<b>1.968.257</b>	<b>2.717.818</b>
<b>XIV. INCOME AFTER MERGER</b>			-
<b>XV. INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>			-
<b>XVI. INCOME / (LOSS) ON NET MONETARY POSITION</b>			-
<b>XVII. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)</b>	<b>(8)</b>	<b>1.968.257</b>	<b>2.717.818</b>
<b>XVIII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(247.948)</b>	<b>(196.023)</b>
18.1 Current Tax Provision		435.511	9.840
18.2 Deferred Tax Income Effect (+)		1.200.560	1.144.825
18.3 Deferred Tax Expense Effect (-)		1.388.123	958.642
<b>XIX. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)</b>	<b>(10)</b>	<b>1.720.309</b>	<b>2.521.795</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>			-
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		-	-
<b>XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>			-
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		-	-
<b>XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (IXX-XX)</b>			-
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>			-
23.1 Current Tax Provision		-	-
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		-	-
<b>XXIV. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)</b>			-
<b>XXV. NET PROFIT/(LOSS) (XVIII+XXIII)</b>	<b>(11)</b>	<b>1.720.309</b>	<b>2.521.795</b>
25.1 Profit / (Loss) of Group		1.720.309	2.521.795
25.2 Profit / (Loss) of Minority Shares (-)		-	-
Profit / (Loss) Per Share (full TRY)		1,3762472	2,017436

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

**TÜRKİYE HALK BANKASI AŞ****UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2019***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

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

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



**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss						Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss						Current Period Profit or (Loss)	Total Equity Expect Minority Shares	Minority Shares	Total Equity	
	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other(Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)					
<b>Audited (1 January – 31 December 2018)</b>																	
I. Prior Period End Balance	1.250.000	-	-	1.176.589	1.273.315	(10.263)	1.660.658	52.631	(687.760)	-	16.936.107	3.725.462	-	25.376.739	-	25.376.739	
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	704.534	-	704.534	-	704.534	
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	704.534	-	704.534	-	704.534	
III. Adjusted Beginning Balance (I+II)	1.250.000	-	-	1.176.589	1.273.315	(10.263)	1.660.658	52.631	(687.760)	-	16.936.107	4.429.996	-	26.081.273	-	26.081.273	
IV. Total Comprehensive Income	-	-	-	-	51.487	19.806	35.207	(54.085)	497.441	-	-	-	2.521.795	3.071.651	-	3.071.651	
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase / Decrease by Other Changes	-	-	-	54.085	-	-	-	-	-	-	-	-	-	54.085	-	54.085	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	3.539.188	(3.725.462)	-	(186.274)	-	(186.274)	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(186.274)	-	(186.274)	-	(186.274)	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3.539.188	(3.539.188)	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Period End Balance (III+IV+.....+X+XI)</b>	<b>1.250.000</b>	<b>-</b>	<b>-</b>	<b>1.230.674</b>	<b>1.324.802</b>	<b>9.543</b>	<b>1.695.865</b>	<b>(1.454)</b>	<b>(190.319)</b>	<b>-</b>	<b>20.475.295</b>	<b>704.534</b>	<b>2.521.795</b>	<b>29.020.735</b>	<b>-</b>	<b>29.020.735</b>	
<b>Audited (1 January – 31 December 2019)</b>																	
I. Prior Period End Balance	1.250.000	-	-	1.230.674	1.324.802	9.543	1.695.865	(1.454)	(190.319)	-	20.475.295	3.226.329	-	29.020.735	-	29.020.735	
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I+II)	1.250.000	-	-	1.230.674	1.324.802	9.543	1.695.865	(1.454)	(190.319)	-	20.475.295	3.226.329	-	29.020.735	-	29.020.735	
IV. Total Comprehensive Income	-	-	-	-	39.923	(69.402)	1.154.020	(4.392)	417.787	-	-	-	1.720.309	3.258.245	-	3.258.245	
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase / Decrease by Other Changes	-	-	-	(82.154)	-	-	-	-	-	-	-	-	-	(82.154)	-	(82.154)	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	3.226.329	(3.226.329)	-	-	-	-	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3.226.329	(3.226.329)	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Period End Balance (III+IV+.....+X+XI)</b>	<b>1.250.000</b>	<b>-</b>	<b>-</b>	<b>1.148.520</b>	<b>1.364.725</b>	<b>(59.859)</b>	<b>2.849.885</b>	<b>(5.846)</b>	<b>227.468</b>	<b>-</b>	<b>23.701.624</b>	<b>-</b>	<b>1.720.309</b>	<b>32.196.826</b>	<b>-</b>	<b>32.196.826</b>	

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR**  
**THE YEAR ENDED 31 DECEMBER 2019**

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

**VI. STATEMENT OF CASH FLOWS**

		<b>Audited</b>	<b>Audited</b>
		<b>Current Period</b>	<b>Prior Period</b>
	Note	<b>1 January- 31 December 2019</b>	<b>1 January- 31 December 2018</b>
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>	<b>(2.145.713)</b>	<b>(7.315.716)</b>
1.1.1	Interest received	41.515.749	30.747.266
1.1.2	Interest paid	(36.317.492)	(26.502.886)
1.1.3	Dividend received	421.825	233.086
1.1.4	Fees and commissions received	3.860.772	2.752.996
1.1.5	Other income	1.028.267	313.165
1.1.6	Collections from previously written off loans	1.724.309	1.144.167
1.1.7	Cash payments to personnel and service suppliers	(2.897.048)	(2.428.922)
1.1.8	Taxes paid	(328.962)	(596.308)
1.1.9	Other	(11.153.133)	(12.978.280)
		(1)	
<b>1.2</b>	<b>Changes in Assets and Liabilities Subject to Banking Operations</b>	<b>14.067.152</b>	<b>8.484.868</b>
1.2.1	Net Increase / decrease in financial assets at fair value through profit or loss	(1.770.628)	(35.210)
1.2.2	Net (increase) / decrease in due from banks	4.310	(212)
1.2.3	Net (increase) / decrease in loans	(53.305.408)	(49.399.681)
1.2.4	Net (increase) / decrease in other assets	3.092.729	(1.332.466)
1.2.5	Net increase / (decrease) in bank deposits	(3.440.223)	11.876.374
1.2.6	Net increase / (decrease) in other deposits	52.512.213	42.146.993
1.2.7	Net Increase / decrease in financial liabilities at fair value through profit or loss	-	-
1.2.8	Net increase / (decrease) in funds borrowed	(1.061.618)	(5.074.110)
1.2.9	Net increase / (decrease) in matured payables	-	-
1.2.10	Net increase / (decrease) in other liabilities	18.035.777	10.303.180
		(1)	
<b>I.</b>	<b>Net cash provided from banking operations</b>	<b>11.921.439</b>	<b>1.169.152</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>II.</b>	<b>Net cash provided from/ (used in) investing activities</b>	<b>(21.001.315)</b>	<b>(14.916.767)</b>
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(91.724)	(310.473)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	39.375	-
2.3	Fixed assets purchases	(312.283)	(925.381)
2.4	Fixed assets sales	703.331	367.994
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(20.221.954)	(10.680.798)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	11.491.552	5.765.227
2.7	Cash paid for purchase of investment securities	(16.370.108)	(12.918.165)
2.8	Cash obtained from sale of investment securities	3.823.785	3.785.416
2.9	Other	(63.289)	(587)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net cash flow from financing activities</b>	<b>7.174.667</b>	<b>5.044.485</b>
3.1	Cash obtained from loans borrowed and securities issued	11.916.250	7.993.795
3.2	Cash used for repayment of loans borrowed and securities issued	(4.478.815)	(2.763.036)
3.3	Bonds issued	-	-
3.4	Dividends paid	-	(186.274)
3.5	Payments for leases	(262.768)	-
3.6	Other	-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>2.395.944</b>	<b>5.212.885</b>
		(1)	
<b>V.</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>490.735</b>	<b>(3.490.245)</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of the period</b>	<b>23.631.619</b>	<b>27.121.864</b>
		(4)	
<b>VII.</b>	<b>Cash and cash equivalents at end of the period</b>	<b>24.122.354</b>	<b>23.631.619</b>
		(5)	

The accompanying notes are an integral part of these unconsolidated financial statement

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR**  
**THE YEAR ENDED 31 DECEMBER 2019**

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

**VII. STATEMENT OF PROFIT DISTRIBUTION**

	Audited	Audited
	Current Period	Prior Period
	31 December 2019**	31 December 2018
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1. Current Period Profit	1.968.257	2.717.818
1.2. Taxes and Legal Duties Payables (-)	(247.948)	(196.023)
1.2.1. Corporate Tax (Income Tax)	(435.511)	(9.840)
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	187.563	(186.183)
<b>A. Net Profit For The Period (1.1-1.2)</b>	<b>1.720.309</b>	<b>2.521.795</b>
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	126.090
1.5. Other Statutory Reserves (-)	-	-
<b>B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>2.395.705</b>
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 (-)	-	-
1.12. Extraordinary Reserves <sup>(*)</sup>	-	3.100.239
1.13. Other Reserves	-	-
1.14. Special Funds	-	-
<b>II. Distribution of Reserves</b>		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	-
2.3.1. To Owners of Ordinary Shares	-	-
2.3.2. To Owners of Privileged Shares	-	-
2.3.3. To Owners of Redeemed Shares	-	-
2.3.4. To Profit Sharing Bonds	-	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.4. Dividends to Personnel (-)	-	-
2.5. Dividends to Board of Directors (-)	-	-
<b>III. Earnings per Share</b>		
3.1. To Owners of Ordinary Shares	1,3762	2,0174
3.2. To Owners of Ordinary Shares (%)	137,62%	201,74%
3.3. To Owners of Privileged Shares	-	-
3.4. To Owners of Privileged Shares (%)	-	-
<b>IV. Dividend per Share</b>		
4.1. To Owners of Ordinary Shares	-	-
4.2. To Owners of Ordinary Shares (%)	-	-
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

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

\*\* Board of Directors meeting was not held as of 31 December 2019 financial reporting date.

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

The Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board (“BRSA”) and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards published by the Public Oversight Accounting (“POA”) and Auditing Standards Authority (“POA”) for the matters not regulated by the aforementioned legislations.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities carried at fair value. Amounts expressed in thousand Turkish Lira (“TRY”) unless otherwise stated.

Accounting policies and valuation principles used in the preparation of financial statements, have been determined and implemented in accordance with accounting and financial reporting principles in scope of the regulations, communiqués, explanations and circulars issued by the BRSA and for the matters not legislated by the aforementioned regulations, in accordance with TAS / TFRS principles (all together referred to as “BRSA Accounting and Financial Reporting Regulations”) issued by the POA.

In accordance with the “Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 with No. 30673, the accompanying previous period financial statements were presented in compliance with the new financial statement formats.

**Additional paragraph for convenience translation to English**

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**II. EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

a) The Bank's strategy on financial instruments:

Due to its historical mission, the Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Bank can raise funds from money markets and borrowings abroad.

The Bank follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Bank are evaluated in the weekly Asset and Liability Committee meetings.

b) The Bank's explanations on foreign currency transactions:

In the statutory records of the Bank, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and settlements of foreign currency transactions are reflected to the statement of profit or loss.

The financial statements of the foreign branches of the Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TRY which is the functional currency of the Bank and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches of the Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by at exchange rates at the dates of the transactions.

The Bank started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Halkbank A.D. Beograd (subsidiary), Halk Banka A.D. Skopje (subsidiary), Demirhalkbank NV (associate), foreign investments that are recognized under fair value accounting as hedged item, in compliance with TAS 39 standard. Accordingly, the effective portion of the foreign exchange differences is recorded under statement of profit or loss in the current period.

**III. EXPLANATIONS ON ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**

Associates and subsidiaries are accounted for the "Turkish Accounting Standard on Separate Financial Statements Standard" (TAS 27), "Turkish Accounting Standard for Investments in Associates and Joint Ventures" (TAS 28) and 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".

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS (continued)**

Pledges arising from derivative transactions recorded in off-balance sheet accounts with their agreement amounts. Derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under “derivative financial assets” or “derivative financial liabilities”, respectively depending on the fair values being positive or negative. Fair value changes of derivative instruments are recorded under statement of profit or loss in the gains and losses on derivative financial transactions line. Fair values of derivatives are calculated using discounted cash flow model or market value.

**Explanations related to credit derivatives and its risk exposures:**

The Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic’s credit risk. As of 31 December 2019, the bank has credit default conditioned cross currency swap transaction amounting to USD 310 million with 5 year maturity. In this transactions the Bank sells protection.

**V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES**

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TFRS 9 Standard.

Starting from 1 January 2018, the Bank has started to accrue interest on non-performing loans. Gross book value of the non-performing loans are discounted with effective interest rate.

**VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES**

Banking service income is recorded in the income in the period when they are collected. Prepaid fees and commission income obtained from cash and non-cash loans are recorded in the related period by using discounting method with internal rate of return according to the loan maturity within the matching principle.

Fee and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. These fee and commission expenses are booked under prepaid expenses and transferred to expense accounts in the related periods by using the straight accrual method according to the financial borrowing maturity within the matching principle.

**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.

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)**

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

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)**

*Assessment of Business Model (continued)*

**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.



**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)**

**Measurement Categories of Financial Assets and Liabilities**

As of 1 January 2018, the Bank classified all its financial assets based on the business model for managing the financial assets. Accordingly, the financial assets are classified as per TFRS 9 in three main categories listed below:

1. Financial assets measured at amortized cost,
2. Financial assets measured at fair value through other comprehensive income
3. Financial assets measured at fair value through profit/loss.

TFRS 9, explains how financial assets are classified in accordance with methods explained in Article 1 and 2 and other than these financial assets, remaining financial assets are classified in accordance with the method detailed in Article 3.

In addition, the Bank's securities portfolio includes government bonds indexed to consumer prices (CPI), which are valued and accounted for based on the effective interest method based on the index calculated by taking into account the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The reference indices used in the calculation of the actual coupon payment amounts of these assets are generated according to the CPI of previous two months. The Bank determines the estimated inflation rate accordingly. The inflation rate estimated by taking into consideration the expectations of the T.R. Central Bank and the Bank's expectations is updated during the year when deemed necessary.

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

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)**

**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.

***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.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**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.

**Calculation of Expected Credit Losses**

A credit loss is present value of calculated difference between the total cash flows that will occur based on the contractual terms of financial instruments and the total cash flows, which the Bank expects to collect, with the initial effective interest rate. The Bank calculates expected credit losses based on a probability – weighted estimate of credit losses (the present value of all cash shortfalls) over the expected life of the financial instruments. The Bank estimates the cash flows over the expected life of the financial instrument by taking into account all contractual terms of the financial instrument, and considers the weighted average of loan losses according to the relevant default risks for determining expected credit losses.

TFRS 9 Financial Instruments Standard allows the calculation of expected credit loss provisions in aggregate or individually by grouping financial assets with common credit risk characteristics. The Bank has been collectively calculating and accounting for expected credit loss provisions. As of 31 December 2019, the Bank has individually assessed a portion of the loans, which were classified as the 3rd stage lifetime expected credit loss-default whose ECL was collectively calculated since the date of transition to TFRS 9 standard as of 1 January 2018, on a prudent basis by assessing alternative cash flows and possible sales of collaterals, and adjusted the results of this assessment in the expected credit loss provisions which are reflected in the financial statements.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)**

**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.

**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.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)**

**Lifetime Expected Credit Losses (continued)**

“The definition of default used for these purposes applies consistently to all financial instruments unless information can be obtained that demonstrates that another definition of default is more appropriate for a particular financial instrument.” in line with Article 90 of the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches assumes that debt defaulted if at least one of the following two conditions occurs.

a) Considering that a debtor is unlikely to pay credit obligations to the Bank and to the Bank’s consolidated financial subsidiaries without using guarantees

b) Considering that a debtor having past due more than 90 days to the Bank or its consolidated financial subsidiaries

The expected loan loss provision for the loans classified as non-performing loans (Stage 3) is calculated using the estimation of loss given default (LGD). Aforementioned estimation is based on the historical data on a segment basis and determined by the principle loss charge, being the remaining amount after the collection made within the period after each segment has defaulted.

**Low Credit Risk**

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 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.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED**

Marketable securities subject to repurchase agreements are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds Obtained from Money Market" account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the "Receivables from Money Markets" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

**XI. EXPLANATIONS ON ASSETS HELD FOR SALE, ASSETS OF DISCONTINUED OPERATIONS AND RELATED LIABILITIES**

Assets that meet the criteria to be classified as held for sale are measured at carrying amount and depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify an asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active program to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year.

Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the statement of profit or loss.

**XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**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:

	<b>Estimated useful lives (Year)</b>	<b>Depreciation rate</b>
Buildings	50	2 %
Safes	50	2 %
Other movable properties	3-25	4-33,33 %
Assets held under financial leases	4-5	20-25 %

Leasehold improvements are depreciated over the useful lives on a straight-line basis. In any case useful life cannot exceed the lease period. If the duration of lease agreement is not determined or longer than five years, depreciation duration is considered as five years.

There is no change in accounting estimates that is expected to have significant effect in current period and subsequent periods.

There are no material mortgages, pledges or similar in cumbrances designated for the property, plant and equipment.

*Classification of Investment Properties:*

If a land or building is being used by an owner and the intention is changed to an investment property, this property is classified as an investment property.

When the use of an immovable is changed and reclassified as an investment property, the actual value of the date on which the change in the use of the named property takes place will be the cost of the subsequent accounting.

**XIV. EXPLANATIONS ON INVESTMENT PROPERTIES**

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties in the attached unconsolidated financial statements that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Investment properties are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XV. EXPLANATIONS ON LEASING TRANSACTIONS**

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portions of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Bank does not participate in the financial leasing transactions as a “lessor”.

According to “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. Impact and application of IFRS 16 concerning this transition were explained in section three, footnote XXIV.

**XVI. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES**

Provision and contingent liabilities are accounted in conformity with Turkish Accounting Standard on “Provisions, Contingent Liabilities and Contingent Assets” (TAS 37).

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



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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**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.

T. Halk Bankası Employee Pension Fund, T. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members including employees of the Bank. Provisional article 23 of the Banking Act No: 5411 requires the Bank’s pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers’ decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension funds would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly (TGNA) started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 “Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws”, which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Council of Ministers decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law numbered 6283 “Emendating Social Security and General Health Insurance Act”, which was published on the Official Gazette dated 8 March 2012 and numbered 28227, the authority of the Council of Ministers extending 2 years has been raised to 4 years.

The statement “The Council of Ministers have entitled to determine transfer period” has taken place in the scope of the Article 51 of the Law No: 6645 which was published on the Gazette on 23 April 2015 and numbered 29335.

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the present value of the actuarial liabilities will be calculated with the technical interest rate of 9,8%. Moreover, after the transfer to Social Insurance Institution, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2019 no technical deficit has been reported.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XVIII. EXPLANATIONS ON TAXATION**

In accordance with provisional article 10 of the Law No. 5520 on Taxation No. 7061 added to the Article No 91 of the Law on Taxation, the 20% rate institutions listed in the first paragraph of the Article 32 of the Corporate Tax Law are subject to the taxation periods of 2018, 2019 and 2020 (for fiscal years beginning in the year concerned for the designated institutions). In addition, the President of the Republic of Turkey is authorized to reduce the rate of 22% written in the first sentence to 20%

The tax rate used in the calculation of deferred tax assets and liabilities is 22% over temporary timing differences expected to reverse in 2018, 2019 and 2020 and 20% over temporary timing differences expected to reverse after 2021.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the statement of profit or loss since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

**Tax practices in the countries that foreign branches operate:**

*Turkish Republic of Northern Cyprus (TRNC)*

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax.

The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October.

On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

*Bahrain*

Banks in Bahrain are not subject to tax according to the regulations of the country.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**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.

The Bank has not issued any shares in the current and prior period. In accordance with the decision of the Higher Council of Privatization dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Bank shares were registered with the Capital Markets Board as per the CMB decision dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa İstanbul A.Ş. as of 10 May 2007.

As per the decision of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

**XXI. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES**

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

**XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES**

There are no government incentives utilized by the Bank.

**XXIII. EXPLANATIONS ON SEGMENT REPORTING**

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Bank. The Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking.

The information of the Bank's business segments is explained in Section Four, disclosure numbered VIII.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XXIV. EXPLANATIONS ON TFRS 16 LEASES STANDARD**

The Bank assesses whether the contract has the quality of a lease or whether the transaction includes a lease at the beginning of a contract.

A lease agreement is an agreement between two or more parties that gives the tenure the legally enforceable rights and obligations of the underlying asset. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. The Bank reflects the existence of a right-of-use and a lease liability to the financial statements at the effective date of the lease.

***Existence of right-of-use:***

As a result of internal evaluations, the Bank accounts real estate and vehicles subject to operational lease in accordance with TFRS 16. ATMs and other leasing transaction balances are not considered within the scope of TFRS 16 as they are below the materiality level and the corresponding rent payments are recognized under Current Period Expense.

At the commencement date, the Bank measures the right-of-use real estates considered as the cost of right-of-use asset being the right-of-use asset in accordance with TFRS 16. The cost of the right-of-use;

- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

When applying the cost method, The Bank takes into account the accumulated depreciation and impairment losses for the subsequent period measurement of the existence of right-of-use. The Bank applies the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating real assets considered as right-of-use asset.

The Bank applies TAS 36 Impairment of Assets to determine whether the real estates considered as right-of-use assets are impaired and to account for any impairment loss identified.

***The Lease Obligations:***

Based on TFRS 16, at the commencement date, the Bank measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the alternative borrowing interest rate.

After the commencement date, the Bank measures the lease liability as follows:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the book value to reflect the lease payments made,
- c) Reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

In the event of a modification in the lease agreement which affects the lease payments or defined assets, the Bank re-measures its lease liability by using the current borrowing rate. The Bank reflects the remeasured leasing liability and the right-of-use in the financial statements. On the other hand, changes such as the shortening of the lease term, the termination of the contract and the decreases in the scope of the underlying asset, the gains or losses are recognized in profit or loss.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XXIV. EXPLANATIONS ON TFRS 16 LEASES STANDARD (continued)**

**First Transition to TFRS 16 Leasing Standard**

“TFRS 16 Leases” Standard was promulgated in the Official Gazette to be applied in the accounting period starting on 31 December 2018. The Bank applied TFRS 16 “Leases” standard as of 1 January 2019 in its financial statements.

TFRS 16 Leases standard abolishes the dual accounting model previously applied for lessees through recognizing finance leases in the balance sheet whereas recognizing operational lease as off-balance sheet. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The Bank preferred to adopt the facilitative procedure at its first transition date and has not made any changes in the comparative financial statements of the previous period.

Details based on the asset with regard to the recognised asset tenure is as follows:

	1 January 2019	31 December 2019
<b>Existence of Right-of-use</b>		
Real Estate	513.592	648.209
Vehicles	85.867	85.889
<b>Total</b>	<b>599.459</b>	<b>734.098</b>

In accordance with TFRS 16, the Bank recognised a lease liability and right-of-use asset amounting to TRY 591.596 as of 1 January 2019 for leases previously classified as operating leases.

In accordance with TFRS 16, the Bank recognised prepaid rent payments amounting to TRY 7.863 as of 1 January 2019, under tangible assets as right-of-use which were previously classified under prepaid expenses.

As of 1 January 2019, the weighted average of the incremental borrowing interest rates applied to TL, EUR, USD and GBP lease liabilities presented in the Bank’s statement of financial position are 21,98%, 3,01%, 4,97% and 1,59% respectively.

	1 January 2019
Operational Leasing Commitments	1.012.188
Contracts that are excluded from the scope of TFRS 16 (-)	111.608
Total Leasing Liability	900.580
<b>Discounted Lease Obligation</b>	<b>591.596</b>

**XXV. EXPLANATIONS ON OTHER MATTERS**

None.

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**I. EXPLANATIONS ON CAPITAL**

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 December 2019, the Bank's capital adequacy ratio in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" is 14,33% (31 December 2018: 13,80%), The equity is calculated as TRY 46.543.894 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2018: TRY 37.119.404).

(1) Information on Equity items:

<b>Current Period</b>	<b>Amount</b>	<b>Amounts related to treatment before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
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	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>32.640.202</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
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 (-)	-	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>684.828</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>31.955.374</b>	

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**I. EXPLANATIONS ON CAPITAL (continued)**

<b>ADDITIONAL TIER I CAPITAL</b>	
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)	-
<b>Additional Tier I Capital before Deductions</b>	<b>5.958.900</b>
<b>Deductions from Additional Tier I Capital</b>	
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	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	
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 (-)	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>5.958.900</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>37.914.274</b>
<b>TIER II CAPITAL</b>	
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
<b>Tier II Capital Before Deductions</b>	<b>8.640.952</b>
<b>Deductions From Tier II Capital</b>	
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 (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>8.640.952</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>46.555.226</b>
<b>Total Tier I and Tier II Capital (Total Equity)</b>	
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

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**I. EXPLANATIONS ON CAPITAL (continued)**

<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
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 (-)	-
<b>TOTAL CAPITAL</b>	
Total Capital (Total of Tier I Capital and Tier II Capital)	46.543.894
Total Risk Weighted Assets	324.748.061
<b>Capital Adequacy Ratios</b>	
CET1 Capital Ratio (%)	9,84
Tier I Capital Ratio (%)	11,67
Capital Adequacy Ratio (%)	14,33
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio (a+b+c)	2,528
a) Capital Conservation Buffer Ratio (%)	2,5
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,028
c) Systemic significant bank buffer ratio %	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	5,34
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
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
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
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	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>	
<b>(effective between 1.1.2018-1.1.2022)</b>	
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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**I. EXPLANATIONS ON CAPITAL (continued)**

<b>Prior Period</b>	<b>Amount</b>	<b>Amounts related to treatment before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	20.476.807	
Other Comprehensive Income according to TAS	3.030.210	
Profit	3.226.329	
Current Period Profit	2.521.795	
Prior Period Profit	704.534	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.711	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>29.212.508</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	191.773	
Leasehold Improvements on Operational Leases	67.145	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	140.250	140.250
Net Deferred Tax Asset/Liability	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	
Mortgage Servicing Rights not deducted	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>399.168</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>28.813.340</b>	

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**I. EXPLANATIONS ON CAPITAL (continued)**

<b>ADDITIONAL TIER I CAPITAL</b>	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
<b>Additional Tier I Capital before Deductions</b>	-
<b>Deductions from Additional Tier I Capital</b>	-
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	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	-
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 (-)	-
<b>Total Deductions from Additional Tier I Capital</b>	-
<b>Total Additional Tier I Capital</b>	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>28.813.340</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.386.241
<b>Total Deductions from Tier II Capital</b>	<b>8.316.036</b>
<b>Deductions from Tier II Capital</b>	
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 (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>8.316.036</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>37.129.376</b>
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be Defined by the BRSA	9.972

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**I. EXPLANATIONS ON CAPITAL (continued)**

<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
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	-
<b>TOTAL CAPITAL</b>	
Total Capital ( Total of Tier I Capital and Tier II Capital )	37.119.404
Total Risk Weighted Assets	269.022.275
<b>CAPITAL ADEQUACY RATIOS</b>	
CET1 Capital Ratio (%)	10,71
Tier I Capital Ratio (%)	10,71
Capital Adequacy Ratio (%)	13,80
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio	1,894
Capital Conservation Buffer Ratio (%)	1,875
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,019
Systemic Bank Buffer Ratio (%)	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,71
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	96.102
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	428.967
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.480.963
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.386.241
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.386.241
Total Loan Provision that Exceeds Total Expected Loss Calculated According to 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	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>	
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.

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**I. EXPLANATIONS ON CAPITAL (continued)**

(3) Information about instruments to be included in the Equity Calculation:

<b>Details on Subordinated Liabilities:</b>				
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)	TRSTHALE2716	TRSTHAL62811	TRSTHAL92826	-
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA Legislation
<b>Regulatory treatment</b>				
Subject to 10% deduction as of 1/1/2015	No	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Bond	Bond	Bond	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980	5,959
Par value of instrument	1.000	1.950	2.980	-
Accounting classification	346.011	346.011	346.011	347.0001
Original date of issuance	20.10.2017	3.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	3.07.2018	26.09.2018	24.04.2019
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
<b>Coupons / dividends</b>				
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	-	-	-	-
<b>Convertible or non-convertible</b>				
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	-	-	-	-
<b>Write-down feature</b>				
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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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK**  
**MANAGEMENT OF THE BANK (continued)**

**II. EXPLANATIONS ON CREDIT RISK**

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Regional Lending Committees, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

In accordance with the risk management policies of the Bank, the limits are specified in respect of the main and sub-sectors. Those limits are monitored periodically.

The Bank, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk is concentrated in Turkey. As per the loan procedures, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations concerning the off-balance sheet operations based on the customers and banks are monitored systematically.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are diversified in accordance with the Bank's risk management system.

As prescribed in the related Communiqué, the credit worthiness of the debtors of the loans and other receivables is monitored regularly and statements of accounts taken for the loans are audited in line with the related regulations. Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Bank receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees obtained are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

When the Bank is exposed to significant credit risks, it has the tendency to discontinue its forward or similar type of transactions by exercising rights, fulfilling the requirements of or disposing of the agreements entered into to mitigate the total risk.

The Bank's largest 100 and 200 cash loan customers compose 27,38% and 32,89% of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 41,81% and 53,53% of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 18,18% and 23,09% of the total "on and off balance sheet" assets, respectively.

Stage I and Stage II expected losses for credit risks of the Bank is TRY 2.519.002 (31 December 2018: TRY 2.167.221).

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK**  
**MANAGEMENT OF THE BANK (continued)**

**II. EXPLANATIONS ON CREDIT RISK (continued)**

<b>Exposure Categories:</b>	<b>Current Period Credit Risk Amount<sup>(1)</sup></b>	<b>Average Risk Amount</b>	<b>Prior Period Risk Amount<sup>(1)</sup></b>	<b>Average Risk Amount</b>
Conditional and unconditional exposures to central governments or central banks	124.049.755	123.083.343	109.665.153	102.947.412
Conditional and unconditional exposures to regional governments or local authorities	3.097.478	3.401.161	3.887.468	3.644.851
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	683.403	1.005.144	3.222.987	3.019.967
Conditional and unconditional exposures to multilateral development banks	61.820	69.304	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	8.657.377	9.815.847	14.880.265	12.434.606
Conditional and unconditional exposures to corporates	159.760.536	151.341.491	138.320.043	114.674.725
Conditional and unconditional retail exposures	86.993.317	83.159.330	69.790.981	67.241.234
Conditional and unconditional exposures secured by real estate property	73.935.115	69.060.245	67.295.644	64.587.512
Past due items	6.746.506	4.192.562	2.209.042	1.447.185
Items in regulatory high-risk categories	-	16.107	139.449	98.848
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Stock Investments	3.991.139	5.000.428	4.787.354	4.338.928
Other Receivables	21.125.589	18.063.884	14.232.232	11.995.553

<sup>(1)</sup> Includes the risk amounts after credit conversions.

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)**

**II. EXPLANATIONS ON CREDIT RISK (continued)**

Profile of significant exposures in major regions:

	Risk Classifications <sup>(1)</sup>												Total
	Conditional and unconditional exposures to central governments 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 exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Stock Investments	Other	
<b>Current Period</b>													
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	21.125.485	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 <sup>(2)</sup>	-	-	-	-	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 <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>124.049.755</b>	<b>3.097.478</b>	<b>683.403</b>	<b>61.820</b>	<b>8.657.377</b>	<b>159.760.536</b>	<b>86.993.317</b>	<b>73.935.115</b>	<b>6.746.506</b>	<b>-</b>	<b>3.991.139</b>	<b>21.125.589</b>	<b>489.102.035</b>
<b>Prior Period</b>													
1. Domestic	109.662.173	3.887.468	3.222.987	-	4.304.053	136.415.695	69.663.624	66.893.682	2.154.542	139.449	4.787.354	14.232.232	415.363.259
2. European Union (EU) Countries	-	-	-	-	5.159.833	244.996	123.524	339.812	37.804	-	-	-	5.905.969
3. OECD Countries <sup>(2)</sup>	-	-	-	-	181.356	-	115	249	-	-	-	-	181.720
4. Off-Shore Banking Regions	-	-	-	-	1.035	-	16	-	-	-	-	-	1.051
5. USA, Canada	2.490	-	-	-	4.706.381	30.133	220	541	1	-	-	-	4.739.766
6. Other Countries	490	-	-	-	527.607	1.629.219	3.482	61.360	16.695	-	-	-	2.238.853
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>109.665.153</b>	<b>3.887.468</b>	<b>3.222.987</b>	<b>-</b>	<b>14.880.265</b>	<b>138.320.043</b>	<b>69.790.981</b>	<b>67.295.644</b>	<b>2.209.042</b>	<b>139.449</b>	<b>4.787.354</b>	<b>14.232.232</b>	<b>428.430.618</b>

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

<sup>(2)</sup> OECD Countries other than the EU Countries, USA and Canada.

<sup>(3)</sup> Assets and liabilities that are not consistently allocated.

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)**

**II. EXPLANATIONS ON CREDIT RISK (continued)**

Profile of significant exposures by sectors:

Current Period	Risk Classifications <sup>(1)</sup>													TRY	FC	Total
	Conditional and unconditional exposures to central governments 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 retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Stock Investments	Other				
Agriculture	550.287	-	64.926	78	-	2.732.722	1.074.084	1.236.139	338.617	-	-	159.534	4.074.967	2.081.420	6.156.387	
<i>Farming and Stockbreeding</i>	353.979	-	319	78	-	1.494.660	619.308	718.981	56.079	-	-	139.722	2.026.177	1.356.949	3.383.126	
<i>Forestry</i>	38.807	-	2	-	-	15.648	230.667	46.740	6.282	-	-	19.800	348.471	9.475	357.946	
<i>Fishery</i>	157.501	-	64.605	-	-	1.222.414	224.109	470.418	276.256	-	-	12	1.700.319	714.996	2.415.315	
Manufacturing	83.382.019	3.020.513	617.779	44.698	1.080.265	75.090.985	21.434.798	23.980.006	3.531.827	-	-	2.625.982	141.387.422	73.421.450	214.808.872	
<i>Mining and Quarrying</i>	31.852	-	111	-	-	53.962	102.952	78.532	8.286	-	-	722	265.154	11.263	276.417	
<i>Production Electricity, Gas and Water</i>	83.171.379	3.020.513	617.668	44.698	1.080.265	62.770.374	21.244.066	21.819.161	3.133.972	-	-	2.625.260	137.110.998	62.416.358	199.527.356	
Construction	178.788	-	-	-	-	12.266.649	87.780	2.082.313	389.569	-	-	-	4.011.270	10.993.829	15.005.099	
<i>Construction</i>	2.198	-	-	-	-	1.761	16.174	4.364	358	-	-	-	24.818	37	24.855	
Services	7.076.179	485	414	13.403	6.955.008	67.439.565	15.417.076	16.634.955	2.148.635	-	-	120.729	54.094.796	61.711.653	115.806.449	
<i>Wholesale and Retail Trade</i>	4.541.359	-	51	7.946	-	21.790.024	10.347.653	6.973.854	944.508	-	-	13.918	31.740.119	12.879.194	44.619.313	
<i>Accommodation and Dining</i>	1.044.448	10	185	124	-	8.123.957	1.481.318	6.564.644	302.242	-	-	93	3.993.271	13.523.750	17.517.021	
<i>Transportation and Telecom.</i>	232.718	-	-	382	-	2.517.286	460.109	402.149	118.834	-	-	16	1.866.052	1.865.442	3.731.494	
<i>Financial Institutions</i>	353.472	-	-	-	6.955.008	5.237.418	569.199	333.876	27.339	-	-	10.434	4.889.920	8.596.826	13.486.746	
<i>Real Estate and Rental Services</i>	556.770	-	122	1.766	-	28.278.836	2.210.067	1.520.596	710.368	-	-	96.086	9.303.465	24.071.146	33.374.611	
<i>Professional Services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<i>Educational Services</i>	34	-	31	-	-	110.917	5.837	1.730	-	-	-	3	118.203	349	118.552	
<i>Health and Social Services</i>	347.378	475	25	3.185	-	1.381.127	342.893	838.106	45.344	-	-	179	2.183.766	774.946	2.958.712	
Other	33.039.072	76.480	284	3.641	622.104	14.495.503	49.051.185	32.079.651	727.069	-	3.991.139	18.219.344	109.278.452	43.027.020	152.305.472	
<b>Toplam</b>	<b>124.049.755</b>	<b>3.097.478</b>	<b>683.403</b>	<b>61.820</b>	<b>8.657.377</b>	<b>159.760.536</b>	<b>86.993.317</b>	<b>73.935.115</b>	<b>6.746.506</b>	<b>-</b>	<b>3.991.139</b>	<b>21.125.589</b>	<b>308.860.455</b>	<b>180.241.580</b>	<b>489.102.035</b>	

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



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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)**

**II. EXPLANATIONS ON CREDIT RISK (continued)**

Profile of significant exposures by sectors (continued):

Prior Period	Risk Classifications <sup>(1)</sup>														
	Conditional and unconditional exposures to central governments 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 retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Stock Investments	Other	TRY	FC	Total
Agriculture	134.020	53	-	-	-	338.824	550.304	132.684	14.817	-	-	-	911.151	259.551	1.170.702
<i>Farming and Stockbreeding</i>	122.792	53	-	-	-	184.088	523.879	120.565	12.025	-	-	-	830.418	132.984	963.402
<i>Forestry</i>	252	-	-	-	-	-	6.184	1.219	-	-	-	-	7.655	-	7.655
<i>Fishery</i>	10.976	-	-	-	-	154.736	20.241	10.900	2.792	-	-	-	73.078	126.567	199.645
Manufacturing	8.884.851	234	1.272.633	-	-	53.731.376	10.014.758	20.010.482	694.345	-	-	-	44.064.471	50.544.208	94.608.679
<i>Mining and Quarrying</i>	109.537	-	805.542	-	-	1.770.984	157.367	182.730	6.249	-	-	-	558.439	2.473.970	3.032.409
<i>Production Electricity, Gas and Water</i>	8.624.750	8	449.974	-	-	39.691.704	9.787.964	18.124.680	687.835	-	-	-	40.511.602	36.855.313	77.366.915
Construction	1.407.604	-	537	-	-	14.545.477	1.886.668	2.062.057	236.735	-	-	-	12.775.941	7.363.137	20.139.078
Services	8.203.650	10.654	1.242.486	-	14.880.265	38.233.309	31.918.120	19.482.630	1.008.379	-	-	14.232.232	75.847.857	53.363.868	129.211.725
<i>Wholesale and Retail Trade</i>	6.153.897	2.033	602.851	-	-	15.503.881	19.589.454	9.122.895	698.998	-	-	-	42.563.861	9.110.148	51.674.009
<i>Accommodation and Dining</i>	1.078.626	169	1.903	-	-	7.554.255	1.093.823	5.565.525	209.694	-	-	-	3.183.389	12.320.606	15.503.995
<i>Transportation and Telecom.</i>	351.622	8.448	284.352	-	-	4.568.147	9.465.398	863.509	24.282	-	-	-	11.035.464	4.530.294	15.565.758
<i>Financial Institutions</i>	17.801	-	328.209	-	14.880.265	3.907.693	42.816	859.627	8	-	-	14.232.232	13.811.998	20.456.653	34.268.651
<i>Real Estate and Rental Services</i>	117.843	-	1.066	-	-	4.380.943	533.121	1.838.687	47.049	-	-	-	1.639.639	5.279.070	6.918.709
<i>Professional Services</i>	7.186	-	-	-	-	128	860.036	126.002	3.173	-	-	-	996.178	347	996.525
<i>Educational Services</i>	181.628	-	753	-	-	1.542.807	157.533	335.122	10.224	-	-	-	1.345.053	883.014	2.228.067
<i>Health and Social Services</i>	295.047	4	23.352	-	-	775.455	175.939	771.263	14.951	-	-	-	1.272.275	783.736	2.056.011
Other	91.035.028	3.876.527	707.331	-	-	31.471.057	25.421.131	25.607.791	254.766	139.449	4.787.354	-	114.899.826	68.400.608	183.300.434
<b>Toplam</b>	<b>109.665.153</b>	<b>3.887.468</b>	<b>3.222.987</b>	<b>-</b>	<b>14.880.265</b>	<b>138.320.043</b>	<b>69.790.981</b>	<b>67.295.644</b>	<b>2.209.042</b>	<b>139.449</b>	<b>4.787.354</b>	<b>14.232.232</b>	<b>248.499.246</b>	<b>179.931.372</b>	<b>428.430.618</b>

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

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK**  
**MANAGEMENT OF THE BANK (continued)**

**II. EXPLANATIONS ON CREDIT RISK (continued)**

Analysis of maturity-bearing exposures according to remaining maturities <sup>(\*)</sup> <sup>(\*\*)</sup>:

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	33.272.343	1.672.278	1.623.236	3.668.299	83.813.599
2. Conditional and unconditional exposures to regional governments or local authorities	36.606	7.960	26.224	151.177	2.875.511
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	113.572	19.977	58.811	118.090	372.953
4. Conditional and unconditional exposures to Multilateral Development Banks	1.913	158	728	5.341	53.680
5. Conditional and unconditional exposures to banks and brokerage houses	7.080.738	42.578	112.048	202.019	1.219.994
6. Conditional and unconditional exposures to corporates	20.997.648	9.426.949	12.437.726	22.824.185	94.074.028
7. Conditional and unconditional retail exposures	9.611.734	1.906.790	3.242.169	10.531.970	61.700.654
8. Conditional and unconditional exposures secured by real estate property	2.780.686	1.525.774	2.377.212	8.587.746	58.663.697
9. Past due items	6.746.506	-	-	-	-
10. Items in Regulatory High-Risk Categories	-	-	-	-	-
11. Stock Investments	3.991.139	-	-	-	-
12. Other Items	18.040.731	26	620	1.505	3.082.707
<b>Total</b>	<b>102.673.616</b>	<b>14.602.490</b>	<b>19.878.774</b>	<b>46.090.332</b>	<b>305.856.823</b>

<sup>(\*)</sup> Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	735.725	1.065.719	1.879.945	5.026.597	100.957.167
2. Conditional and unconditional exposures to regional governments or local authorities	59.384	15.347	34.494	267.893	3.510.350
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	550.016	38.004	16.752	248.893	2.369.322
4. Conditional and unconditional exposures to Multilateral Development Banks	-	-	-	-	-
5. Conditional and unconditional exposures to banks and brokerage houses	1.097.616	7.227	79.432	164.222	13.531.768
6. Conditional and unconditional exposures to corporates	13.409.753	5.369.780	10.270.035	20.074.976	89.195.499
7. Conditional and unconditional retail exposures	5.150.848	1.910.231	3.362.121	9.833.393	49.534.388
8. Conditional and unconditional exposures secured by real estate property	5.997.814	2.352.518	4.405.199	9.664.818	44.875.295
9. Past due items	2.209.042	-	-	-	-
10. Items in Regulatory High-Risk Categories	-	-	-	-	139.449
11. Stock Investments	4.787.354	-	-	-	-
12. Other Items	-	-	-	-	14.232.232
<b>Total</b>	<b>33.997.552</b>	<b>10.758.826</b>	<b>20.047.978</b>	<b>45.280.792</b>	<b>318.345.470</b>

<sup>(\*)</sup> Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)**

**II. EXPLANATIONS ON CREDIT RISK (continued)**

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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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)**

**II. EXPLANATIONS ON CREDIT RISK (continued)**

Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (continued):

Credit Quality Grade and Rating Matching Table								
Credit Quality Grade	IIIRA		Fitch					Exposures to Corporates
	Rating	Exposures to Central Governments or Central Banks	Exposures to administrative bodies and other non-commercial undertakings			Exposures to Banks and Brokerage Houses		
			Rating	Institutions and Organizations included in the tables (I), (II), (III) and (IV) annexed to the Public Financial Management and Control Law No. 5018	Other Public Institutions and Organizations	Exposures with Original Maturities Less Than 90 Days	Exposures with Original Maturities More Than 90 Days	
1	AAA	0%	AAA	0%	20%	20%	20%	20%
	AA+		AA+					
	AA		AA					
2	AA-	20%	AA-	20%	50%	20%	50%	50%
	A+		A+					
	A		A					
3	A-	50%	A-	50%	100%	20%	50%	100%
	BBB+		BBB+					
	BBB		BBB					
4	BBB-	100%	BBB-	100%	100%	50%	100%	100%
	BB+		BB+					
	BB		BB					
5	BB-	100%	BB-	100%	100%	50%	100%	150%
	B+		B+					
	B		B					
6	B-	150%	B-	150%	150%	150%	150%	150%
	CCC+		CCC+					
	CCC		CCC					
	CC		CC					
	C		C					
D	D							

**Receivables from consolidated private sector:**

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
TURKEY	226.012.114	-	226.012.114
VIRGIN ISLAND (US)	1.851.015	-	1.851.015
CYPRUS	413.554	-	413.554
MALTA	183.802	-	183.802
KYRGYZSTAN	110.023	-	110.023
OTHERS <sup>(*)</sup>	3.742	-	3.742

\* Risk-Weighted Assets TRY 4 Million (Full TRY) are grouped under OTHER headings.

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK**  
**MANAGEMENT OF THE BANK (continued)**

**II. EXPLANATIONS ON CREDIT RISK (continued)**

Exposures by risk weights:

<b>Current Period</b>													
<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>2%</b>	<b>4%</b>	<b>Deductions from Equity</b>
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
<b>Prior Period</b>													
<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>250%</b>	<b>2%</b>	<b>4%</b>	<b>Deductions from Equity</b>
1. Exposures before													
Credit Risk Mitigation	73.508.423	-	9.642.887	-	32.965.075	126.177.701	185.568.116	139.449	-	428.967	-	-	217.367
2. Exposures after													
Credit Risk Mitigation	94.611.740	844.508	11.256.495	39.424.628	63.770.557	69.339.342	148.614.932	139.449	-	428.967	-	-	217.367

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**MANAGEMENT OF THE BANK (continued)**

**II. EXPLANATIONS ON CREDIT RISK (continued)**

Information by major sectors and type of counterparties:

Current Period	Credits		
	Significant Increase in Credit Risk (Stage II) <sup>(1)</sup>	Credit – Impaired Losses (Stage III) <sup>(2)</sup>	Expected Credit Loss (IFRS 9) <sup>(3)</sup>
Major Sectors /Counterparties			
<b>Agriculture</b>	<b>97.776</b>	<b>117.429</b>	<b>94.695</b>
<i>Farming and Stockbreeding</i>	87.996	89.941	78.096
<i>Forestry</i>	370	459	464
<i>Fishery</i>	9.410	27.029	16.135
<b>Manufacturing</b>	<b>4.142.481</b>	<b>4.916.006</b>	<b>2.957.692</b>
<i>Mining and Quarrying</i>	107.619	150.630	137.924
<i>Production</i>	4.015.449	4.227.353	2.562.709
<i>Electricity, Gas and Water</i>	19.413	538.023	257.059
<b>Construction</b>	<b>4.720.039</b>	<b>2.275.794</b>	<b>1.502.951</b>
<b>Services</b>	<b>12.528.002</b>	<b>5.494.438</b>	<b>3.642.135</b>
<i>Wholesale and Retail Trade</i>	4.510.825	2.980.233	2.122.250
<i>Accommodation and Dining</i>	1.664.203	662.986	435.152
<i>Transportation and</i>			
<i>Telecommunication</i>	654.303	197.165	128.597
<i>Financial Institutions</i>	598.581	14.320	27.413
<i>Real Estate and Rental Services</i>	4.761.555	1.073.968	629.883
<i>Professional Services</i>	69.481	13.135	10.301
<i>Educational Services</i>	102.297	428.836	193.147
<i>Health and Social Services</i>	166.757	123.795	95.392
<b>Other</b>	<b>2.667.812</b>	<b>1.131.851</b>	<b>851.792</b>
<b>Total</b>	<b>24.156.110</b>	<b>13.935.518</b>	<b>9.049.265</b>

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

<sup>(2)</sup>Income accruals amounting to TRY 1.984.563 are not included in the table.

<sup>(3)</sup>Income accruals amounting to TRY 1.048.853 are not included in the table.

Prior Period	Credits		
	Significant Increase in Credit Risk (Stage II) <sup>(1)</sup>	Credit – Impaired Losses (Stage III) <sup>(2)</sup>	Expected Credit Loss (IFRS 9)
Major Sectors /Counterparties			
<b>Agriculture</b>	<b>61.571</b>	<b>94.426</b>	<b>83.701</b>
<i>Farming and Stockbreeding</i>	43.700	81.747	73.186
<i>Forestry</i>	75	459	458
<i>Fishery</i>	17.796	12.220	10.057
<b>Manufacturing</b>	<b>3.416.604</b>	<b>3.084.864</b>	<b>2.917.906</b>
<i>Mining and Quarrying</i>	77.570	132.735	137.373
<i>Production</i>	2.849.228	2.950.818	2.770.526
<i>Electricity, Gas and Water</i>	489.806	1.311	10.007
<b>Construction</b>	<b>3.455.401</b>	<b>1.001.285</b>	<b>1.020.615</b>
<b>Services</b>	<b>7.670.019</b>	<b>3.074.423</b>	<b>2.729.579</b>
<i>Wholesale and Retail Trade</i>	2.980.358	2.041.457	1.693.754
<i>Accommodation and Dining</i>	697.975	529.816	393.511
<i>Transportation and</i>			
<i>Telecommunication</i>	402.501	75.085	81.280
<i>Financial Institutions</i>	848.267	11.384	70.776
<i>Real Estate and Rental Services</i>	2.519.288	304.117	379.895
<i>Professional Services</i>	43.507	10.065	8.609
<i>Educational Services</i>	83.983	21.452	22.513
<i>Health and Social Services</i>	94.140	81.047	79.241
<b>Other</b>	<b>1.381.168</b>	<b>904.371</b>	<b>713.971</b>
<b>Total</b>	<b>15.984.763</b>	<b>8.159.369</b>	<b>7.465.772</b>

<sup>(1)</sup>Income accruals amounting to TRY 722.649 are not included in the table.

<sup>(2)</sup>Income accruals amounting to TRY 368.479 are not included in the table.

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK**  
**MANAGEMENT OF THE BANK (continued)**

**II. EXPLANATIONS ON CREDIT RISK (continued)**

Movements in value adjustments and provisions:

<b>Current Period</b>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments</b>	<b>Closing Balance</b>
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

<b>Prior Period</b>	<b>Opening Balance</b>	<b>Provision for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments*</b>	<b>Closing Balance</b>
1. Specific Provisions	4.779.272	1.696.341	(311.309)	118.988	6.283.292
2. General Provisions	2.134.958	471.301	(140)	(438.898)	2.167.221

\* TFRS 9 includes ECL balances due to transition effect.

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**MANAGEMENT OF THE BANK (continued)**

**II. EXPLANATIONS ON CREDIT RISK (continued)**

The net value of collaterals which amounts to TRY 24.156.110 for loans under close monitoring by type distinction are disclosed in the table below (31 December 2018: TRY 15.984.763).

<b>Collateral Types<sup>(*)</sup></b>	<b>Net Value of Collateral Current Period</b>
Real estate mortgage	11.114.990
Salary pledge, vehicle pledge and pledge of commercial undertaking	332.986
Financial collaterals (cash, securities pledge, etc.)	-
Cheque / bills	119.840
Sureties	4.054.828
Other	8.533.466
<b>Total</b>	<b>24.156.110</b>

<sup>(\*)</sup> Income accruals amounting to TRY 1.203.781 are not included in the table.

<b>Collateral Types<sup>(*)</sup></b>	<b>Net Value of Collateral Prior Period</b>
Real estate mortgage	8.858.842
Salary pledge, vehicle pledge and pledge of commercial undertaking	346.283
Financial collaterals (cash, securities pledge, etc.)	20
Cheque / bills	71.310
Sureties	2.902.069
Other	3.806.239
<b>Total</b>	<b>15.984.763</b>

<sup>(\*)</sup> Income accruals amounting to TRY 722.649 are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 13.935.518 followed under non-performing loans section is below (31 December 2018: TRY 8.159.369):

<b>Collateral Types<sup>(2)</sup></b>	<b>Net Value of Collateral Current Period</b>
Cash	3.911
Mortgage	3.315.662
Pledge	390.681
Cheque / bills	4.120
Sureties	7.098.432
Other <sup>(1)</sup>	3.122.712
<b>Total</b>	<b>13.935.518</b>

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

<sup>(2)</sup> Income accruals amounting to TRY 1.984.563 are not included in the table.

<b>Collateral Types<sup>(2)</sup></b>	<b>Net Value of Collateral Prior Period</b>
Cash	4.638
Mortgage	2.013.867
Pledge	365.992
Cheque / bills	3.142
Sureties	4.203.026
Other <sup>(1)</sup>	1.568.704
<b>Total</b>	<b>8.159.369</b>

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

<sup>(2)</sup> Income accruals amounting to TRY 368.479 are not included in the table.



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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK**  
**MANAGEMENT OF THE BANK (continued)**

**III. EXPLANATIONS ON CURRENCY RISK**

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

In accordance with “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”, the foreign currency position risk of the Group is measured by “standard method” and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. The currency risk has been closely followed. The Bank makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Bank as at financial statement date and the previous five working days in full TRY are as follows:

	<b>24.12.2019</b>	<b>25.12.2019</b>	<b>26.12.2019</b>	<b>27.12.2019</b>	<b>30.12.2019</b>	<b>31.12.2019</b>
USD	5,9100000	5,9200000	5,9100000	5,9300000	5,9100000	5,9000000
CHF	6,0124000	6,0250000	6,0188000	6,0679000	6,0874000	6,0966000
GBP	7,6423000	7,6593000	7,6629000	7,7555000	7,7591000	7,7781000
JPY	0,0538574	0,0537593	0,0537615	0,0539829	0,0540500	0,0541523
EURO	6,5480000	6,5715000	6,5577000	6,6164000	6,6177000	6,6210000

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

	<b>Buying rate of exchange</b>
USD	5,8281818
CHF	5,9226682
GBP	7,6237727
JPY	0,0532374
EURO	6,4781045

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK**  
**MANAGEMENT OF THE BANK (continued)**

**III. EXPLANATIONS ON CURRENCY RISK (continued)**

Information related to currency risk:

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>OTHER FC</b>	<b>TOTAL</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	15.953.857	13.036.966	3.025.300	32.016.123
Banks	1.603.564	1.337.552	301.935	3.243.051
Financial assets at fair value through profit and loss <sup>(3)</sup>	-	64	-	64
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income	2.801.775	500.487	-	3.302.262
Loans <sup>(2)</sup>	45.639.444	39.018.083	896.893	85.554.420
Subsidiaries, associates and entities under common control	482.671	-	1.429.212	1.911.883
Financial assets measured at amortised cost	6.680.149	12.231.169	-	18.911.318
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	212	212
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	210.346	1.168.402	6.142	1.384.890
<b>Total assets</b>	<b>73.371.806</b>	<b>67.292.723</b>	<b>5.659.694</b>	<b>146.324.223</b>
<b>Liabilities</b>				
Bank deposits	9.148.208	4.183.972	409.111	13.741.291
Foreign currency deposits	57.848.058	51.363.057	8.308.183	117.519.298
Money market balances	2.356.660	594.634	-	2.951.294
Funds provided from other financial institutions	6.372.339	4.106.051	8.254	10.486.644
Bonds issued	-	10.512.530	-	10.512.530
Sundry creditors	236.882	251.141	55	488.078
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	6.593.772	483.497	72.109	7.149.378
<b>Total liabilities</b>	<b>82.555.919</b>	<b>71.494.882</b>	<b>8.797.712</b>	<b>162.848.513</b>
<b>Net balance sheet position</b>	<b>(9.184.113)</b>	<b>(4.202.159)</b>	<b>(3.138.018)</b>	<b>(16.524.290)</b>
<b>Net off-balance sheet position</b>				
<b>Financial derivative assets<sup>(4)</sup></b>	<b>9.671.543</b>	<b>8.010.056</b>	<b>3.971.397</b>	<b>21.652.996</b>
<b>Financial derivative liabilities<sup>(4)</sup></b>	<b>1.377.305</b>	<b>8.076.083</b>	<b>899.602</b>	<b>10.352.990</b>
<b>Non-cash loans<sup>(1)</sup></b>	<b>28.499.086</b>	<b>18.424.330</b>	<b>2.323.178</b>	<b>49.246.594</b>
<b>Prior period</b>				
Total assets	61.549.098	67.929.714	7.965.633	137.444.445
Total liabilities	61.266.452	72.715.170	5.127.473	139.109.095
<b>Net balance sheet position</b>	<b>282.646</b>	<b>(4.785.456)</b>	<b>2.838.160</b>	<b>(1.664.650)</b>
<b>Net off-balance sheet position</b>				
<b>Financial derivative assets</b>	<b>1.429.164</b>	<b>10.031.927</b>	<b>941.418</b>	<b>12.402.509</b>
<b>Financial derivative liabilities</b>	<b>1.739.810</b>	<b>5.789.839</b>	<b>2.805.238</b>	<b>10.334.887</b>
<b>Non-cash loans<sup>(1)</sup></b>	<b>22.836.419</b>	<b>21.002.596</b>	<b>2.032.875</b>	<b>45.871.890</b>

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

<sup>(2)</sup> Includes TRY 233.440 of foreign currency indexed loans and their accruals.

<sup>(3)</sup> In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", prepaid expenses (TRY 337) in assets; and shareholders' equity (TRY 425.005) in liabilities are not taken into consideration in the currency risk measurement.

<sup>(4)</sup> Financial derivative assets include forward precious metal purchase transactions amounted to TRY 954.621 and precious metal purchase transactions amounted to TRY 2.149.575. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 132.599. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK**  
**MANAGEMENT OF THE BANK (continued)**

**IV. EXPLANATIONS ON INTEREST RATE RISK**

Loss that may arise due to asset-liability and interest-sensitive assets mismatches based on the repricing (interest rate change) periods of the off-balance sheet positions represent the interest rate risk. Among the positions subject to these risks, those evaluated in trading accounts are taken into account in market risk, while positions in banking books are subject to interest rate risk calculations arising from banking books.

The Bank's interest rate risks are managed by the internal limits set within the scope of the "Policies for the Management of Interest Rate Risk" approved by the Board of Directors. Sensitivity, duration and gap analyzes are carried out on a daily basis for interest rate risks, primarily risk weighted asset and economic value change measurements. The interest rate risks exposed are monitored on a daily basis and reported to the Bank's Top Management and related business units.

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**MANAGEMENT OF THE BANK (continued)**

**IV. EXPLANATIONS ON INTEREST RATE RISK (continued)**

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates):

<b>Current period</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 Months</b>	<b>1-5 years</b>	<b>5 years and over</b>	<b>Non-bearing interest</b>	<b>Total</b>
<b>Assets</b>							
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 at fair value through other comprehensive income	3.309	3.049.156	4.378.714	5.837.986	757.544	232.075	14.258.784
Loans <sup>(4)</sup>	77.301.990	47.047.508	81.570.652	68.303.275	12.266.909	22.717.767	309.208.101
Financial assets measured at amortised cost <sup>(4)</sup>	850.392	23.922.480	7.574.636	17.565.511	22.295.336	-	72.208.355
Other assets <sup>(4)</sup>	168.294	2.510	6.464	20.048	196	6.666.815	6.864.327
<b>Total assets</b>	<b>81.504.721</b>	<b>74.021.654</b>	<b>93.547.240</b>	<b>91.726.884</b>	<b>35.319.985</b>	<b>80.924.917</b>	<b>457.045.401</b>
<b>Liabilities</b>							
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 <sup>(3)</sup>	470.581	4.428.248	3.109.478	2.126.207	809.331	72.996	11.016.841
Other liabilities <sup>(1),(2)</sup>	1.000.000	-	16.104.082	-	10.888.695	43.209.744	71.202.521
<b>Total liabilities</b>	<b>228.057.586</b>	<b>69.467.523</b>	<b>37.891.153</b>	<b>9.275.885</b>	<b>11.698.026</b>	<b>100.655.228</b>	<b>457.045.401</b>
Balance sheet long position	-	4.554.131	55.656.087	82.450.999	23.621.959	-	166.283.176
Balance sheet short position	(146.552.865)	-	-	-	-	(19.730.311)	(166.283.176)
Off-balance sheet long position	610.000	1.664.000	7.773.732	88.667	5.546.352	21.337.771	37.020.522
Off-balance sheet short position	(20.000)	(425.000)	(7.917.232)	(1.049.537)	(5.546.352)	(21.324.619)	(36.282.740)
<b>Total position</b>	<b>(145.962.865)</b>	<b>5.793.131</b>	<b>55.512.587</b>	<b>81.490.129</b>	<b>23.621.959</b>	<b>(19.717.159)</b>	<b>737.782</b>

<sup>(1)</sup> TRY 309.861 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

<sup>(2)</sup> Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

<sup>(3)</sup> Funds provided from other financial institutions include borrowings.

<sup>(4)</sup> Net of follow-up loans are disclosed under the non-bearing interest column in other assets.

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**MANAGEMENT OF THE BANK (continued)**

**IV. EXPLANATIONS ON INTEREST RATE RISK (continued)**

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items based on re-pricing dates (continued):

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	16.093.521	-	-	-	-	18.863.529	34.957.050
Banks and financial institutions	3.497.158	-	4.000	-	-	1.639.585	5.140.743
Financial assets at fair value through profit and loss	50.564	-	50.092	185	21.478	14.374.380	14.496.699
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	-	653.968	1.019.806	1.892.010	280.070	141.340	3.987.194
Loans <sup>(4)</sup>	37.534.966	33.990.655	98.206.961	61.221.795	14.092.705	14.027.144	259.074.226
Held-to-maturity investments <sup>(4)</sup>	301.635	10.740.146	7.619.028	10.233.030	19.720.629	7.458.585	56.073.053
Other assets <sup>(4)</sup>	830.862	2.840	7.760	26.791	1.328	3.823.509	4.693.090
<b>Total assets</b>	<b>58.308.706</b>	<b>45.387.609</b>	<b>106.907.647</b>	<b>73.373.811</b>	<b>34.116.210</b>	<b>60.328.072</b>	<b>378.422.055</b>
<b>Liabilities</b>							
Bank deposits	8.615.098	1.529.114	10.000	-	-	20.787.230	30.941.442
Other deposits	119.237.540	47.476.465	17.240.991	388.921	1.752	33.568.143	217.913.812
Money market balances	37.129.670	842.273	-	-	-	190.118	38.162.061
Sundry creditors	2.390.541	-	-	-	-	2.189.240	4.579.781
Bonds issued	673.665	1.338.032	2.634.853	10.208.711	-	192.717	15.047.978
Funds provided from other financial institutions <sup>(3)</sup>	254.331	5.159.773	2.934.349	2.425.903	1.043.018	98.653	11.916.027
Other liabilities <sup>(1)(2)</sup>	1.150.250	7	26.889	14.529.699	6.870.185	37.283.924	59.860.954
<b>Total liabilities</b>	<b>169.451.095</b>	<b>56.345.664</b>	<b>22.847.082</b>	<b>27.553.234</b>	<b>7.914.955</b>	<b>94.310.025</b>	<b>378.422.055</b>
Balance sheet long position	-	-	84.060.565	45.820.577	26.201.255	-	156.082.397
Balance sheet short position	(111.142.389)	(10.958.055)	-	-	-	(33.981.953)	(156.082.397)
Off-balance sheet long position	1.032.864	1.415.000	4.506.341	1.139.324	3.208.897	13.021.620	24.324.046
Off-balance sheet short position	(646.460)	(1.054.000)	(4.084.721)	(1.983.234)	(3.208.897)	(12.906.156)	(23.883.468)
<b>Total position</b>	<b>(110.755.985)</b>	<b>(10.597.055)</b>	<b>84.482.185</b>	<b>44.976.667</b>	<b>26.201.255</b>	<b>(33.866.489)</b>	<b>440.578</b>

<sup>(1)</sup> TRY 452.769 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

<sup>(2)</sup> Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

<sup>(3)</sup> Funds provided from other financial institutions include borrowings.

<sup>(4)</sup> Non-performing loans is disclosed under the non-bearing interest column in other assets.

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**MANAGEMENT OF THE BANK (continued)**

**IV. EXPLANATIONS ON INTEREST RATE RISK (continued)**

2. Average interest rates applied to financial instruments (%):

Current period	EUR	USD	JPY	TRY
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT <sup>(5)</sup>	-	-	-	10,00
Due from other banks and financial institutions <sup>(1)</sup>	0,18	1,09	-	10,06
Financial assets at fair value through profit and loss	-	4,76	-	12,91
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,77	5,15	-	18,15
Loans <sup>(2)</sup>	5,28	7,04	3,1	13,93
Financial assets measured at amortised cost	4,77	5,93	-	19,62
<b>Liabilities</b>				
Bank deposits	0,36	2,49	-	9,12
Other deposits <sup>(4)</sup>	0,44	1,86	0,25	9,87
Money market borrowings	2,21	6,61	-	11,37
Sundry creditors <sup>(3)</sup>	-	-	-	4,50
Bonds issued	-	4,38	-	14,45
Funds provided from other financial institutions	1,11	3,22	3,10	11,48

<sup>(1)</sup> Interest rates are calculated using weighted average method for placements as of the balance sheet date.

<sup>(2)</sup> Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.

<sup>(3)</sup> Declared maximum TRY deposits interest rate with a maturity of twelve months as of 31 December 2019.

<sup>(4)</sup> Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2019.

<sup>(5)</sup> Average interest rates for reserve requirements of the CBRT.

Prior Period	EUR	USD	JPY	TRY
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT <sup>(5)</sup>	-	2,00	-	13,00
Due from other banks and financial institutions <sup>(1)</sup>	0,19	2,22	-	19,58
Financial assets at fair value through profit and loss	-	6,62	-	18,62
Money market placements	-	-	-	-
Available-for-sale financial assets	4,05	5,83	-	24,36
Loans <sup>(2)</sup>	5,15	7,22	1,54	16,25
Held-to-maturity investments	-	5,61	-	21,94
<b>Liabilities</b>				
Bank deposits	2,98	5,30	-	24,33
Other deposits <sup>(4)</sup>	2,50	4,54	0,25	18,82
Money market borrowings	-	4,55	-	23,35
Sundry creditors <sup>(3)</sup>	-	-	-	4,75
Bonds issued	-	4,46	-	16,46
Funds provided from other financial institutions	0,85	2,80	1,40	12,07

<sup>(1)</sup> Interest rates are calculated using weighted average method for placements as of the balance sheet date.

<sup>(2)</sup> Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.

<sup>(3)</sup> Declared maximum TRY deposits interest rate with a maturity of twelve months as of 31 December 2018.

<sup>(4)</sup> Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2018.

<sup>(5)</sup> Average interest rates for reserve requirements of the CBRT.

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**IV. EXPLANATIONS ON INTEREST RATE RISK (continued)**

3. The interest rate risk of the banking book items:

The interest rate risks incurred due to interest-sensitive positions in the Bank's trading and banking books are managed within the scope of the "Policies for the Management of Interest Rate Risk" which is approved by the Board of Directors. Interest-sensitive positions in the trading accounts are evaluated within the scope of market risks, while positions other than trading accounts are subject to interest rate risk arising from banking books.

Interest rate risks are measured on a daily basis using the standard shock method due to the net positions created by the assets and liabilities in the banking books and off-balance sheet positions in the relevant maturity brackets according to repricing periods. Measurement results are daily reported to the Bank's Top Management and related business units. Statutory reporting is made on a monthly basis in accordance with the "Regulation on Measurement and Evaluation of the Interest Rate Risk Arising from Banking Books by Standard Shock Method" published in the Official Gazette dated 23 August 2011 and numbered 28034.

According to the mentioned regulation, the ratio of losses incurred due to economic value changes after interest shocks to own funds - legal maximum rate - is limited to 20%. On the other hand, the Bank's internally determined limit and risk appetite levels are monitored on a daily basis, provided that they are below the legal maximum rate.

The below table indicates the changes in the economic value that occurred after the interest rate shocks applied on the basis of foreign currency types and their ratio to statutory equity.

<b>Current Period</b>			
<b>Currency</b>	<b>Applied Shock (+/- x basis point)</b>	<b>Gains/(Losses)</b>	<b>Gains/Shareholders' Equity –Losses/ Shareholders' Equities</b>
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%
<b>Total (For negative shocks)</b>		<b>7.953.249</b>	<b>17,09%</b>
<b>Total (For positive shocks)</b>		<b>(8.027.972)</b>	<b>(17,25%)</b>
<b>Prior Period</b>			
<b>Currency</b>	<b>Applied Shock (+/- x basis point)</b>	<b>Gains/(Losses)</b>	<b>Gains/Shareholders' Equity –Losses/ Shareholders' Equities</b>
1 TRY	500	(4.147.592)	(11,17%)
	(400)	3.990.457	10,75%
2 EUR*	200	610.795	1,64%
	(200)	(654.359)	(1,76%)
3 USD	200	(1.027.985)	(2,77%)
	(200)	1.493.270	4,02%
<b>Total (For negative shocks)</b>		<b>4.829.368</b>	<b>13,01%</b>
<b>Total (For positive shocks)</b>		<b>(4.564.782)</b>	<b>(12,30%)</b>

\* Other currencies are shown under EUR.

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**V. EXPLANATIONS ON POSITION RISK OF SHARES**

Information about position risk of shares:

Equities	Carrying Value	Comparison		Capital Requirements
		Fair Value Change	Market Value	
Investment in Shares-Grade A	814.812	814.812	814.812	65.185
Quoted Securities <sup>(1)</sup>	814.812	814.812	814.812	65.185
Investment in Shares-Grade B	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares-Grade C	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares- Grade D <sup>(2)</sup>	576.997	576.997		46.160
Other	4.954.170	4.934.854		282.125

<sup>(1)</sup> The Bank's subsidiary Halk Gayrimenkul Yatırım Ortaklığı A.Ş was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul A.Ş.

<sup>(2)</sup> In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta A.Ş are traded on the Borsa Istanbul A.Ş Free Trading Platform. The fair value of Halk Sigorta A.Ş was determined by the valuation report prepared by an independent valuation company.

Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

Portfolio	Realized gains/ losses in the current period	Revaluated appreciation in the fair value		Unrealized gains and losses		
		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 <sup>(1) (2)</sup>	-	416.051	416.051	-	-	-
3. Other share certificates	-	2.433.834	2.433.834	-	-	-
<b>Total</b>	<b>-</b>	<b>2.849.885</b>	<b>2.849.885</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta A.Ş are traded on the Borsa Istanbul A.Ş Free Trading Platform. The fair value of Halk Sigorta A.Ş was determined by the valuation report prepared by an independent valuation company.

<sup>(2)</sup> The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı A.Ş was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul A.Ş.



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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK  
MANAGEMENT OF THE BANK (continued)**

**VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO**

The liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open position cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

The liquidity risks of the Bank are managed within the framework of risk and transaction limits approved by the Board of Directors, and the written duties and responsibilities of the units related to liquidity risk management is established. Within this scope, limits are determined in terms of TRY and FC for the purposes of following gap values for certain maturity tranches for liquidity analysis. On the other hand, for Treasury transactions; there are upper limits on TRY and FX terms in all maturities in the over-the-counter market, upper limits on repo and reverse repo transactions that can be realized in TRY and FC terms with maximum FX position limits on all maturities in the interbank market, and maximum limits on foreign currency position, forward and swap transactions.

Liquidity risk analyzes (gap analysis, core deposit reports, etc.) are conducted on a daily basis and shared with the Bank's top management and related departments. In addition, results of liquidity analysis are evaluated at the Asset and Liability Committee (ALCO) meetings.

On the other hand, metrics within the scope of "Liquidity Emergency Action Plan"(LEAP) approved by the Board of Directors and early warning indicators related to these metrics are monitored on a daily basis. Written actions, if required, to be taken as part of this plan are determined. In extent with LEAP, necessary actions and their priority for possible liquidity stress/crisis have been determined and Liquidity Risk Committee have been established.

The extension of the maturity structure of term deposits which reflects the primary funding source for the Bank, the development of new products encouraging savings and the protection of core deposit levels have been implemented as a strategic objective. Limits have been determined for issuing bonds based on Turkish Lira to provide long term funding resource for the purposes of extending maturity structure of liabilities besides deposits.

For the purposes of utilizing advantage of the new borrowing facilities in line with the needs of the Bank, alternative funding resources are evaluated in parallel with the close monitoring of price/cost movements in international capital markets and with convenient conditions.

The reduction of liquidity risk is provided by effective collateral management structure. Upper borrowing limits are determined under certain criteria and balance sheet size related with the domestic organized markets (CBRT, BIST and TAKASBANK) by the relevant authorities. Existing limits available to use are continuously monitored, through the Bank's projected and instant liquidity needs under the condition that depositing and/or withdrawing additional collateral.

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**VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)**

According to “Regulation for Banks’ Liquidity Coverage Ratio Calculations”, for the purposes of foreign currency and total liquidity coverage ratio (“LCR”), banks are required to have the ability to cover net cash outflows with high quality liquid assets. Mentioned ratios are calculated by using high quality liquid assets divided by net cash outflows to be realized within 30 days based on TRY+FC and FC. According to the mentioned Regulation, the legal minimum limits of the LCR ratio on both unconsolidated and consolidated basis should be 100% for TRY+FC and 80% for FC.

High quality liquid assets are composed of 40,87% accounts held by the CBRT and the Central Banks of the foreign branches, 54,58% securities considered as high quality liquid assets and 4,30% cash and cash equivalents.

The main funding source of the Bank is deposits, other funding sourced are money market borrowings, securities issued and subordinated debt instruments, funds borrowed, and the rest consists of other sources.

As in the previous period, derivative transactions did not cause a net cash outflow that would negatively affect the liquidity position. The estimated cash outflows from derivative financial instruments and other liabilities calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, are TRY 725.331.

The Bank does not have any operational or legal restrictions on liquidity transfer to subsidiaries or foreign branches. Each of the consolidated subsidiaries manage their own liquidity risk and liquidity adequacy is ensured on a consolidated basis.

Liquidity ratios and its daily changes are calculated and monitored daily under Liquidity Coverage Ratio and Liquidity Emergency Action Plan which is reported to the Audit Committee and the Asset-Liability Committee regularly.

Throughout the current period, Bank’s Liquidity Coverage Ratio’s lowest and highest values and the weeks of these values are monitored are given in the table below:

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Week	(%)	Related Week	(%)
Maximum	02.12.2019 08.12.2019	417,44	23.12.2019 29.12.2019	129,37
Minimum	23.12.2019 29.12.2019	261,65	14.10.2019 20.10.2019	108,09

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**VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)**

Current Period	Total Unweighted Value (average) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			70.779.704	37.316.289
<b>Cash Outflows</b>				
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
<b>Total Cash Outflows</b>			<b>77.810.721</b>	<b>35.969.088</b>
<b>Cash Inflows</b>				
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
<b>Total Cash Inflows</b>	<b>25.021.367</b>	<b>28.125.725</b>	<b>16.202.513</b>	<b>26.410.469</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>70.779.704</b>	<b>37.316.289</b>
<b>Total Net Cash Outflows</b>			<b>61.608.208</b>	<b>10.574.505</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>115,01%</b>	<b>362,17%</b>

<sup>(1)</sup> Calculated by simple arithmetic average, daily consolidated average calculated for the last three months of the liquidity coverage ratio.

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**VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)**

	Total Unweighted Value (average) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>Prior Period</b>				
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			53.548.927	26.490.737
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	117.269.443	44.798.169	10.455.442	4.479.817
Stable Deposits	25.430.055	-	1.271.503	-
Less Stable Deposits	91.839.388	44.798.169	9.183.939	4.479.817
Unsecured wholesale funding , of which;	103.093.631	45.323.571	42.320.022	19.834.657
Operational Deposits	35.321.677	10.662.628	8.830.419	2.665.657
Non-operational Deposits	62.172.418	31.656.223	28.650.071	14.640.113
Other Unsecured Funding	5.599.536	3.004.720	4.839.532	2.528.887
Secured Funding			-	-
Other cash outflows, of which;	7.984.120	4.929.059	3.826.946	2.655.849
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	347.969	778.628	347.969	778.628
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	7.636.151	4.150.431	3.478.977	1.877.221
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	99.664.172	42.704.070	7.991.349	3.477.943
<b>Total Cash Outflows</b>			<b>64.593.759</b>	<b>30.448.266</b>
<b>Cash Inflows</b>				
Secured Lending	-	-	-	-
Unsecured Lending	25.940.951	11.734.050	18.347.893	9.836.691
Other Cash Inflows	188.791	2.008.440	188.791	2.008.440
<b>Total Cash Inflows</b>	<b>26.129.742</b>	<b>13.742.490</b>	<b>18.536.684</b>	<b>11.845.131</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>53.548.927</b>	<b>26.490.737</b>
<b>Total Net Cash Outflows</b>			<b>46.057.075</b>	<b>18.603.135</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>116,32%</b>	<b>143,36%</b>

<sup>(1)</sup> Calculated by simple arithmetic average, daily consolidated average calculated for the last three months of the liquidity coverage ratio.

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**MANAGEMENT OF THE BANK (continued)**

**VI. EXPLANATIONS ON THE LIQUIDITY RISK AND THE LIQUIDITY COVERAGE**  
**RATIO (continued)**

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
<b>Assets</b>								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	3.665.972	30.822.609	-	-	-	-	-	34.488.581
Banks	1.816.214	1.934.253	-	-	-	-	-	3.750.467
Financial assets at fair value through profit and loss	-	265	-	16.120.856	64	-	145.601	16.266.786
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	17	5.411	4.273.334	8.737.387	1.010.560	232.075	14.258.784
Loans	18.263.928	20.164.911	16.160.500	78.564.490	141.224.423	34.829.849	-	309.208.101
Financial assets measured at amortised cost	-	514.084	1.548.135	3.729.291	34.850.595	31.566.250	-	72.208.355
Other assets <sup>(2)</sup>	2.440	375.002	426.986	418.966	20.049	114.097	5.506.787	6.864.327
<b>Total assets</b>	<b>23.748.554</b>	<b>53.811.141</b>	<b>18.141.032</b>	<b>103.106.937</b>	<b>184.832.518</b>	<b>67.520.756</b>	<b>5.884.463</b>	<b>457.045.401</b>
<b>Liabilities</b>								
Bank deposits	5.961.576	13.119.579	8.508.642	6.395	-	-	-	27.596.192
Other deposits	46.476.767	156.579.563	46.275.360	20.447.168	357.942	1.184	-	270.137.984
Funds provided from other financial institutions <sup>(3)</sup>	18	259.707	632.688	2.956.245	4.517.530	2.650.653	-	11.016.841
Money market balances	-	52.606.097	4.947	-	-	590.000	-	53.201.044
Bonds issued	-	596.293	6.641.601	2.722.764	7.630.629	-	-	17.591.287
Sundry creditors	18.765	2.545.163	169.986	689.830	2.154.351	29.053	692.384	6.299.532
Other liabilities <sup>(1)</sup>	-	4.234.530	179.297	16.860.287	2.038.792	13.524.348	34.365.267	71.202.521
<b>Total liabilities</b>	<b>52.457.126</b>	<b>229.940.932</b>	<b>62.412.521</b>	<b>43.682.689</b>	<b>16.699.244</b>	<b>16.795.238</b>	<b>35.057.651</b>	<b>457.045.401</b>
<b>Liquidity gap</b>	<b>(28.708.572)</b>	<b>(176.129.791)</b>	<b>(44.271.489)</b>	<b>59.424.248</b>	<b>168.133.274</b>	<b>50.725.518</b>	<b>(29.173.188)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>(12.519)</b>	<b>16.111</b>	<b>161.060</b>	<b>573.130</b>	<b>-</b>	<b>-</b>	<b>737.782</b>
Derivative financial assets	-	15.932.714	3.118.560	5.162.933	1.713.612	11.092.703	-	37.020.522
Derivative financial liabilities	-	(15.945.233)	(3.102.449)	(5.001.873)	(1.140.482)	(11.092.703)	-	(36.282.740)
<b>Non-cash loans</b>	<b>28.217.353</b>	<b>3.032.626</b>	<b>8.898.156</b>	<b>31.352.078</b>	<b>15.861.958</b>	<b>2.555.497</b>	<b>-</b>	<b>89.917.668</b>
<b>Prior Period</b>								
Total Assets	15.681.497	47.990.670	16.040.755	96.169.983	137.872.891	61.765.833	2.900.426	378.422.055
Total Liabilities	52.716.986	172.040.885	53.115.444	38.500.199	19.338.166	11.503.484	31.206.891	378.422.055
<b>Liquidity Gap</b>	<b>(37.035.489)</b>	<b>(124.050.215)</b>	<b>(37.074.689)</b>	<b>57.669.784</b>	<b>118.534.725</b>	<b>50.262.349</b>	<b>(28.306.465)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>44.220</b>	<b>(121.257)</b>	<b>(8.676)</b>	<b>526.291</b>	<b>-</b>	<b>-</b>	<b>440.578</b>
Derivative financial assets	-	8.365.005	1.275.142	4.617.257	3.648.848	6.417.794	-	24.324.046
Derivative financial liabilities	-	(8.320.875)	(1.396.399)	(4.625.933)	(3.122.557)	(6.417.794)	-	(23.883.468)
<b>Non-cash loans</b>	<b>2.567.374</b>	<b>3.295.072</b>	<b>5.997.297</b>	<b>29.566.343</b>	<b>16.377.306</b>	<b>25.236.433</b>	<b>-</b>	<b>83.039.825</b>

<sup>(1)</sup> Shareholders' equity is disclosed in other liabilities line under the undistributed column.

<sup>(2)</sup> 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.

<sup>(3)</sup> Funds provided from other financial institutions include borrowings.

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**VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (continued)**

Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to 1 month	1-3 Months	3-12			Adjustments	Total
			Months	1-5 Years	Over 5 Years		
<b>Liabilities</b>							
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
<b>Total</b>	<b>276.324.211</b>	<b>62.707.227</b>	<b>27.870.718</b>	<b>15.568.347</b>	<b>5.033.853</b>	<b>(4.752.004)</b>	<b>382.752.352</b>
Prior Period	Up to 1 month	1-3 Months	3-12			Adjustments	Total
			Months	1-5 Years	Over 5 Years		
<b>Liabilities</b>							
Deposits	181.681.653	50.297.860	18.640.620	511.690	2.180	(2.278.749)	248.855.254
Funds provided from other financial intuitions	214.523	1.420.946	2.989.372	5.081.929	3.156.489	(947.232)	11.916.027
Money market borrowings	35.262.078	336.034	108.059	2.292.146	703.800	(540.056)	38.162.061
Securities issued	747.875	1.563.635	3.030.039	11.429.907	-	(1.723.478)	15.047.978
Funds	178.780	4.497	118.765	311.297	2.260.831	(49)	2.874.121
<b>Total</b>	<b>218.084.909</b>	<b>53.622.972</b>	<b>24.886.855</b>	<b>19.626.969</b>	<b>6.123.300</b>	<b>(5.489.564)</b>	<b>316.855.441</b>

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

Analysis of Bank's derivative financial instruments according to their remaining maturities:

Current Period: <sup>(1)</sup>	Up to 1 month	1-3		3-12		Over 5 Years	Total
		Months	Months	1-5 Years	Months		
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	-	-	-	-	-	-	
<b>Total</b>	<b>34.003.658</b>	<b>6.327.922</b>	<b>10.164.804</b>	<b>2.854.093</b>	<b>22.185.408</b>	<b>75.535.885</b>	

<sup>(1)</sup>Forward asset purchase and sale commitments have been included in the table amounts of TRY 2.232.623.

Prior Period: <sup>(1)</sup>	Up to 1 month	1-3		3-12		Over 5 Years	Total
		Months	Months	1-5 Years	Months		
Forwards Contracts- Buy	3.605.673	871.411	952.254	-	-	5.429.338	
Forward Contracts – Sell	1.731.132	653.285	850.428	-	-	3.234.845	
Swaps – Buy	5.398.995	425.234	1.003.129	1.370.200	-	8.197.558	
Swaps – Sell	5.394.184	539.119	1.113.630	843.910	-	7.890.843	
Credit Default Swap – Buy	-	-	-	-	-	-	
Credit Default Swap – Sell	-	-	-	-	-	-	
Forward Precious Metal - Buy	89.699	-	-	-	-	89.699	
Forward Precious Metal - Sell	1.925.522	224.248	-	-	-	2.149.770	
Money Buy Options	218.558	49.200	2.661.875	-	-	2.929.633	
Money Sell Options	218.538	49.200	2.661.875	-	-	2.929.613	
Swaps Interest – Buy	-	-	-	2.278.648	6.417.794	8.696.442	
Swaps Interest – Sell	-	-	-	2.278.648	6.417.794	8.696.442	
<b>Total</b>	<b>18.582.301</b>	<b>2.811.697</b>	<b>9.243.191</b>	<b>6.771.406</b>	<b>12.835.588</b>	<b>50.244.183</b>	

<sup>(1)</sup>Forward asset purchase and sale commitments have been included in the table amounts of TRY 2.036.669.

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**VII. EXPLANATIONS ON LEVERAGE RATIO**

Leverage ratio calculated according to the article "Regulation Regarding the Measurement and Evaluation of Banks' Leverage Level" published in the Official Gazette No. 28812 dated 5 November 2013 is as follows.

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>On-Balance Sheet Items</b>		
1.On-balance sheet items (excluding derivatives and SFTs, but including collateral)	449.580.786	373.308.958
2.Assets that are deducted from core capital	(217.070)	(198.802)
3.Total on balance sheet exposures	449.363.716	373.110.156
<b>Derivative exposures and credit derivatives</b>		
4.Replacement cost associated with derivative financial instruments and credit derivatives	1.128.580	1.060.813
5.The potential amount of credit risk with derivative financial instruments and credit derivatives	537.343	301.456
6.The total amount of risk on derivative financial instruments and credit derivatives	1.665.923	1.362.269
<b>Investment securities or commodity collateral financing transactions</b>		
7.The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	3.055.227	1.524.846
8.Risk amount of exchange brokerage operations	-	-
9.Total risks related with securities or commodity financing transactions	3.055.227	1.524.846
<b>Off -Balance Sheet Items</b>		
10.Gross notional amount of off-balance sheet items	117.633.355	107.657.161
11.Adjustments for conversion to credit equivalent amounts	-	-
12.The total risk of off-balance sheet items	117.633.355	107.657.161
<b>Capital and Total Exposures</b>		
13.Tier 1 Capital	36.962.755	28.323.502
14.Total Exposures	571.718.221	483.654.432
<b>Leverage Ratio</b>		
15.Leverage Ratio	6,47%	5,86%

<sup>(1)</sup> The amounts in the table represent three-month averages.

**VIII. EXPLANATIONS ON BUSINESS SEGMENTATION**

The Bank's operations are grouped under the corporate, commercial, integrated banking and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Bank's operations are grouped under the corporate, commercial, integrated banking and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises as well as individual consumers. In this context, the Bank has no restrictions on the area in which it operates.

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**VIII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)**

The Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real persons without having any commercial or professional purposes other than their individual demands in the 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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**VIII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)**

Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 December 2019 are presented in the table below.

<b>Current Period (1 January-31 December 2019)</b>	<b>Commercial/ Corporate</b>	<b>SME/ Integrated</b>	<b>Treasury/ Investment</b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>				
Interest income	12.545.001	24.910.172	9.275.009	46.730.182
<i>Interest on loans</i>	12.542.532	24.451.585	76.213	37.070.330
<i>Interest income on marketable securities</i>	-	440.623	8.720.275	9.160.898
<i>Interest received from banks</i>	-	-	341.253	341.253
<i>Other interest income</i>	2.469	17.964	137.268	157.701
Interest expense	7.748.765	14.622.240	13.747.141	36.118.146
<i>Interest on deposits</i>	7.704.419	14.165.507	1.667.189	23.537.115
<i>Interest on borrowings</i>	34.472	75.019	191.986	301.477
<i>Interest on money market borrowings</i>	-	189.927	9.153.274	9.343.201
<i>Interest on marketable bonds issued</i>	-	-	2.582.362	2.582.362
<i>Other interest expense</i>	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
<b>Income before taxes</b>	<b>4.614.688</b>	<b>8.396.083</b>	<b>(11.042.514)</b>	<b>1.968.257</b>
Income tax provision	-	-	(247.948)	(247.948)
<b>Net profit for the period</b>	<b>4.614.688</b>	<b>8.396.083</b>	<b>(11.290.462)</b>	<b>1.720.309</b>
<b>SEGMENT ASSETS (31 December 2019)</b>				
Marketable securities <sup>(1)</sup>	-	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 <sup>(1)</sup>	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
<b>TOTAL ASSETS</b>	<b>119.172.472</b>	<b>188.130.525</b>	<b>149.742.404</b>	<b>457.045.401</b>
<b>SEGMENT LIABILITIES (31 December 2019)</b>				
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
<b>TOTAL LIABILITIES</b>	<b>112.085.715</b>	<b>195.814.886</b>	<b>149.144.800</b>	<b>457.045.401</b>
<b>OFF-BALANCE SHEET ITEMS (31 December 2019)</b>				
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
<b>TOTAL OFF-BALANCE SHEET ITEMS</b>	<b>48.362.136</b>	<b>54.395.175</b>	<b>91.088.899</b>	<b>193.846.210</b>

<sup>(1)</sup> TFRS 9 Expected Credit Loss provisions is presented in related lines.

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**VIII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)**

<b>Prior Period</b> <b>(1 January-31 December 2018)</b>	<b>Corporate/ Commercial</b>	<b>SME/ Integrated</b>	<b>Treasury/ Investment</b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>				
Interest income	9.036.006	20.166.245	7.468.587	36.670.838
<i>Interest on loans</i>	9.034.886	19.700.018	76.923	28.811.827
<i>Interest income on marketable securities</i>	-	441.185	6.603.469	7.044.654
<i>Interest received from banks</i>	-	6	630.169	630.175
<i>Other interest income</i>	1.120	25.036	158.026	184.182
Interest expense	3.877.712	15.455.276	9.258.272	28.591.260
<i>Interest on deposits</i>	3.836.813	15.110.679	1.772.085	20.719.577
<i>Interest on borrowings</i>	9.532	41.519	411.068	462.119
<i>Interest on money market borrowings</i>	-	184.063	5.511.919	5.695.982
<i>Interest on marketable bonds issued</i>	-	-	1.463.544	1.463.544
<i>Other interest expense<sup>(2)</sup></i>	31.367	119.015	99.656	250.038
Net interest income	5.158.294	4.710.969	(1.789.685)	8.079.578
Net fees and commissions income	692.490	979.116	278.051	1.949.657
Net trading profit / (loss)	15.028	1.024.491	(890.264)	149.255
Dividend income	-	-	510.357	510.357
Other income	152.172	318.097	154.205	624.474
Impairment losses on loans and other receivables	728.469	1.119.258	506.891	2.354.618
Other expenses	454.650	2.119.558	3.666.677	6.240.885
<b>Income before taxes</b>	<b>4.834.865</b>	<b>3.793.857</b>	<b>(5.910.904)</b>	<b>2.717.818</b>
Income tax provision	-	-	(196.023)	(196.023)
<b>Net profit for the period</b>	<b>4.834.865</b>	<b>3.793.857</b>	<b>(6.106.927)</b>	<b>2.521.795</b>
<b>SEGMENT ASSETS</b>				
<b>(31 December 2018)</b>				
Marketable securities <sup>(1)</sup>	-	8.756.221	65.792.636	74.548.857
Derivative financial assets held for trading	-	102.003	959.477	1.061.480
Banks and money market receivables	-	2.088	5.138.627	5.140.715
Associates and subsidiaries (net)	-	-	4.770.799	4.770.799
Loans <sup>(1)</sup>	95.618.369	152.062.318	2.943.026	250.623.713
Other assets	746.613	2.793.595	38.736.283	42.276.491
<b>TOTAL ASSETS</b>	<b>96.364.982</b>	<b>163.716.225</b>	<b>118.340.848</b>	<b>378.422.055</b>
<b>SEGMENT LIABILITIES</b>				
<b>(31 December 2018)</b>				
Deposits	84.389.782	141.103.733	23.361.739	248.855.254
Derivative financial liabilities held for trading	-	53.332	357.106	410.438
Money market balances	-	5.402.273	32.759.788	38.162.061
Borrowing funding loans	393.832	1.114.372	10.407.823	11.916.027
Bonds issued	-	-	15.047.978	15.047.978
Other liabilities	1.184.135	7.070.252	23.778.483	32.032.870
Provisions and tax payable	246.071	288.821	2.441.800	2.976.692
Shareholders' equity	4.948.569	3.392.443	20.679.723	29.020.735
<b>TOTAL LIABILITIES</b>	<b>91.162.389</b>	<b>158.425.226</b>	<b>128.834.440</b>	<b>378.422.055</b>
<b>OFF BALANCE SHEET ITEMS</b>				
<b>(31 December 2018)</b>				
Guarantees and sureties	46.602.170	23.260.633	13.177.022	83.039.825
Commitments	966.222	9.648.799	15.482.619	26.097.640
Derivative financial instruments	-	12.025.139	36.182.375	48.207.514

<sup>(1)</sup> 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
<b>Financial Assets</b>	<b>419.959.999</b>	<b>419.576.250</b>	<b>350.743.976</b>	<b>334.011.632</b>
Cash and Balances with the Central Bank of Turkey	34.488.581	34.488.581	34.957.050	34.957.050
Financial assets at fair value through P&L <sup>(3) (4)</sup>	547	547	56.114	56.114
Banks	3.750.467	3.750.219	5.140.743	5.139.615
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income <sup>(1)</sup>	14.239.466	14.239.466	3.970.638	3.970.638
Other Financial Assets Measured at Amortised Cost	72.208.355	71.794.693	56.073.053	50.114.605
Loans <sup>(2)</sup>	295.272.583	295.302.744	250.546.378	239.773.610
<b>Financial Liabilities</b>	<b>386.776.517</b>	<b>387.269.307</b>	<b>318.971.539</b>	<b>325.986.447</b>
Deposits	297.734.176	298.039.708	248.855.254	250.559.277
Derivative financial liabilities held for trading	353.718	353.718	410.438	410.438
Funds provided from other financial institutions	11.016.841	11.369.633	11.916.027	12.263.014
Money market borrowings	53.201.044	53.422.883	38.162.061	38.328.639
Securities issued	17.591.287	17.203.914	15.047.978	19.845.298
Miscellaneous payables	6.299.526	6.299.526	4.579.781	4.579.781
Leasing payables	579.925	579.925	-	-

<sup>(1)</sup> As of 31 December 2019, TRY 19.318 (31 December 2018: TRY 16.556) of "equity investments not quoted on stock exchange" followed in financial assets at fair value through other comprehensive income are not included.

<sup>(2)</sup> Net of follow-up loans has not been included in the table above.

<sup>(3)</sup> As of 31 December 2019, marketable securities amounting to TRY 162.158 (31 December 2018: TRY 66.205) that are valued by internal rate of return, are not included in financial assets held for trading purpose.

<sup>(4)</sup> Securities lending transactions amounting to TRY 16.104.081 (31 December 2018: TRY 14.374.380) is not included in the financial assets at fair value through P&L.

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**IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued)**

As of 31 December 2019, fair values of Associates and Subsidiaries are shown at section 4 footnote 5. The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined at other financial assets measured at amortised cost, when the market prices are not available, quoted market prices of other marketable securities which are amortised with the same terms of interest maturity and other similar conditions are used.
- ii- The prevailing interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial intuitions and sundry creditors.

*Classification of Fair Value Measurement*

*IFRS 7 – Financial Instruments* requires the classification of fair value measurements into a fair value hierarchy by reference to the significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Bank. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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**IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued)**

In this context, the fair value classification of financial assets and liabilities measured at fair values are as followed:

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets Measured at Fair Value:</b>				
Financial Assets Measured at Fair Value through Profit/Loss <sup>(2) (4)</sup>	547	-	-	547
Derivative financial assets	-	1.152.034	-	1.152.034
Financial Assets at Fair Value through Other Comprehensive Income <sup>(1)</sup>	14.239.465	-	-	14.239.465
Subsidiaries	814.812	-	2.427.069	3.241.881
Associates <sup>(3)</sup>	-	-	482.671	482.671
Non-Current Assets Held For Sale and Discontinued Operations	-	576.996	2.000.000	2.576.996
<b>Total Financial Assets</b>	<b>15.054.824</b>	<b>1.729.030</b>	<b>4.909.740</b>	<b>21.693.594</b>
<b>Financial Liabilities Measured at Fair Value:</b>				
Derivative financial liabilities	-	353.718	-	353.718
<b>Total Financial Liabilities</b>	<b>-</b>	<b>353.718</b>	<b>-</b>	<b>353.718</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through profit/loss:</b>				
Financial assets held for trading purpose <sup>(2) (4)</sup>				
Debt securities	56.114	-	-	56.114
Derivative financial assets held for trading purpose	-	1.061.480	-	1.061.480
Available-for-sale financial assets <sup>(1)</sup>				
Debt securities	3.970.638	-	-	3.970.638
Subsidiaries	432.290	492.895	3.407.296	4.332.481
Associates <sup>(3)</sup>	-	-	415.828	415.828
<b>Total Financial Assets</b>	<b>4.459.042</b>	<b>1.554.375</b>	<b>3.823.124</b>	<b>9.836.541</b>
<b>Financial liabilities at fair value through profit/loss:</b>				
Derivative financial liabilities held for trading purpose	-	410.438	-	410.438
<b>Total Financial Liabilities</b>	<b>-</b>	<b>410.438</b>	<b>-</b>	<b>410.438</b>

<sup>(1)</sup>As of 31 December 2018, share certificates amounting to TRY 16.556 of "securities not quoted on the stock exchange" in available for sale financial assets are not included in the above table.

<sup>(2)</sup> As of 31 December 2018, marketable securities amounting to TRY 66.205 that are not valued at fair value, are not included in financial assets held for trading purpose.

<sup>(3)</sup> Bank's associates which are shown with their cost values in the accompanying financial statements as no fair values are available, Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş. (TRY 11.518), Bankalararası Kart Merkezi A.Ş. (TRY 6.836), Kredi Kayıt Bürosu A.Ş. (TRY 2.516) and Türk P&I Sigorta A.Ş. (TRY 1.620) are not included in the table.

<sup>(4)</sup> As of 31 December 2018, TRY 14.374.380 of securities lending transaction is not included in Trading Financial Assets at Fair Value through profit or loss.

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**IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued):**

The movement of financial assets in the third level are as follows:

	<b>Current Period</b>
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	-
<b>Period End Balance</b>	<b>4.909.740</b>

  

	<b>Prior Period</b>
Balance at the beginning of the period	2.947.189
Purchases during the year	481.573
Non-paid up shares	180.829
Valuation Difference	213.533
Transfers	-
<b>Period End Balance</b>	<b>3.823.124</b>

**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.

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**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.

Regarding the risk management structure; The Internal Audit Department, Internal Control Department and Risk Management Department, which are units within the scope of internal systems, carry out their activities in accordance with the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process published in the Official Gazette No. 29057 dated 11 June 2014 and subject to the Board of Directors through the Audit Committee. The Financial Crimes Investigation Board (MASAK) Compliance Unit is directly affiliated to the Audit Committee. The structure of the internal systems determines the level of risk by identifying the risks that the bank is exposed to. In this direction, the relevant units are responsible for monitoring, controlling and reporting risks, limited to their areas of responsibility. Outside of internal systems, Top Management is directly responsible to the Board of Directors for the risks to which the Bank is exposed in relation to its duties.

The Bank is using information technologies and training documents openly and effectively for the dissemination and application of risk culture, and the development of bank staff is supported in line with this goal with face to face learning and e-learning. In addition, all personnel are regularly informed and aware of the risks that the Bank is exposed to.

Risk measurement systems are based on accepted risk models and workflows for the identification, monitoring and reporting of risks in accordance with legislation. Methods and software that are in line with international standards are used for risk groups such as credit, market, operational and counterparty credit risk etc.

Within the scope of risk management activities, regular reporting and presentations are made by related units to the board of directors, asset-liability and audit committees and to the other committees, in order to manage the risks that the Bank is exposed to more effectively, to support the decision making processes related to them, to create new strategies and policies.

The Bank reports to the BRSA by applying the stress tests determined in accordance with the Internal Capital Adequacy Assessment Process (ICAAP). In addition, stress tests are carried out in line with the scenarios created by the risks exposed and the macroeconomic conditions. This test which is made by applying shocks for various risk factors, shows the results on risk weighted assets, own funds and capital adequacy ratio.

The Bank monitors its effectiveness by closely monitoring the processes of managing and reducing the risks arising from the business model. The Bank regularly revises the strategies it has established regarding these processes in line with the existing conditions and sets policies.

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**XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

**Overview of Risk Weighted Amounts<sup>(\*)</sup>:**

		Risk Weighted Amounts		Minimum Capital Requirements	Minimum Capital Requirements
		Current Period	Prior Period	Current Period	Prior Period
1	Credit risk (excluding counterparty credit risk) (CCR)	287.606.055	245.251.114	23.008.484	19.620.089
2	Standardized approach (SA)	287.606.055	245.251.114	23.008.484	19.620.089
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	5.791.239	3.597.146	463.299	287.772
5	Standardized approach for counterparty credit risk (SA-CCR)	5.791.239	3.597.146	463.299	287.772
6	Internal model method (IMM)	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies look-through approach	-	-	-	-
9	Investments made in collective investment companies mandate-based approach (*)	-	-	-	-
10	Investments made in collective investment companies 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization positions in banking accounts	-	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-	-
16	Market risk	11.483.275	2.933.787	918.662	234.703
17	Standardized approach (SA)	11.483.275	2.933.787	918.662	234.703
18	Internal model approaches (IMM)	-	-	-	-
19	Operational Risk	18.625.782	16.167.810	1.490.063	1.293.425
20	Basic Indicator Approach	18.625.782	16.167.810	1.490.063	1.293.425
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.241.710	1.072.418	99.337	85.793
24	Floor adjustment	-	-	-	-
25	<b>Total ( 1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>324.748.061</b>	<b>269.022.275</b>	<b>25.979.845</b>	<b>21.521.782</b>

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



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**XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

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

	Carrying values of items in accordance with Turkish Accounting Standards					Not subject to capital requirements or subject to deduction from capital
	Carrying values in financial statements prepared as per TAS	Credit Risk	Counterparty credit risk	Securitization positions	Market Risk	
<b>Assets</b>						
Cash and Balances with the Central Bank	34.488.581	34.488.581	-	-	-	-
Derivative Financial Assets	1.152.034	-	1.152.034	-	335.480	-
Financial assets at fair value through profit and loss	16.266.786	162.159	-	-	547	16.104.081
Banks	3.740.649	3.740.649	-	-	-	-
Receivables from Money markets	-	-	-	-	-	-
Financial assets at fair value through OCI (net)	14.258.784	-	-	-	14.239.465	46.319
Loans	297.806.437	297.795.105	-	-	-	11.332
Receivables from factoring	-	-	-	-	-	-
Financial assets measured at amortised cost (net)	72.198.612	72.198.612	-	-	-	-
Subsidiaries (net)	507.786	507.786	-	-	-	-
Associates (net)	3.241.881	3.241.881	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-
Finance lease receivables	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Tangible Assets (net)	7.537.246	7.537.246	-	-	-	-
Intangible Assets (net)	162.053	162.053	-	-	-	79.399
Real estate for investment purpose (net)	356.027	-	-	-	-	356.027
Tax asset	-	-	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	2.576.996	2.576.996	-	-	-	-
Other assets	2.751.529	2.751.529	-	-	301	-
<b>Total Assets</b>	<b>457.045.401</b>	<b>425.162.597</b>	<b>1.152.034</b>	<b>-</b>	<b>14.575.793</b>	<b>16.597.158</b>
<b>Liabilities</b>						
Deposits	297.734.176	-	-	-	-	297.734.176
Derivative financial liabilities	353.718	-	-	-	219.747	133.971
Loans	11.016.841	-	-	-	-	11.016.841
Money market borrowings	53.201.044	-	4.415.333	-	-	48.785.711
Securities issued	17.591.287	-	-	-	-	17.591.287
Funds	3.209.004	-	-	-	-	3.209.004
Other liabilities	25.706.033	-	-	-	283	25.705.750
Factoring payables	-	-	-	-	-	-
Finance lease payables	579.925	-	-	-	-	579.925
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Provisions	1.663.354	-	-	-	-	1.663.354
Tax Liability	1.608.347	-	-	-	-	1.608.347
Liabilities regarding assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Subordinated Loans	12.184.846	-	-	-	-	12.184.846
Shareholders' equity	32.196.826	-	-	-	-	32.196.826
<b>Total liabilities</b>	<b>457.045.401</b>	<b>-</b>	<b>4.415.333</b>	<b>-</b>	<b>220.030</b>	<b>452.410.038</b>

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**XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

**Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements:**

	Total	Credit risk	Securitization positions	Counterparty credit risk	Market Risk
1 Asset carrying value amount under scope of regulatory consolidation	457.045.401	425.162.597	-	1.152.034	14.575.793
2 Liabilities carrying value amount under regulatory scope of consolidation	457.045.401	-	-	4.415.333	220.030
3 Total net amount under regulatory scope of consolidation	-	425.162.597	-	5.567.367	14.355.763
4 Off-balance Sheet Amounts <sup>(*)</sup>	193.846.210	120.542.948	-	453.484	18.612.324
5 Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to prudential filters	-	-	-	-	-
9 Differences due to risk reduction	-	545.705.545	-	6.020.851	32.968.087

<sup>(\*)</sup> Shows total potential credit risk amounts caused by derivative transactions.

**Explanations of differences between accounting and regulatory exposure amounts:**

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

**Explanations Related to Counterparty Credit Risk**

The Bank provides the necessary definitions and classifications for the CCR that take into account the clearing and pre-clearing risk in relation to the management policies and procedures of the CCR, thereby managing these risks on a counterparty basis and across the bank.

The impact of the new products and activities on the Bank's CCR level is assessed and these evaluations are included in the product / activity approval process.

The market, liquidity, compliance risk and operational risk that may be associated with the CCR are taken into account and the general / specific limit levels of the Bank's transactions to the CCR are determined. These limits established within the framework of the CCR are regularly monitored. The Bank uses risk mitigation techniques to the extent that it is appropriate, through applications such as margin taking and margin fulfillment.

The Bank uses methods and models in accordance with international standards for the identification, measurement, monitoring, control and reporting of the CCR. Independent scrutiny and supervision is carried out on the integrity, correctness and effectiveness of the CCR management systems. These activities are carried out by the Bank's internal audit units and independent audit institutions.

Agreements entered into with counterparty financial institutions resulting in credit risk according to the attributes of the transaction are evaluated by taking into account ISDA framework and CSA framework for derivative transactions, GMRA framework for repurchase agreements. The risk is mitigated by receiving cash or other forms of collaterals as per the counterparty limits designated by the Board of Directors.

In secured lending and repo transactions, the haircut amounts are reduced from the counterparty limits. In cases whereby possible decreases or increases in ratings affects the current replacement cost, margin call agreements are used as a risk mitigator.

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**XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS**  
**(continued)**

**Counterparty Credit Risk (CCR) Approach Analysis:**

	Replacement cost	Potential Future exposure	EEPE <sup>(*)</sup>	Alpha used for computing regulatory EAD	EAD post-CRM	Risk Weighted Assets
Standardised Approach - CCR (for derivatives)	1.151.688	453.484		1,4	1.605.172	1.211.512
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					4.415.333	4.056.192
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>Total</b>					<b>6.020.505</b>	<b>5.267.704</b>

<sup>(\*)</sup> Expected effective positive risk amount

**Capital requirement for credit valuation adjustment (CVA):**

	EAD post-CRM	Risk weighted amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3*multiplier)	-	-
(ii) Stressed VaR component (including the 3*multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	1.605.172	523.510
<b>Total subject to the CVA capital obligation</b>	<b>1.605.172</b>	<b>523.510</b>

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**XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

**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	137.137	-	-	52.474	-	-	-	-	-	189.611
Claims on regional governments or local authorities	-	-	-	17	-	-	-	-	-	17
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	27	-	-	-	27
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	207.881	839.740	-	2.001.056	-	-	-	3.048.677
Claims on corporates	-	-	-	-	-	3.292.712	-	-	-	3.292.712
Claims included in the regulatory retail portfolios	-	-	-	-	12.969	-	-	-	-	12.969
Claims secured by residential property	-	-	-	-	-	-	-	-	-	-
Overdue loans	-	-	-	-	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Other Assets*	-	-	-	-	-	16	-	447	-	463
<b>Toplam</b>	<b>137.137</b>	<b>-</b>	<b>207.881</b>	<b>892.231</b>	<b>12.969</b>	<b>5.293.811</b>	<b>-</b>	<b>447</b>	<b>-</b>	<b>6.544.476</b>

\* 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".

**Collaterals for Counterparty Credit Risk:**

	Collateral for derivative transactions				Collateral for other transactions	
	Received Collaterals		Given Collaterals		Received Collaterals	Given Collaterals
	Segregated	Nonsegregated	Segregated	Nonsegregated		
Cash-domestic currency	-	65.414	-	-	-	-
Cash-foreign currency	-	302.986	-	51.243	16.610	113.900
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>368.400</b>	<b>-</b>	<b>51.243</b>	<b>16.610</b>	<b>113.900</b>

**Counterparty Credit Risk-Credit Derivatives:**

None.

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**(continued)**

**Exposures to Central Counterparty (CCP):**

	Exposure post- CRM	RWA
Total Exposure to Qualified Central Counterparties (QCCPs)		25
Exposures for trades with QCCPs (excluding initial margin and guarantee fund)	447	9
(i) Over the counter derivative financial instruments	447	9
(ii) Other derivative financial instruments	-	-
(iii) Repo-reverse repo transactions, margin trading and securitites or commodity lending or borrowing	-	-
(iv) Counterparties where cross product netting applied	-	-
Reserved initial collateral	7	
Unreserved initial collateral	-	-
Pre-funded guarantee fund contributions	500	16
Unfunded guarantee fund contributions	-	-
Total Exposures to Non-QCCPs		-
Exposures for trades with QCCPs (excluding initial margin and guarantee fund)	-	-
(i) Over the counter derivative financial instruments	-	-
(ii) Other derivative financial instruments	-	-
(iii) Repo-reverse repo transactions, margin trading and securitites or commodity lending or borrowing	-	-
(iv) Counterparties where cross product netting applied	-	-
Reserved initial collateral	-	-
Unreserved initial collateral	-	-
Pre-funded guarantee fund contributions	-	-
Unfunded guarantee fund contributions	-	-

**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	15.920.081	293.288.020	11.401.664	297.806.437
2	Debt Securities(*) Off-balance sheet	-	86.647.144	27.043	86.620.101
3	exposures	-	120.542.948	287.305	120.255.643
<b>4</b>	<b>Total</b>	<b>15.920.081</b>	<b>500.478.112</b>	<b>11.716.012</b>	<b>504.682.181</b>

(\*) As of 31 December 2019, TRY 16.104.081 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

**Changes in Stock of Defaulted Loans and Debt Securities**

1	Defaulted loans and debt securities at end of the previous reporting period	8.527.848
2	Loans and debt securities defaulted since the last reporting period	9.116.542
3	Receivables back to performing status	(17.706)
4	Amounts written off	-
5	Other changes	(1.706.603)
<b>6</b>	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>15.920.081</b>

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**XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

**Additional Disclosure Related To The Credit Quality Of Assets:**

**Breakdown According to Maturity:**

<b>31 December 2019</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 years and Over</b>	<b>Total</b>
Loans and Advances	18.263.928	20.164.911	16.160.500	78.564.490	141.224.423	34.829.849	309.208.101

**Exposures Provisioned Against By Major Regions:**

<b>31 December 2019</b>	<b>Non-Performing Loans</b>	<b>ECL (Stage 3)</b>
Domestic	15.858.297	8.860.133
European Union (EU) Countries	109	65
OECD Countries	-	-
Off-Shore Banking Regions	-	-
USA, Canada	10	9
Other Countries	61.665	22.455
<b>Total</b>	<b>15.920.081</b>	<b>8.882.662</b>

**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:**

<b>31 December 2019</b>	
30-60 days overdue	1.466.896
60-90 days overdue	1.516.875
<b>Total</b>	<b>2.983.771</b>

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

<b>31 December 2019<sup>(*)</sup></b>	
Loans Structured from Standard Loans	710.125
Loans Composed of Follow-up Loans	10.227.952
Loans Restructured from Non-Performing Loans	1.561.713

\*Rediscounts are not included in the amount.

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**XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

**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**

		<b>Exposures unsecured: carrying amount as per TAS</b>	<b>Exposures secured by collateral</b>	<b>Exposures secured by collateral, of which secured amount</b>	<b>Exposures secured by financial guarantees</b>	<b>Financial guarantees, of which secured amount</b>	<b>Exposures secured by credit derivatives</b>	<b>Exposures secured by credit derivatives, of which secured amount</b>
1	Loans <sup>(2)</sup>	152.649.649	145.156.788	92.069.412	19.096.900	15.799.327	-	-
2	Debt Instruments <sup>(1)</sup>	86.620.101	-	-	-	-	-	-
3	Total	239.269.750	145.156.788	92.069.412	19.096.900	15.799.327	-	-
4	Of which defaulted	3.539.810	3.497.609	2.617.368	1.041.969	970.337	-	-

(1) As of 31 December 2019, TRY 16.104.081 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

(2) As collateral, within the scope of the Standard Approach, collaterals to be used to mitigate credit risk, are taken into consideration.

**Information about the Banks' Use of Ratings in Calculating Credit Risk by Using Standard Approach**

Explained in risk classifications related to Article 6 of Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks in 4-II Credit risk section.



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**XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

**Standardised Approach- Credit Risk Exposure and Credit Risk Mitigation Techniques**

Risk Classification	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns and Central Banks	106.266.021	453.075	122.977.833	1.071.922	12.204.931	9,84%
Claims on regional governments or local authorities	3.063.524	88.803	3.058.907	38.571	1.548.739	50,00%
Claims on administrative bodies and other non-commercial undertakings	513.901	438.511	498.428	184.975	683.403	100,00%
Claims on multilateral development banks	-	-	57.855	3.965	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	6.826.603	2.600.100	6.826.603	1.830.774	4.909.304	56,71%
Claims on corporates	122.714.651	71.052.835	114.511.316	45.249.220	156.816.585	98,16%
Claims included in the regulatory retail portfolios	94.342.552	34.026.915	80.204.189	6.789.128	65.244.987	75,00%
Claims secured by residential property	42.585.418	2.735.087	42.585.417	1.289.121	15.356.089	35,00%
Claims secured by commercial property	27.122.226	4.472.826	27.122.226	2.938.351	15.030.288	50,00%
Overdue loans	7.189.760	1.180.808	6.211.473	535.033	6.058.282	89,80%
Higher risk categories decided by the Board	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	3.991.139	-	3.991.139	-	4.736.165	118,67%
Equity share investments	21.115.627	1.161.695	21.115.627	9.962	12.050.231	57,04%
<b>Total</b>	<b>435.731.422</b>	<b>118.210.655</b>	<b>429.161.013</b>	<b>59.941.022</b>	<b>294.639.004</b>	<b>60,24%</b>

**Standardised Approach- Claims By Risk Classification And Risk Weights**

Risk Classification	%0	%10	%20	%35*	%50	%75	%100	%150	%200	%250	%2	%4	Total risk amount (pt-CCF and CRM)
Claims on sovereigns and Central Banks	99.656.451	-	-	-	24.376.746	-	16.558	-	-	-	-	-	124.049.755
Claims on regional governments or local authorities	-	-	-	-	3.097.478	-	-	-	-	-	-	-	3.097.478
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	683.403	-	-	-	-	-	683.403
Claims on multilateral development banks	61.820	-	-	-	-	-	-	-	-	-	-	-	61.820
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	5.951	-	3.362.760	-	2.102.951	-	3.185.268	-	-	-	447	-	8.657.377
Claims on corporates	2.333.834	-	446.324	-	506.116	-	156.474.262	-	-	-	-	-	159.760.536
Claims included in the regulatory retail portfolios	-	-	-	-	-	86.993.317	-	-	-	-	-	-	86.993.317
Claims secured by residential property	-	-	-	43.874.538	-	-	-	-	-	-	-	-	43.874.538
Claims secured by commercial property	-	-	-	-	30.060.577	-	-	-	-	-	-	-	30.060.577
Overdue loans	-	-	-	-	2.005.629	-	4.111.696	629.181	-	-	-	-	6.746.506
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	3.494.455	-	-	496.684	-	-	3.991.139
Other receivables	8.127.133	-	1.155.039	-	-	96.777	11.746.640	-	-	-	-	-	21.125.589
<b>Toplam</b>	<b>110.185.189</b>	<b>-</b>	<b>4.964.123</b>	<b>43.874.538</b>	<b>62.149.497</b>	<b>87.090.094</b>	<b>179.712.282</b>	<b>629.181</b>	<b>-</b>	<b>496.684</b>	<b>447</b>	<b>-</b>	<b>489.102.035</b>

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)**

**XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

**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.

Within the scope of the Bank's "Policies for the Management of Market Risks"; VAR based limit and risk appetite has been determined and VAR results calculated by historical simulation method have been associated with statutory equity. The level of compliance with these limits is monitored daily. On the other hand, periodic stress tests are applied for market risks.

Concerning market risks, the results obtained by both the standard method and the risk measurement model and the level of compliance with the limits are reported to the Bank's Top Management and related business units on a daily basis.

The following table discloses the amounts that are calculated using the standard method.

**Market Risk: Standardised approach**

	<b>RWA</b>
<b>Outright products</b>	
Interest rate risk (general and specific)	4.966.475
Equity risk (general and specific)	425.525
Foreign exchange risk	6.059.838
Commodity risk	-
<b>Options</b>	
Simplified approach	-
Delta-plus method	31.437
Scenario approach	-
Securitization	-
<b>Total</b>	<b>11.483.275</b>

**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.

	<b>2 PP Amount</b>	<b>1 PP Amount</b>	<b>CP Amount</b>	<b>Total/ No. of Years of Positive Gross</b>	<b>Rate (%)</b>	<b>Total</b>
Gross Income	8.819.345	10.210.808	10.771.098	9.933.750	15	1.490.063
<b>Amount at Operational Risk (Total * 12,5)</b>						18.625.782

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)**

**XII. EXPLANATIONS ON REMUNERATION POLICIES**

**1. Disclosures related with Remuneration Committee**

The Bank's Remuneration Committee is comprised of two board members. The committee has convened for once during the year. The duties and responsibilities of the Committee include the following:

- The scope and structure of the Bank's operations and strategies ensure the effectiveness of a wage policy and wage policy that is consistent with its long-term goals and risk management structures, prevents excessive risk taking and contributes to effective risk management.
- Controls and follows the remuneration practices on behalf of the Board of Directors
- Ensures accordance of ethical values, strategical targets and internal balance of the Bank with the wage policy.
- Evaluates the remuneration policy and its practices in the context of risk management and submits proposals to the Board of Directors.
- Fulfills the other duties specified in the related regulations

The Bank has received consultancy service from a company within the framework of the activities for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Bank's board members, senior management and the Bank personnel deemed to perform the functions having material impact on the Bank's risk profile are considered as critical key personnel; and by the end of 2019, the number of critical key personnel is 45.

**2. Information on the design and structure of remuneration process**

The Bank relies on the following values while managing its Remuneration Policy.

- Based on fair and balanced performance targets
- Balance within the Bank in terms of wage application to ensure competitiveness within the sector,
- To increase the efficiency of rewards by emphasizing the concepts of job size, performance and contribution to work,

Remuneration Committee at its meeting in December 2019 has revised the remuneration policy and practices. It has been observed that, total benefits paid to the members of the Bank's Board of Directors, senior management and other staff are in line with the Bank's ethical values, internal balances and strategic objectives in 2019. Regardless of the performance of the units that are audited by internal audit, the benefits of are determined on the basis of the general wage increase rate set by the Bank.

According to the growing and evolving organizational structure of the Bank, the Bank is working with a consulting firm on a project about review of its human resources applications and comparing with other banks in the industry.

**3. Evaluation about how the bank's remuneration processes take the current and future risks into account**

The Bank follows the Risk Management Principles while implementing the remuneration processes.

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**MANAGEMENT OF THE BANK (continued)**

**XII. EXPLANATIONS ON REMUNERATION POLICIES (continued)**

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

The Bank's variable payments as performance bonuses are mostly made to the personnel working at the branches and Regional Directorships. The paid amounts are not exceed a certain percentage of the monthly fixed fees. No performance premium payments are made to other members of the bank that are considered to have performed a function that has a significant effect on the risk profile of the Bank and the members of the board of directors and senior managers who are designated as critical key personnel but only a dividend payment is made up to twice of the gross monthly salary of all personnel with the decision of the General Assembly of the Bank.

**5. Evaluation about the bank's methods to adjust remunerations according to long-term performance**

There are no variable remunerations (performance premium, gesture, etc.) to be deferred due to long-term performance for the critical key personnel.

**6. Evaluation about the instruments used by the bank for variable remunerations and the purposes of use of such instruments**

Cash and non-cash instruments are not used for the payment, wherefore no variable remunerations (performance premium, gesture, etc.) to be deferred due to long-term performance for the critical key personnel.

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS**

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

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

	Current period	
	TRY	FC
Cash and foreign currency	1.370.216	2.295.551
CBRT	1.102.242	29.720.567
Other	-	5
<b>Total</b>	<b>2.472.458</b>	<b>32.016.123</b>

	Prior period	
	TRY	FC
Cash and foreign currency	1.259.602	3.158.262
CBRT	2.723.274	27.815.892
Other	-	20
<b>Total</b>	<b>3.982.876</b>	<b>30.974.174</b>

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

	Current period	
	TRY	FC
Demand unrestricted amount <sup>(1)</sup>	1.049.181	15.456.782
Time unrestricted amount	-	-
Time restricted amount	-	200.627
Other <sup>(2)</sup>	53.061	14.063.158
<b>Total</b>	<b>1.102.242</b>	<b>29.720.567</b>

<sup>(1)</sup> Reserve deposits kept in the CBRT.

<sup>(2)</sup> Blocked reserve deposits kept in the CBRT and Central Bank of TRNC.

	Prior period	
	TRY	FC
Demand unrestricted amount <sup>(1)</sup>	2.470.993	9.347.358
Time unrestricted amount	-	-
Time restricted amount	-	2.259.938
Other <sup>(2)</sup>	252.281	16.208.596
<b>Total</b>	<b>2.723.274</b>	<b>27.815.892</b>

<sup>(1)</sup> Reserve deposits kept the CBRT of Turkey.

<sup>(2)</sup> 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%-7% varied according to their maturity compositions, for their FC liabilities at TRY, US Dollar, Euro and/or standard gold with reserve deposit rates between 5%-21% varied according to their maturity compositions. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to reserves held in TRY.

Starting from 4 September 2019, the interest related to the reserve requirements for banks held at TRY is paid as 1000 basis points for banks whose credit growth rate is at qualified reference interval, and 0 basis points for banks whose credit growth rate is out of the reference interval.

With the change dated 23 January 2015, it has been decided to apply a commission charge as of 1 February 2015 on the daily account balances of the banks denominated in EUR for reserve accounts and two days notice accounts held within CBRT. As of 27 July 2015 commission rates have been announced as zero percent on the CBRT website.

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

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

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

With the change on 2 May 2015 made by the CBRT, execution of interest payments has been started for USD denominated reserve requirements, reserve options and free reserves held at CBRT. The interest rate is set on daily basis within the frame of global and local financial market conditions. The applicable yearly interest rate is 0 percent (announced on 19 September 2019).

With the decision No.1005 dated 14 August 2018 of the TRNC, reserve requirement ratio is between 0,4% and 0,7% for TRY liabilities and for foreign currency liabilities. With the decision No.1072 dated 27 December 2019 of the Central Bank of the TRNC, reserve requirement ratio will be applied between 4,25% to 7,25% for the Turkish currency and foreign currency liabilities as of 31 December 2019.

(2) Financial assets at fair value through profit and loss:

a) Financial assets at fair value through profit and loss blocked/given as collateral:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	2.167.331	-
<b>Total</b>	<b>2.167.331</b>	<b>-</b>

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	14.374.380	-
<b>Total</b>	<b>14.374.380</b>	<b>-</b>

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(2) Financial assets at fair value through profit and loss (continued):

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

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	13.534.565	-
<b>Total</b>	<b>13.534.565</b>	<b>-</b>
	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	-	15.763
<b>Total</b>	<b>-</b>	<b>15.763</b>

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

	Current Period	
	TRY	FC
Forward transactions	-	53.558
Swap transactions	3.695	1.091.646
Futures transactions	-	-
Options	1	3.134
Other	-	-
<b>Total</b>	<b>3.696</b>	<b>1.148.338</b>
	Prior Period	
	TRY	FC
Forward transactions	-	204.002
Swap transactions	-	857.384
Futures transactions	-	-
Options	9	85
Other	-	-
<b>Total</b>	<b>9</b>	<b>1.061.471</b>

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period	
	TRY	FC
Banks		
Domestic banks	302.313	1.115.022
Foreign banks	205.103	2.128.029
Branches and offices abroad	-	-
<b>Total</b>	<b>507.416</b>	<b>3.243.051</b>
	Prior Period	
	TRY	FC
Banks		
Domestic banks	6.200	2.642.001
Foreign banks	174.715	2.317.827
Branches and offices abroad	-	-
<b>Total</b>	<b>180.915</b>	<b>4.959.828</b>

b) Information on foreign banks:

	Unrestricted Balance	Restricted Balance
	Current Period	Current Period
EU Countries	1.226.105	-
USA and Canada	207.280	-
OECD Countries <sup>(1)</sup>	176.127	-
Offshore Banking Regions	314	-
Other	723.306	-
<b>Total</b>	<b>2.333.132</b>	<b>-</b>

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

	Unrestricted Balance	Restricted Balance
	Prior Period	Prior Period
EU Countries	651.847	-
USA and Canada	730.596	-
OECD Countries <sup>(1)</sup>	180.540	-
Offshore Banking Regions	522	-
Other	929.037	-
<b>Total</b>	<b>2.492.542</b>	<b>-</b>

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.



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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(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:

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
Treasury bills, government bonds and similar securities	-	1.999.958
<b>Total</b>	<b>-</b>	<b>1.999.958</b>
	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
Treasury bills, government bonds and similar securities	432.417	168.246
<b>Total</b>	<b>432.417</b>	<b>168.246</b>

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

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
Treasury bills, government bonds and similar securities	810.717	-
<b>Total</b>	<b>810.717</b>	<b>-</b>
	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
Treasury bills, government bonds and similar securities	45.539	392.500
<b>Total</b>	<b>45.539</b>	<b>392.500</b>

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(4) Information on financial assets at fair value through other comprehensive income (continued):

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

	<b>Current Period</b>
Debt securities	14.026.728
<i>Quoted on a stock exchange</i>	14.026.728
<i>Not quoted</i>	-
Share certificates	249.356
<i>Quoted on a stock exchange</i>	212.757
<i>Not quoted</i>	36.599
Impairment provision(-)	17.300
<b>Total</b>	<b>14.258.784</b>

	<b>Prior Period</b>
Debt securities	3.850.625
<i>Quoted on a stock exchange</i>	3.850.625
<i>Not quoted</i>	-
Share certificates	184.939
<i>Quoted on a stock exchange</i>	151.103
<i>Not quoted</i>	33.836
Impairment provision(-)	48.370
<b>Total</b>	<b>3.987.194</b>

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(5) Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current period	
	Cash loans	Non-Cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	366.108	-
<b>Total</b>	<b>366.108</b>	<b>-</b>
	Prior period	
	Cash loans	Cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	319.725	-
<b>Total</b>	<b>319.725</b>	<b>-</b>

b) Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

Cash Loans	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
Non-specialized loans	215.624.178	12.064.785	57.651	10.170.124
<i>Corporation loans</i>	123.207.279	8.576.888	-	10.156.767
<i>Export loans</i>	14.071.531	280.090	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	3.766.240	1.475.000	-	-
<i>Consumer loan</i>	45.635.453	785.443	57.106	7.386
<i>Credit cards</i>	6.050.341	456.971	545	-
<i>Other</i>	22.893.334	490.393	-	5.971
Specialized lending	47.922.688	1.863.373	-	177
Other receivables	-	-	-	-
Accruals	4.381.263	615.084	1.721	586.976
<b>Total</b>	<b>267.928.129</b>	<b>14.543.242</b>	<b>59.372</b>	<b>10.757.277</b>

c) Distribution of cash loans by maturity structure:

Current Period	Loans under close monitoring		
	Standard Loans	Loans Not Subject to Restructuring	Restructured
Short Term Loans	46.922.783	1.631.425	347.622
Medium and Long Term Loans	221.005.346	12.911.817	10.469.027
Prior Period			
Short Term Loans	47.774.278	1.964.504	459.140
Medium and Long Term Loans	186.064.688	8.116.036	6.167.732

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(5) Information on loans (continued):

c) Distribution of cash loans by maturity structure (continued):

	Standard Loans		Loans Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months Expected Loss Provision	1.303.546	984.741	-	-
Significant Increase in Credit Risk	-	-	1.215.456	1.182.480

It is observed that the increase in the ECL allocated for the stage 1 loans is in parallel with the increase in the credit risk, and the ECL ratio is in line with the prior period.

It is seen that the increase in the ECL reserved for the stage 2 loans is due to the significant increase in the credit risk within the scope of TFRS 9 Standard and the increase in the Bank's close monitoring figures.

d) Information on consumer loans, individual credit cards, personnel loans and credit cards<sup>(\*)</sup>:

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	548.125	44.517.031	45.065.156
<i>Real estate loans</i>	6.865	28.443.572	28.450.437
<i>Automobile loans</i>	4.954	270.544	275.498
<i>Consumer loans</i>	536.306	15.802.915	16.339.221
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	3.672.274	540	3.672.814
<i>Installment</i>	1.373.015	540	1.373.555
<i>Non-installment</i>	2.299.259	-	2.299.259
Individual credit cards-FC	531	-	531
<i>Installment</i>	-	-	-
<i>Non-installment</i>	531	-	531
Personnel loans-TRY	21.068	239.546	260.614
<i>Real estate loans</i>	-	238	238
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	21.068	239.308	260.376
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	105.407	-	105.407
<i>Installment</i>	36.764	-	36.764
<i>Non-installment</i>	68.643	-	68.643
Personnel credit cards-FC	87	-	87
<i>Installment</i>	-	-	-
<i>Non-installment</i>	87	-	87
Overdraft accounts-TRY (Retail customers)	1.159.618	-	1.159.618
Overdraft accounts-FC (Retail customers)	-	-	-
<b>Total</b>	<b>5.507.110</b>	<b>44.757.117</b>	<b>50.264.227</b>

<sup>(\*)</sup> Interest income accruals are not included in the table above.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(5) Information on loans (continued):

d) Information on consumer loans, individual credit cards, personnel loans and credit cards (continued)\*:

<b>Prior Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Consumer loans-TRY	414.777	38.974.313	39.389.090
<i>Real estate loans</i>	6.689	24.164.588	24.171.277
<i>Automobile loans</i>	2.259	206.044	208.303
<i>Consumer loans</i>	405.829	14.603.681	15.009.510
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	3.472.907	1.457	3.474.364
<i>Installment</i>	1.229.512	1.457	1.230.969
<i>Non-installment</i>	2.243.395	-	2.243.395
Individual credit cards-FC	299	-	299
<i>Installment</i>	-	-	-
<i>Non-installment</i>	299	-	299
Personnel loans-TRY	13.206	217.270	230.476
<i>Real estate loans</i>	-	402	402
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	13.206	216.868	230.074
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	89.185	-	89.185
<i>Installment</i>	30.146	-	30.146
<i>Non-installment</i>	59.039	-	59.039
Personnel credit cards-FC	64	-	64
<i>Installment</i>	-	-	-
<i>Non-installment</i>	64	-	64
Overdraft accounts-TRY (Retail customers)	1.207.349	-	1.207.349
Overdraft accounts-FC (Retail customers)	-	-	-
<b>Total</b>	<b>5.197.787</b>	<b>39.193.040</b>	<b>44.390.827</b>

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

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(5) Information on loans (continued):

e) Information on commercial installments loans and corporate credit cards<sup>(\*)</sup>:

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
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)	-	-	-
<b>Total</b>	<b>6.100.365</b>	<b>55.303.545</b>	<b>61.403.910</b>

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

<b>Prior Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Commercial installment loans-TRY	1.018.833	26.689.452	27.708.285
<i>Business premises loans</i>	-	601.301	601.301
<i>Automobile loans</i>	13.787	411.033	424.820
<i>Consumer loans</i>	1.005.046	25.677.118	26.682.164
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	142	119.221	119.363
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	1.233	1.233
<i>Consumer loans</i>	142	117.988	118.130
<i>Other</i>	-	-	-
Commercial installment loans - FC	166.857	16.554.597	16.721.454
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	166.857	16.554.597	16.721.454
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.833.272	-	1.833.272
<i>Installment</i>	598.184	-	598.184
<i>Non-installment</i>	1.235.088	-	1.235.088
Corporate credit cards-FC	45	-	45
<i>Installment</i>	-	-	-
<i>Non-installment</i>	45	-	45
Overdraft accounts-TRY (Commercial customers)	2.572.296	-	2.572.296
Overdraft accounts-FC (Commercial customers)	-	-	-
<b>Total</b>	<b>5.591.445</b>	<b>43.363.270</b>	<b>48.954.715</b>

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

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(5) Information on loans (continued):

f) Loans by customers:

	<b>Current Period</b>
Public	6.759.394
Private	286.528.626
<b>Total</b>	<b>293.288.020</b>

	<b>Prior Period</b>
Public	7.277.485
Private	243.268.893
<b>Total</b>	<b>250.546.378</b>

g) Domestic and foreign loans<sup>(\*)</sup>:

	<b>Current Period</b>
Domestic loans	290.726.869
Foreign loans	2.561.151
<b>Total</b>	<b>293.288.020</b>

	<b>Prior Period</b>
Domestic loans	248.491.859
Foreign loans	2.054.519
<b>Total</b>	<b>250.546.378</b>

<sup>(\*)</sup>Non-performing loans balance is not included in the table above.

h) Loans granted to subsidiaries and associates:

	<b>Current Period</b>
Direct loans granted to subsidiaries and associates	2.331.642
Indirect loans granted to subsidiaries and associates	-
<b>Total</b>	<b>2.331.642</b>

	<b>Prior Period</b>
Direct loans granted to subsidiaries and associates	1.377.511
Indirect loans granted to subsidiaries and associates	-
<b>Total</b>	<b>1.377.511</b>

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

	<b>Current Period</b>
Loans and receivables with limited collectability	1.044.059
Loans and receivables with doubtful collectability	2.001.698
Uncollectible loans and receivables	5.836.905
<b>Total</b>	<b>8.882.662</b>

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(5) Information on loans (continued):

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

	<b>Prior Period</b>
Loans and receivables with limited collectability	689.818
Loans and receivables with doubtful collectability	585.798
Uncollectible loans and receivables	5.007.676
<b>Total</b>	<b>6.283.292</b>

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.

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and</b>	<b>Loans and</b>	<b>Uncollectible</b>
	<b>receivables with</b>	<b>receivables with</b>	<b>loans and</b>
	<b>limited</b>	<b>doubtful</b>	<b>receivables</b>
	<b>collectability</b>	<b>collectability</b>	
<b>Current period</b>			
Gross amounts before the specific provisions	<b>134.442</b>	<b>95.916</b>	<b>1.331.355</b>
Rescheduled loans and other receivables	134.442	95.916	1.331.355
<b>Prior period</b>			
Gross amounts before the specific provisions	<b>61.786</b>	<b>67.344</b>	<b>1.258.926</b>
Rescheduled loans and other receivables	61.786	67.344	1.258.926

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and</b>	<b>Loans and</b>	<b>Uncollectible</b>
	<b>receivables</b>	<b>receivables with</b>	<b>loans and</b>
	<b>with limited</b>	<b>doubtful</b>	<b>receivables</b>
	<b>collectability</b>	<b>collectability</b>	
<b>Current Period</b>			
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>	-	-	-
<b>Current period end balance</b>	<b>2.811.379</b>	<b>4.508.885</b>	<b>8.599.817</b>
Provision (-)	1.044.059	2.001.698	5.836.905
<b>Net balance on balance sheet</b>	<b>1.767.320</b>	<b>2.507.187</b>	<b>2.762.912</b>



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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(5) Information on loans (continued):

i.2. Information on the movement of non-performing loans (continued):

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and</b>	<b>Loans and</b>	<b>Uncollectible</b>
	<b>receivables</b>	<b>receivables with</b>	<b>loans and</b>
	<b>with limited</b>	<b>doubtful</b>	<b>receivables</b>
<b>Prior Period</b>	<b>collectability</b>	<b>collectability</b>	
Prior period end balance	612.816	733.233	4.760.548
Additions (+)	3.100.698	49.970	118.529
Transfers from other categories of loans under follow-up (+)	-	1.903.093	1.519.906
Transfers to other categories of loans under follow-up (-)	1.946.251	1.476.748	-
Collections (-)	345.930	228.886	569.351
Write-offs (-)	-	-	-
Sold (-)	-	-	72.258
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	112.391	184.908	71.180
<b>Current period end balance</b>	<b>1.533.724</b>	<b>1.165.570</b>	<b>5.828.554</b>
Provision (-)	689.818	585.798	5.007.676
<b>Net balance on balance sheet</b>	<b>843.906</b>	<b>579.772</b>	<b>820.878</b>

j.3. Information on foreign currency non-performing loans and other receivables:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and</b>	<b>Loans and</b>	<b>Uncollectible</b>
	<b>receivables</b>	<b>receivables with</b>	<b>loans and</b>
	<b>with limited</b>	<b>doubtful</b>	<b>receivables</b>
<b>Current period</b>	<b>collectability</b>	<b>collectability</b>	
Balance at the end of the period	532.183	1.405.092	2.570.885
Provisions(-)	219.456	838.579	1.456.665
<b>Net balance in the balance sheet</b>	<b>312.727</b>	<b>566.513</b>	<b>1.114.220</b>

  

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and</b>	<b>Loans and</b>	<b>Uncollectible</b>
	<b>receivables</b>	<b>receivables with</b>	<b>loans and</b>
	<b>with limited</b>	<b>doubtful</b>	<b>receivables</b>
<b>Prior period</b>	<b>collectability</b>	<b>collectability</b>	
Balance at the end of the period	415.553	199.312	2.004.432
Provisions(-)	212.465	133.080	1.829.189
<b>Net balance in the balance sheet</b>	<b>203.088</b>	<b>66.232</b>	<b>175.243</b>

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(5) Information on loans (continued):

j.4. Gross and net amounts of non-performing loans according to user groups:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>	<b>1.767.320</b>	<b>2.507.187</b>	<b>2.762.912</b>
Loans to granted real persons and legal entities (Gross)	2.811.379	4.508.885	8.599.817
Provisions (-)	1.044.059	2.001.698	5.836.905
<b>Loans to granted real persons and legal entities (Net)</b>	<b>1.767.320</b>	<b>2.507.187</b>	<b>2.762.912</b>
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>	<b>843.906</b>	<b>579.772</b>	<b>820.878</b>
Loans to granted real persons and legal entities (Gross)	1.533.724	1.165.570	5.828.554
Specific provisions (-)	689.818	585.798	5.007.676
<b>Loans to granted real persons and legal entities (Net)</b>	<b>843.906</b>	<b>579.772</b>	<b>820.878</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(5) Information on loans (continued):

k) Information on interest accruals, discounts and valuation differences calculated for non-performing loans and their provisions:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period (Net)</b>	<b>178.370</b>	<b>480.875</b>	<b>276.465</b>
Interest Accruals and Valuation Differences	297.156	919.194	768.213
Provision (-)	118.786	438.319	491.748
<b>Prior Period (Net)</b>	<b>59.079</b>	<b>83.006</b>	<b>26.980</b>
Interest Accruals and Valuation Differences	112.391	184.908	71.180
Provision (-)	53.312	101.902	44.200

l) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

The Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and principle receivables from loans.

m) Explanations on write-off policy:

As per the provisions of TFRS 9 Financial Instruments Standard and the Provisions Communique of the BRSA dated 27 November 2019, banks are allowed to derecognize the portion of the loans under follow-up in loan Group 5 which no reasonable expectation remains.

With respect to this, no follow-up loan was derecognised yet in the current period on the grounds that there was no reasonable expectation of the Bank.

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(6) Information on financial assets measured at amortised cost:

a) Information on financial assets measured at amortised cost blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Financial assets measured at amortised cost investments blocked/given as collateral:

	Current Period	
	TRY	FC
Bills	-	-
Government bonds and similar securities	3.044.934	9.849.904
<b>Total</b>	<b>3.044.934</b>	<b>9.849.904</b>

	Prior Period	
	TRY	FC
Bills	-	-
Government bonds and similar securities	37.195.684	2.464.985
<b>Total</b>	<b>37.195.684</b>	<b>2.464.985</b>

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

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar	35.754.611	4.806.422
<b>Total</b>	<b>35.754.611</b>	<b>4.806.422</b>

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar	2.194.216	8.214.062
<b>Total</b>	<b>2.194.216</b>	<b>8.214.062</b>

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

	Current Period
Government bonds	72.004.446
Treasury bills	-
Other public sector debt securities	153.396
<b>Total</b>	<b>72.157.842</b>

Information on public sector debt investments:

	Prior Period
Government bonds	56.006.929
Treasury bills	-
Other public sector debt securities	15.610
<b>Total</b>	<b>56.022.539</b>

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(6) Information on financial assets measured at amortised cost (continued):

c) Information on financial assets measured at amortised cost:

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

	<b>Prior Period</b>
Debt securities	56.073.053
<i>Quoted on a stock exchange</i>	56.073.053
<i>Not quoted</i>	-
Impairment provision (-)	-
<b>Total</b>	<b>56.073.053</b>

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

	<b>Current Period</b>
Beginning balance	56.073.053
<i>Foreign currency differences on monetary assets</i>	1.415.732
<i>Purchases during the year<sup>(1)</sup></i>	18.543.355
<i>Disposals through sales and redemptions</i>	(3.823.785)
Impairment provision (-)	-
<b>Balance at the end of the period</b>	<b>72.208.355</b>

Movement of held-to-maturity investments within the year:

	<b>Prior Period</b>
Beginning balance	21.727.169
<i>Foreign currency differences on monetary assets</i>	1.974.143
<i>Purchases during the year<sup>(1)</sup></i>	36.157.157
<i>Disposals through sales and redemptions</i>	(3.785.416)
Impairment provision (-)	-
<b>Balance at the end of the period</b>	<b>56.073.053</b>

<sup>(1)</sup> Interest income accrual differences between 31 December 2019 amounting to TRY 9.631.831 and 31 December 2018 amounting to TRY 7.458.586 has been included in purchases row.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(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 <sup>(1)</sup>	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ <sup>(1)</sup>	Ankara/Turkey	31,47	33,12
3. Türk P ve I Sigorta AŞ <sup>(1)</sup>	Istanbul/Turkey	16,67	16,67
4. Kredi Kayıt Bürosu AŞ <sup>(2)</sup>	Istanbul/Turkey	18,18	18,18
5. Bankalararası Kart Merkezi AŞ <sup>(3)</sup>	Istanbul/Turkey	18,95	18,95
6. Platform Ortak Kartlı Sistemler A.Ş.	Istanbul/Turkey	33,33	33,33

b) Information related to the associates as shown in (a) <sup>(1)</sup>:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value <sup>(4)</sup>
1.	10.266.337	1.589.934	27.285	347.963	2.141	101.743	84.803	482.671
2.	53.950	53.147	29	5.534	-	3.088	1.659	-
3.	80.919	26.555	1.699	1.680	-	12.255	3.891	-
4.	332.447	174.875	192.972	12.387	-	11.378	41.206	-
5.	151.277	91.498	70.414	5.591	-	26.624	15.953	-
6.	5.250	5.250	-	-	-	-	-	-

<sup>(1)</sup> The financial data is obtained from 31 December 2019 financial statements used in consolidation.

<sup>(2)</sup> Financial information of Kredi Kayıt Bürosu AŞ. is obtained from audited financial statements as of 31 December 2019.

<sup>(3)</sup> Financial information of Bankalararası Kart Merkezi AŞ. is obtained from audited financial statements as of 31 December 2019.

<sup>(4)</sup> Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 December 2019.

c) Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	438.318	332.792
Movements during the period	69.468	105.526
<i>Purchases</i>	1.750	375
<i>Bonus shares obtained profit from current year's share</i>	875	3.032
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfers</i>	-	-
<i>Revaluation decrease (-) / increase</i>	66.843	102.119
<i>Impairment provisions (-) / reversals</i>	-	-
<b>Balance at the end of the period</b>	<b>507.786</b>	<b>438.318</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(7) Information on associates (Net) (continued):

d) Sectorial information and related carrying amounts of associates:

	<b>Current Period</b>
Banks	482.671
Insurance companies	2.495
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	11.102
	<b>Prior Period</b>
Banks	415.828
Insurance companies	1.620
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	9.352

e) Associates quoted on a stock exchange:

None.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(8) Information on subsidiaries (Net):

a) Information on subsidiaries<sup>(1)</sup>:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
<b>CORE CAPITAL</b>									
Paid in Capital	104.000	349.000	412.000	928.000	323.000	452.226	96.000	213.395	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-
Share premium	-	134	-	49.945	-	11.633	-	99.004	-
Reserves	23.490	26.973	131.559	66.857	14.959	287.031	15.008	296.936	622
Other Comprehensive Income according to TAS	10.535	-	-	858.140	-	6.830	10	37.830	-
<b>Profit / Loss</b>	<b>86.307</b>	<b>223.157</b>	<b>386.680</b>	<b>54.977</b>	<b>(74.240)</b>	<b>63.466</b>	<b>65.091</b>	<b>24.200</b>	<b>1.070</b>
<i>Net Profit</i>	86.307	288.393	362.146	54.977	47.980	58.989	45.115	24.200	845
<i>Prior Period Profit/Loss</i>	-	(65.236)	24.534	-	(122.220)	4.477	19.976	-	225
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	642	1.299	24	95	613	-	-	-
Leasehold Improvements (-)	-	-	419	2.726	-	9.497	-	6.523	-
Intangible Assets (-)	1.424	4.789	3.128	306	1.679	8.530	1.060	15.023	3
<b>Total Core Capital</b>	<b>222.908</b>	<b>593.833</b>	<b>925.393</b>	<b>1.954.863</b>	<b>261.945</b>	<b>802.546</b>	<b>175.049</b>	<b>649.819</b>	<b>1.789</b>
<b>SUPPLEMENTARY CAPITAL</b>	-	-	-	-	<b>39.593</b>	<b>13.011</b>	<b>27.156</b>	<b>7.749</b>	-
<b>CAPITAL</b>	<b>222.908</b>	<b>593.833</b>	<b>925.393</b>	<b>1.954.863</b>	<b>301.538</b>	<b>815.557</b>	<b>202.205</b>	<b>657.568</b>	<b>1.789</b>
<b>NET AVAILABLE CAPITAL</b>	<b>222.908</b>	<b>593.833</b>	<b>925.393</b>	<b>1.954.863</b>	<b>301.538</b>	<b>815.557</b>	<b>202.205</b>	<b>657.568</b>	<b>1.789</b>

<sup>(1)</sup> The information is presented from companies' financial statements as of 31 December 2019.

There is no internal capital adequacy assessment approach for the subsidiaries.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items.

Extraordinary reserves are the status reserves which have been appropriated with the General Assembly decision after distributable profit have been transferred to legal reserves.

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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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(8) Information on subsidiaries (Net) (continued):

b) Information on subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,96	100,00
2. Halk Sigorta AŞ	Istanbul	89,18	95,32
3. Halk Hayat ve Emeklilik AŞ	Istanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ <sup>(2)</sup> <sup>(3)</sup>	Istanbul	79,33	79,36
5. Halk Finansal Kiralama AŞ	Istanbul	100,00	100,00
6. Halk Banka AD, Skopje	Macedonia	99,29	99,29
7. Halk Faktoring AŞ	Istanbul	97,50	100,00
8. Halkbank A.D. Beograd	Serbia	100,00	100,00
9. Halk Varlık Kiralama AŞ	Istanbul	100,00	100,00
10. Bileşim Alternatif Dağıtım Kanalları AŞ	Istanbul	100,00	100,00

c) Information related to the subsidiaries as shown in (b) <sup>(1)</sup>:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair Value
1.	404.668	224.332	9.226	108.145	6.424	86.307	57.733	294.882
2.	3.068.007	598.622	15.856	377.510	55.599	288.393	145.122	576.996
3.	1.671.977	928.940	12.215	246.684	25.202	362.146	305.840	2.000.000
4.	2.392.407	1.931.733	1.562.697	3.704	-	54.977	83.202	814.812
5.	3.142.488	263.624	4.264	325.847	-	47.980	(112.634)	385.000
6.	5.953.954	820.573	130.412	203.672	12.822	58.989	54.688	818.264
7.	2.131.919	176.109	2.281	340.024	-	45.115	67.679	231.075
8.	3.892.380	671.365	88.136	129.366	17.263	24.200	15.697	610.948
9.	1.651.782	1.792	3	-	-	845	837	2.900
10.	79.045	49.587	11.607	7.463	-	13.252	11.542	84.000

<sup>(1)</sup> The financial data is obtained from 31 December 2019 financial statements used in consolidation.

<sup>(2)</sup> Halk Gayrimenkul Yatırım Ortaklığı AŞ is valued at stock price.

<sup>(3)</sup> The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(8) Information on subsidiaries (Net) (continued):

d) Movement of the subsidiaries:

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the beginning of the period	<b>4.332.481</b>	<b>3.626.708</b>
Movements during the period	(1.090.600)	705.773
<i>Purchase<sup>(1)</sup></i>	89.974	310.098
<i>Bonus shares obtained profit from current year's share</i>	171.789	266.211
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer<sup>(2)</sup></i>	(2.576.996)	(39.375)
<i>Revaluation Increase/Decrease</i>	1.039.403	330.466
<i>Impairment Provisions (-)/ Reversals</i>	185.230	(161.627)
<b>Balance at the end of the period</b>	<b>3.241.881</b>	<b>4.332.481</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> Between 1 January – 31 March 2019, The Bank paid TRY 89.974 for 0,13% shares of Halkbank A.D., Skopje, which is located in Northern Macedonia and increased its shares to 99,29%.

<sup>(2)</sup> The Bank classified Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ as assets held for sale in the current period which were classified as subsidiaries in the previous period.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(8) Information on subsidiaries (Net) (continued):

e) Sectorial information on subsidiaries and the related carrying amounts:

	<b>Current Period</b>
Banks	1.429.212
Insurance companies	-
Factoring companies	231.075
Leasing companies	385.000
Financing companies	-
Other financial subsidiaries	1.112.594
Other non-financial subsidiaries	84.000

	<b>Prior Period</b>
Banks	987.369
Insurance companies	2.018.425
Factoring companies	138.296
Leasing companies	469.551
Financing companies	-
Other financial subsidiaries	661.694
Other non-financial subsidiaries	57.146

f) Subsidiaries quoted in the stock exchange:

	<b>Current Period</b>	<b>Prior Period</b>
Quoted to domestic stock <sup>(1)</sup>	814.812	925.185
Quoted foreign stock exchange	-	-

<sup>(1)</sup> The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

<sup>(2)</sup> According to the Capital Markets Board Communiqué on "Principles Regarding the CMB Registration and Sale of Shares", Series: I, No:40, shares of Halk Sigorta AŞ is traded on the Pre-Market Trading Platform of Borsa İstanbul A.Ş. Due to the lack of transaction depth of Halk Sigorta AŞ in the Pre-Market Trading Platform market, its fair value was determined by the valuation report prepared by the independent valuation firm.

(9) Information on jointly controlled entities (joint ventures):

None.

(10) Information on finance lease receivables (Net):

None.

(11) Information on derivative financial assets for hedging purposes:

None.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(12) Information on tangible assets:

<b>Current Period</b>	<b>Balance at the end of the prior period</b>	<b>Additions</b>	<b>Revaluation Increase</b>	<b>Disposals (-)</b>	<b>Transfer</b>	<b>Balance at the end of the period</b>
<b>Cost:</b>						
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
TFRS 16	-	934.625	-	200.527	-	734.098
Office machines	648.170	215.220	-	48.084	-	815.306
Fixed assets obtained due to non-performing loans	1.232.222	4.039.812	-	388.870	-	4.883.164
Lease hold improvements costs	163.307	39.496	-	-	-	202.803
Other	292.226	20.018	-	3.404	-	308.840
<b>Total Cost</b>	<b>4.047.393</b>	<b>5.284.302</b>	<b>88.201</b>	<b>655.562</b>	<b>-</b>	<b>8.764.334</b>
<b>Accumulated depreciation (-)</b>						
Immovable	150.586	7.216	32.911	2.135	-	188.578
Tangible assets purchased through financial lease	24.731	-	-	773	-	23.958
TFRS 16	-	199.761	-	30.455	-	169.306
Office machines	367.117	93.963	-	15.032	-	446.048
Fixed assets obtained due to non-performing loans	19.106	12.880	-	9.461	-	22.525
Lease hold improvements costs	96.162	29.652	-	2.410	-	123.404
Other	229.780	18.911	-	7.056	-	241.635
<b>Total Accumulated Depreciation</b>	<b>887.482</b>	<b>362.383</b>	<b>32.911</b>	<b>67.322</b>	<b>-</b>	<b>1.215.454</b>
<b>Provision for impairment (-)</b>						
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
<b>Total provision for impairment (-)</b>	<b>11.997</b>	<b>-</b>	<b>2.036</b>	<b>2.399</b>	<b>-</b>	<b>11.634</b>
<b>Net Book Value</b>	<b>3.147.914</b>	<b>4.921.919</b>	<b>53.254</b>	<b>585.841</b>	<b>-</b>	<b>7.537.246</b>

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(12) Information on tangible assets (continued):

<b>Prior Period</b>	<b>Balance at the end of the prior period</b>	<b>Additions</b>	<b>Revaluation Increase</b>	<b>Disposals (-)</b>	<b>Transfer</b>	<b>Balance at the end of the period</b>
<b>Cost:</b>						
Immovable	1.594.694	21.763	80.959	11.250	-	1.686.166
Tangible assets purchased through financial lease	26.581	94	-	1.373	-	25.302
Office machines	556.055	171.341	-	79.226	-	648.170
Fixed assets obtained due to non-performing loans	743.604	674.608	-	181.237	4.753	1.232.222
Lease hold improvements costs	128.769	34.828	-	290	-	163.307
Other	292.011	22.747	-	22.532	-	292.226
<b>Total Cost</b>	<b>3.341.714</b>	<b>925.381</b>	<b>80.959</b>	<b>295.908</b>	<b>4.753</b>	<b>4.047.393</b>
<b>Accumulated depreciation (-)</b>						
Immovable	131.778	6.810	12.463	465	-	150.586
Tangible assets purchased through financial lease	25.893	228	-	1.390	-	24.731
Office machines	308.118	81.282	-	22.283	-	367.117
Fixed assets obtained due to non-performing loans	16.224	8.141	-	5.259	-	19.106
Lease hold improvements costs	72.983	24.855	-	1.676	-	96.162
Other	237.074	15.117	-	22.411	-	229.780
<b>Total accumulated depreciation</b>	<b>792.070</b>	<b>136.433</b>	<b>12.463</b>	<b>53.484</b>	<b>-</b>	<b>887.482</b>
<b>Provision for impairment (-)</b>						
Immovable	4.248	-	387	-	-	4.635
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	9.617	-	-	2.255	-	7.362
<b>Total provision for impairment (-)</b>	<b>13.865</b>	<b>-</b>	<b>387</b>	<b>2.255</b>	<b>-</b>	<b>11.997</b>
<b>Net Book Value</b>	<b>2.535.779</b>	<b>788.948</b>	<b>68.109</b>	<b>240.169</b>	<b>4.753</b>	<b>3.147.914</b>

(13) Information on intangible assets:

<b>Current Period</b>	<b>Balance at the end of the prior period</b>	<b>Additions</b>	<b>Disposals(-)</b>	<b>Transfers</b>	<b>Balance at the end of the period</b>
<b>Cost:</b>					
Other intangible assets	264.711	63.798	518	-	327.991
<b>Total Cost</b>	<b>264.711</b>	<b>63.798</b>	<b>518</b>	<b>-</b>	<b>327.991</b>
<b>Accumulated Depreciation (-)</b>					
Other intangible assets	124.461	41.486	9	-	165.938
<b>Total Accumulated Depreciation</b>	<b>124.461</b>	<b>41.486</b>	<b>9</b>	<b>-</b>	<b>165.938</b>
<b>Net Book Value</b>	<b>140.250</b>	<b>22.312</b>	<b>509</b>	<b>-</b>	<b>162.053</b>

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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(13) Information on other intangible assets (continued):

<b>Prior Period</b>	<b>Balance at the end of the prior period</b>	<b>Additions</b>	<b>Disposals (-)</b>	<b>Transfers</b>	<b>Balance at the end of the period</b>
<b>Cost:</b>					
Other intangible assets	217.375	48.665	1.329	-	264.711
<b>Total Cost</b>	<b>217.375</b>	<b>48.665</b>	<b>1.329</b>	<b>-</b>	<b>264.711</b>
<b>Accumulated Depreciation (-) :</b>					
Other intangible assets	103.690	48.078	27.307	-	124.461
<b>Total Accumulated Depreciation</b>	<b>103.690</b>	<b>48.078</b>	<b>27.307</b>	<b>-</b>	<b>124.461</b>
<b>Net Book Value</b>	<b>113.685</b>	<b>587</b>	<b>(25.978)</b>	<b>-</b>	<b>140.250</b>

(14) Information on investment property:

	<b>Current Period</b>	<b>Prior Period</b>
<b>Cost:</b>		
Opening Balance	432.347	430.845
Acquisitions	2.417	1.502
Transfer	-	-
Disposals	-	-
Impairment Charge/Reversal	-	-
<b>Ending Balance</b>	<b>434.764</b>	<b>432.347</b>
<b>Accumulated Depreciation (-)</b>		
Opening Balance	75.499	72.271
Amortization Charge	3.238	3.228
Transfer	-	-
Disposals	-	-
Impairment Provisions	-	-
<b>Total Accumulated Depreciation (-)</b>	<b>78.737</b>	<b>75.499</b>
<b>Net Book Value</b>	<b>356.027</b>	<b>356.848</b>

(15) Information on tax assets:

Please refer to Section 5, explanations related to the liabilities footnote 10.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(16) Information on assets held for sale and held from discontinued operations:

	<b>Current Period<sup>(*)</sup>(**)</b>	<b>Prior Period</b>
Cost	2.576.996	39.377
Accumulated Depreciation (-)	-	-
<b>Net book value</b>	<b>2.576.996</b>	<b>39.377</b>
Prior Period Closing Balance	<b>39.377</b>	-
Acquisitions	145.599	39.377
Transfer (net)	2.431.395	-
Disposals (net)	(39.375)	-
Revaluation Increase	-	-
Impairment/Reversal	-	-
Depreciation	-	-
<b>Closing net book value</b>	<b>2.576.996</b>	<b>39.377</b>

<sup>(\*)</sup> In the current period, the Bank has classified Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ as assets held for sale within the scope of TFRS 5 Non-current Assets Held for Sale and Discontinued Operations which was classified as subsidiaries in the prior period.

<sup>(\*\*)</sup> In the current period, the Bank has classified the shares of Ojer Telekomünikasyon A.Ş. as Financial Asset at Fair Value through Profit Loss within the scope of TFRS 5 Standard for Non-current Assets Held for Sale and Discontinued Operations which was classified as Non Current Assets Held For Sale in the prior period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 2.751.529 and does not exceed 10% of the balance sheet total (31 December 2018: TRY 3.643.082).

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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES**

(1) Information on maturity structure of deposits / funds collected:

a) Information on deposit / funds collected:

Current period:

	<b>Demand</b>	<b>7 day call accounts</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6 months year</b>	<b>1 year and over</b>	<b>Cumulative deposits</b>	<b>Total</b>
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
<i>Residents in Turkey</i>	15.608.398	-	5.622.229	64.590.897	4.877.379	1.719.671	3.585.841	9.997	96.014.412
<i>Residents abroad</i>	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
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	102.686	-	4.873.617	8.447.885	-	6.379	-	-	13.430.567
<i>Foreign banks</i>	5.830.054	-	256.737	3.607.708	-	-	-	-	9.694.499
<i>Participation banks</i>	28.836	-	3.556.123	621.044	265.123	-	-	-	4.471.126
<b>Total</b>	<b>52.438.343</b>	<b>-</b>	<b>41.127.047</b>	<b>168.033.933</b>	<b>15.671.153</b>	<b>4.992.736</b>	<b>15.358.206</b>	<b>112.758</b>	<b>297.734.176</b>

Prior period:

	<b>Demand</b>	<b>7 day call accounts</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6 months year</b>	<b>1 year and over</b>	<b>Cumulative deposits</b>	<b>Total</b>
Saving deposits	6.742.100	-	1.948.028	45.655.985	4.207.981	2.061.570	792.495	101.935	61.510.094
Foreign currency deposits	13.245.040	-	7.574.582	53.656.357	7.229.616	2.473.782	6.122.732	11.268	90.313.377
<i>Residents in Turkey</i>	11.173.107	-	6.767.449	50.285.363	6.849.844	1.790.411	3.681.216	10.784	80.558.174
<i>Residents abroad</i>	2.071.933	-	807.133	3.370.994	379.772	683.371	2.441.516	484	9.755.203
Public sector deposits	2.920.272	-	2.293.652	3.890.644	1.257.655	1.186.540	16.715	-	11.565.478
Commercial inst. deposits	5.017.840	-	10.189.875	19.475.304	2.147.885	2.213.406	277.424	-	39.321.734
Other inst. deposits	736.010	-	344.876	5.478.120	2.459.517	2.055.496	571.269	-	11.645.288
Precious metals	3.132.484	-	1.446	353.335	16.328	22.150	32.098	-	3.557.841
Interbank deposits	20.729.135	-	877.735	9.019.200	177.010	4.116	134.246	-	30.941.442
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	116.071	-	370.153	6.526.936	17.765	4.116	6.247	-	7.041.288
<i>Foreign banks</i>	20.120.093	-	32.606	2.173.434	-	-	127.999	-	22.454.132
<i>Participation banks</i>	492.971	-	474.976	318.830	159.245	-	-	-	1.446.022
<b>Total</b>	<b>52.522.881</b>	<b>-</b>	<b>23.230.194</b>	<b>137.528.945</b>	<b>17.495.992</b>	<b>10.017.060</b>	<b>7.946.979</b>	<b>113.203</b>	<b>248.855.254</b>



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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

(1) Information on maturity structure of deposits / funds collected (continued):

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	
	Current Period	Exceeding the insurance limit Current Period
Saving deposits	36.907.556	29.259.703
Foreign currency saving deposits	18.785.110	10.687.058
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	311.411	349.453
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

Saving deposits	Under the guarantee insurance	
	Prior Period	Exceeding the insurance limit Prior Period
Saving deposits	30.985.259	32.011.973
Foreign currency saving deposits	39.155.466	32.319.474
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign branches' saving deposits and other accounts	225.517	215.452
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	3.188	3.066
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

(2) Information on derivative financial liabilities:

Negative differences table related to the derivative financial liabilities:

	Current Period	
	TRY	FC
Forward transactions	-	26.993
Swap transactions	51	323.519
Future transactions	-	-
Options	283	2.872
Other	-	-
<b>Total</b>	<b>334</b>	<b>353.384</b>

	Prior Period	
	TRY	FC
Forward transactions	-	98.286
Swap transactions	-	302.162
Future transactions	-	-
Options	16	9.974
Other	-	-
<b>Total</b>	<b>16</b>	<b>410.422</b>

(3) Information on funds borrowed:

a) Information on Banks and other financial institutions:

	Current Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	530.197	1.969.879
Foreign banks, institutions and funds	-	8.516.765
<b>Total</b>	<b>530.197</b>	<b>10.486.644</b>

	Prior Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	372.398	1.456.532
Foreign banks, institutions and funds	-	10.087.097
<b>Total</b>	<b>372.398</b>	<b>11.543.629</b>

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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

(3) Information on funds borrowed (continued):

b) Maturity structure of funds borrowed:

	Current Period	
	TRY	FC
Short-term	529.866	726.701
Medium and long-term	331	9.759.943
<b>Total</b>	<b>530.197</b>	<b>10.486.644</b>

	Prior Period	
	TRY	FC
Short-term	372.030	1.802.519
Medium and long-term	368	9.741.110
<b>Total</b>	<b>372.398</b>	<b>11.543.629</b>

c) Additional disclosures related to the concentrations of the Bank's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Bank is deposits, which is composed of 22,88% of saving deposits and 37,01% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Technology especially for constructing small industrial estates and organized industrial estates.

The Bank's 49,79% of bank deposits and 43,50% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued:

	Current Period	
	TRY	FC
Bills	4.682.528	-
Treasury Bonds	1.384.736	10.512.530
Assets Backed Securities	1.011.493	-
<b>Total</b>	<b>7.078.757</b>	<b>10.512.530</b>

	Prior Period	
	TRY	FC
Bills	2.011.697	-
Treasury Bonds	-	12.024.839
Assets Backed Securities	1.011.442	-
<b>Total</b>	<b>3.023.139</b>	<b>12.024.839</b>

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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

(5) Explanations on the funds:

Funds are granted as loans in conformity with the protocols between the Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under Secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

Maturity structure of funds:

	<b>Current Period</b>	<b>Prior Period</b>
Short Term	1.135	1.080
Long Term	3.207.869	2.873.041
<b>Total</b>	<b>3.209.004</b>	<b>2.874.121</b>

(6) Information on other liabilities:

Other liabilities balance does not exceed 10% of the balance sheet total.

(31 December 2018: Other liabilities balance does not exceed 10% of the balance sheet total).

(7) Information on finance lease payables (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the related accounting standards.

b) Explanation on finance lease payables:

None.

c) Explanations on operational leases:

<b>Current Period</b>	<b>Gross</b>	<b>Net</b>
Up to 1 year	46.461	41.583
1 - 4 years	200.231	165.000
More than 4 years	630.661	373.342
<b>Total</b>	<b>877.353</b>	<b>579.925</b>

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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

(8) Information on derivative financial liabilities for hedging purposes:  
None.

(9) Explanations on provisions:

a) Information on general provisions:

As of 31 December 2019 the Bank does not have a provision amount of the currency differences on foreign currency indexed loans and finance lease receivables (31 December 2018: None).

b) Specific provisions provided for unindemnified non-cash loans:

As of 31 December 2019, the Bank's specific provision for unindemnified non-cash loans balance is TRY 114.712 (31 December 2018: TRY 169.363).

c) Information on other provisions:

Total other provision balance amounting to TRY 557.583 (31 December 2018: TRY 966.686) consists of TRY 114.712 (31 December 2018: TRY 169.363) for specific provisions of unindemnified and unfunded non cash loans, TRY 172.593 (31 December 2018: 196.831) for expected loss amount of non-cash loans, TRY 76.714 (31 December 2018: TRY 115.020) for legal cases filed against the Bank, and TRY 193.564 (31 December 2018: TRY 71.472) of other provisions. (General provisions for 31 December 2018: TRY 414.000).

d) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2019 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Inflation Rate	8,20%	12,00%
Discount Rate	12,10%	16,30%
Estimated Real Wage Growth Rate	8,40%	12,20%

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	507.885	461.909
Charge for the year	50.542	45.877
Interest Expense	81.763	56.068
Actuarial gain/loss	83.464	(23.872)
Prior period service cost composed current period	1.618	-
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	5.875	3.288
Benefits paid within the period (-)	(42.802)	(35.385)
<b>Total</b>	<b>688.345</b>	<b>507.885</b>

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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

(9) Explanations on provisions (continued):

e) Liabilities for employee benefits:

As of 31 December 2019, unused vacation accruals are TRY 133.654, personnel dividend provision is TRY 255.877, severance indemnity provision for Bank personnel is TRY 688.345 and severance indemnity provision for outsourcing firms is TRY 27.895 (31 December 2018: TRY 103.077 for unused vacation accruals; TRY 507.885 for severance indemnity provision for Bank personnel; TRY 20.161 for severance indemnity provision for outsources; TRY 256.105 for personnel dividend provision).

The Bank accounts for actuarial gains / losses under equity commencing from 1 January 2013.

f) Liabilities arising from retirement benefits:

f.1. Liabilities of pension funds founded as per the Social Security Institution:  
None.

f.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees:

Based on the results of the actuarial reports prepared as of 31 December 2019, it was determined that there is no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı and T.C. Ziraat Bankası ve Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

The above mentioned actuarial review, which was made in accordance with the principles of the related law, measures the present value of the liability as of 31 December 2019, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. Actuarial assumptions used in the calculation are given below.

<b>Assumptions</b>	<b>Current Period</b>	<b>Prior Period</b>
Discount Rate	9,8%	9,8%
Mortality Rate	CSO 1980 women/men	CSO 1980 women/men

Some of the Bank's personnel are the members of T. Halk Bankası Çalışanları Emekli Sandığı Vakfı, ("Fund") which was established by 20th provisional article of Social Security Law numbered 506. As of 31 December 2019, the number of personnel who benefit from the Fund is 36.625 (31 December 2018: 36.012).

Below table shows the present values of premiums and salary payments as of 31 December 2019, by taking into account the health expenses within the Social Security Institution limits.

	<b>Current Period</b>	<b>Prior Period</b>
<b>Transferable Pension and Medical Benefits:</b>		
Net Present Value of Total Liabilities Other Than Health	(3.113.389)	(2.561.914)
Net Present Value of Long Term Insurance Line Premiums	3.321.573	2.944.078
<b>Net Present Value of Total Liabilities Other Than Health</b>	<b>208.184</b>	<b>382.164</b>
Net Present Value of Health Liabilities	(659.388)	(538.003)
Net Present Value of Health Premiums	2.075.379	1.839.474
<b>Net Present Value of Health Liabilities</b>	<b>1.415.991</b>	<b>1.301.471</b>
<b>Pension Fund Assets</b>	<b>3.304.716</b>	<b>2.469.532</b>
General Administration Expenses (1%)	(37.728)	(30.999)
<b>Amount of Actuarial and Technical Deficit</b>	<b>4.891.163</b>	<b>4.122.168</b>

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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

(9) Explanations on provisions (continued):

g) Liabilities arising from retirement benefits (continued):

Plan assets are comprised as follows:

<b>Total Assets</b>	<b>Current Period</b>	<b>Prior Period</b>
Banks	1.890.018	1.386.529
Marketable Securities	1.136.573	908.197
Property and Equipment	104.141	112.560
Other	173.984	62.246
<b>Total</b>	<b>3.304.716</b>	<b>2.469.532</b>

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:

<b>Assumptions</b>	<b>Change in Assumptions (%)</b>			
	<b>Pension Benefits</b>	<b>Death Benefits</b>	<b>Medical Benefits</b>	<b>Total</b>
Discount rate +1	<(%0,0)	(%19,0)	(%18,3)	(%18,3)
Discount rate -1	<%0,0	%25,9	%24,8	%24,8
Inflation rate +1	<%0,0	%26,2	%31,0	%31,0
Inflation rate -1	<(%0,0)	(%19,3)	(%21,9)	(%21,9)

(10) Explanations related to tax liabilities (continued):

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2019, the Bank's calculated current tax asset is amounting to TRY 422.949 and recognized under corporate tax provision account as of the mentioned date.

a.2. Information on taxes payable:

	<b>Current Period</b>
Corporate tax payable	422.949
Income on securities tax	625.775
Property income tax	2.199
Banking and insurance transactions tax (BITT)	158.774
Foreign exchange transactions tax	4.360
Value added tax payable	-
Other	44.915
<b>Total</b>	<b>1.258.972</b>

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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

a) Information on current tax liability (continued):

a.2. Information on taxes payable (continued):

	<b>Prior Period</b>
Corporate tax payable	-
Income on securities tax	419.083
Property income tax	1.879
Banking and insurance transactions tax (BITT)	172.999
Foreign exchange transactions tax	13
Value added tax payable	-
Other	42.750
<b>Total</b>	<b>636.724</b>

a.3. Information on premiums:

	<b>Current Period</b>
Social insurance premiums-employee	22
Social insurance premiums-employer	28
Bank social aid pension fund premium-employee	14.605
Bank social aid pension fund premium-employer	21.370
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	1.057
Unemployment insurance-employer	2.083
Other	349
<b>Total</b>	<b>39.514</b>

	<b>Prior Period</b>
Social insurance premiums-employee	20
Social insurance premiums-employer	25
Bank social aid pension fund premium-employee	12.674
Bank social aid pension fund premium-employer	17.609
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	922
Unemployment insurance-employer	1.805
Other	230
<b>Total</b>	<b>33.285</b>



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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

(10) Explanations related to tax liabilities (continued):

b) Information deferred tax liability:

	<b>Current Period</b>
<b>Deferred Tax Asset / (Liability)</b>	
Provisions <sup>(1)</sup>	843.555
Revaluation of Financial Assets	(736.461)
Other	(416.955)
<b>Deferred Tax Liability:</b>	<b>(309.861)</b>
<b>Deferred tax accounted in shareholders' equity</b>	<b>(203.421)</b>
Fair value through other comprehensive income arising from securities' internal efficiency-stock market difference	(66.750)
Actuarial gains/losses	14.965
Property Revaluation	(151.636)
<sup>(1)</sup> Provisions are comprised of the employee termination benefits and other provisions.	
	<b>Prior Period</b>
<b>Deferred Tax Asset / (Liability)</b>	
Provisions <sup>(1)</sup>	753.154
Revaluation of Financial Assets	(1.634.098)
Other	428.175
<b>Deferred Tax Liability:</b>	<b>(452.769)</b>
<b>Deferred tax accounted in shareholders' equity</b>	<b>(158.766)</b>
Fair value through other comprehensive income arising from securities' internal efficiency-stock market difference	(9.180)
Actuarial gains/losses	(2.386)
Property Revaluation	(147.200)
<sup>(1)</sup> Provisions are comprised of the employee termination benefits and other provisions.	

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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

(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:

<b>Information on Subordinated Loans</b>	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
To be included in the calculation of additional capital borrowings instruments	-	6.146.988	-	-
Subordinated loans	-	6.146.988	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.037.858	-	6.182.084	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.037.858	-	6.182.084	-
<b>Total</b>	<b>6.037.858</b>	<b>6.146.988</b>	<b>6.182.084</b>	<b>-</b>

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	<b>Current Period</b>	<b>Prior Period</b>
Common stock	1.250.000	1.250.000
Preferred stock	-	-

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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

(13) Information on shareholders' equity (continued):

- b) Application of registered capital system and registered capital ceiling amount:  
There is an application of registered capital system and registered capital ceiling amount is TRY 7.500.000.
- c) Information on share capital increases and their sources; other information on increased capital shares in the current period:  
None.
- d) Information on additions from capital reserves to capital in the current period:  
None.
- e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:  
None.
- f) Information on the Bank's acquired shares:  
The Bank has repurchased shares amounting to TRY 262.384 within the scope of the Board of Directors' decision dated 29 August 2018.
- g) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:  
The Bank has sustainable profitability and equity structure. There are no uncertainties that would impact the current position.
- h) Information on preferred shares:  
None.
- i) Information on marketable securities revaluation fund:

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
From subsidiaries, associates and jointly controlled entities (joint ventures)	2.337.040	512.845
Valuation differences	2.337.040	512.845
Exchange rate difference	-	-
Financial assets at fair value through other comprehensive income	342.755	(121.133)
Valuation differences	342.755	(115.287)
Exchange rate difference	-	(5.846)
<b>Total</b>	<b>2.679.795</b>	<b>391.712</b>

	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.404.394	291.471
Valuation differences	1.404.394	291.471
Exchange rate difference	-	-
Financial assets available for sale	(24.601)	(167.172)
Valuation differences	(24.601)	(165.718)
Exchange rate difference	-	(1.454)
<b>Total</b>	<b>1.379.793</b>	<b>124.299</b>

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**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)**

(13) Information on shareholders' equity (continued):

j) Legal Reserves

	<b>Current Period</b>	<b>Prior Period</b>
I. Legal Reserve	1.392.459	1.270.414
II. Legal Reserve	585.488	585.488
Special Reserves	12.408	8.364
Share Buyback Reserve Fund	262.384	-
	<b>2.252.739</b>	<b>1.864.266</b>

k) Extraordinary Reserves:

	<b>Current Period</b>	<b>Prior Period</b>
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	21.401.704	18.563.848
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital (-)	-	-
<b>Total</b>	<b>21.401.704</b>	<b>18.563.848</b>

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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:

<b>Types of irrevocable commitments</b>	<b>Current Period</b>	<b>Prior Period</b>
Commitments for credit card expenditure limits	16.709.743	12.674.648
Payment commitments for cheques	3.219.679	2.661.413
Loan granting commitments	3.061.215	4.611.884
Forward asset purchase and sale commitments	2.232.623	2.036.669
Forward deposit purchase and sale commitments	-	-
Commitments for credit cards and banking services promotions	24.943	31.409
Tax and fund liabilities from export commitments	83.156	65.280
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	4.172.444	3.691.303
<b>Total</b>	<b>29.503.803</b>	<b>25.772.606</b>

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:

	<b>Current Period</b>
Letters of credit	3.823.229
Bank acceptances	6.961.998
Other guarantees	2.713.220
<b>Total</b>	<b>13.498.447</b>

	<b>Prior Period</b>
Letters of credit	3.136.394
Bank acceptances	7.050.260
Other guarantees	2.000.953
<b>Total</b>	<b>12.187.607</b>

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**III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)**

(1) Information on off-balance sheet liabilities (continued):

b.2. Certain guarantees, tentative guarantees, sureties and similar transactions:

	<b>Current Period</b>
Letters of certain guarantees	16.257.998
Letters of advance guarantees	4.382.365
Letters of tentative guarantees	713.001
Letters of guarantee given to customs offices	1.939.926
Other letters of guarantee	53.125.931
<b>Total</b>	<b>76.419.221</b>

	<b>Prior Period</b>
Letters of certain guarantees	17.065.885
Letters of advance guarantees	6.037.362
Letters of tentative guarantees	804.609
Letters of guarantee given to customs offices	1.742.025
Other letters of guarantee	45.202.337
<b>Total</b>	<b>70.852.218</b>

c) Total non-cash loans:

	<b>Current Period</b>
Non-cash loans for providing cash loans	8.095.714
<i>Within one year or less original maturity</i>	1.646.649
<i>Within more than one year maturity</i>	6.449.065
Other non-cash loans	81.821.954
<b>Total</b>	<b>89.917.668</b>

	<b>Prior Period</b>
Non-cash loans for providing cash loans	6.481.383
<i>Within one year or less original maturity</i>	1.974.877
<i>Within more than one year maturity</i>	4.506.506
Other non-cash loans	76.558.442
<b>Total</b>	<b>83.039.825</b>

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**III. EXPLANATION AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)**

(1) Information on off-balance sheet liabilities (continued):

d.1. Sectoral risk concentration of non-cash loans

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	99.163	0,24	233.454	0,47	87.601	0,23	104.638	0,23
<i>Farming and Stockbreeding</i>	73.632	0,18	10.396	0,02	64.687	0,17	14.324	0,03
<i>Forestry</i>	715	0,00	-	0,00	520	0,00	-	0,00
<i>Fishery</i>	24.816	0,06	223.058	0,45	22.394	0,06	90.314	0,20
Manufacturing	8.403.481	20,66	23.512.393	47,74	7.894.909	21,24	23.935.831	52,19
<i>Mining and Quarrying</i>	164.007	0,40	503.437	1,02	156.756	0,42	406.557	0,89
<i>Production</i>	6.417.873	15,78	21.620.953	43,90	5.271.059	14,18	22.746.036	49,59
<i>Electricity, Gas and Water</i>	1.821.601	4,48	1.388.003	2,82	2.467.094	6,64	783.238	1,71
Construction	12.363.810	30,40	11.241.946	22,83	11.899.549	32,02	9.972.683	21,74
Services	18.056.269	44,41	14.105.048	28,64	16.504.232	44,41	11.730.714	25,56
<i>Wholesale and Retail Trade</i>	10.642.848	26,17	6.179.958	12,55	8.616.472	23,18	5.179.942	11,27
<i>Accommodation and Dining</i>	257.825	0,63	2.463.170	5,00	165.427	0,45	1.604.699	3,50
<i>Transportation and Telecom.</i>	605.619	1,49	4.268.126	8,67	499.807	1,34	2.842.128	6,20
<i>Financial Institutions</i>	3.793.359	9,33	108.345	0,22	4.213.553	11,35	257.450	0,56
<i>Real Estate and Rental Services</i>	2.269.193	5,58	937.340	1,90	2.605.931	7,01	1.732.404	3,78
<i>Professional Services</i>	14.340	0,04	745	0,00	22.065	0,06	694	0,00
<i>Educational Services</i>	100.488	0,25	72.927	0,15	74.897	0,20	60.487	0,13
<i>Health and Social Services</i>	372.597	0,92	74.437	0,15	306.080	0,82	52.910	0,12
Other	1.748.351	4,29	153.753	0,32	781.644	2,10	128.024	0,28
<b>Total</b>	<b>40.671.074</b>	<b>100,00</b>	<b>49.246.594</b>	<b>100,00</b>	<b>37.167.935</b>	<b>100,00</b>	<b>45.871.890</b>	<b>100,00</b>

d.2. Non-cash loans classified under I. and II. Group

	Group I		Group II	
	TRY	FC	TRY	FC
<b>Non-Cash Loans</b>	<b>39.529.230</b>	<b>47.852.002</b>	<b>1.141.844</b>	<b>1.394.592</b>
Letters of Guarantee	36.883.962	37.016.098	1.139.172	1.379.989
Bills of Exchange and Bank Acceptances	5.588	6.953.150	2.672	588
Letters of Credit	16.891	3.792.323	-	14.015
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	2.622.789	90.431	-	-

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**III. EXPLANATION AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)**

(1) Information on off-balance sheet liabilities (continued):

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
<b>Types of trading transactions</b>				
<b>Foreign Currency related Derivative Transactions (I):</b>	<b>42.358.965</b>	<b>28.575.161</b>	-	-
Currency Forwards-Purchases/Sales	5.331.751	7.049.313	-	-
Currency Swaps-Purchases/Sales	33.506.700	15.666.602	-	-
Currency Futures-Purchases/Sales	-	-	-	-
Currency Options-Purchases/Sales	3.520.514	5.859.246	-	-
<b>Interest Rate related Derivative Transactions (II)</b>	<b>27.707.502</b>	<b>17.392.884</b>	-	-
Interest Rate Contracts	-	-	-	-
Interest Rate Swaps-Purchases/Sales	27.707.502	17.392.884	-	-
Interest Rate Options-Purchases/Sales	-	-	-	-
Interest Rate Futures-Purchases/Sales	-	-	-	-
<b>Other Trading Derivatives (III) <sup>(1)</sup></b>	<b>3.236.795</b>	<b>2.239.469</b>	-	-
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>73.303.262</b>	<b>48.207.514</b>	-	-
<b>Derivative Financial Instruments held for Risk Management</b>	-	-	-	-
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
<b>B. Total Derivative Financial Instruments held for Risk Management</b>	-	-	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>73.303.262</b>	<b>48.207.514</b>	-	-

<sup>(1)</sup> Other trading derivative transactions include forward precious metal purchase and sale transactions of TL 954.621 and TL 132.599, respectively, and swap precious metal purchase transactions of TL 2.149.575.

f) Information on contingent liabilities and assets:

Bank's commitments for the cheques given to customers are TRY 3.219.679 (31 December 2018: TRY 2.661.413).

g) Services provided on behalf of others:

None.



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**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT**

(1) Information on interest income:

a) Information on interest income on loans:

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
<b>Interest on loans<sup>(1)</sup></b>		
Short term loans	9.496.259	569.749
Medium and long term loans	20.954.208	5.140.532
Interest on non-performing loans	909.582	-
Premiums from resource utilization support fund	-	-
<b>Total</b>	<b>31.360.049</b>	<b>5.710.281</b>

<sup>(1)</sup> Includes fees and commissions obtained from cash loans.

	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
<b>Interest on loans<sup>(1)</sup></b>		
Short term loans	8.194.112	333.178
Medium and long term loans	15.471.162	4.551.930
Interest on non-performing loans	261.445	-
Premiums from resource utilization support fund	-	-
<b>Total</b>	<b>23.926.719</b>	<b>4.885.108</b>

<sup>(1)</sup> Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
CBRT	229.026	36.754
Domestic banks	26.199	4.032
Overseas banks	21.059	24.183
Head office and branches	-	-
<b>Total</b>	<b>276.284</b>	<b>64.969</b>

	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
CBRT	427.986	80.777
Domestic banks	70.616	31.103
Overseas banks	10.272	9.421
Head office and branches	-	-
<b>Total</b>	<b>508.874</b>	<b>121.301</b>

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**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT**  
**(continued)**

(1) Information on interest income (continued):

c) Interest income on marketable securities:

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
From Financial Assets at Fair Value through Profit or Loss	8.871	1.292
Financial Assets at Fair Value through Other Comprehensive		
Income	1.361.763	135.895
Financial Assets Measured at Amortized Cost	6.810.309	842.768
<b>Total</b>	<b>8.180.943</b>	<b>979.955</b>

	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
Financial assets held for trading	13.891	1.414
Financial assets at fair value through profit or loss	221.731	66.375
Available-for-sale financial assets	6.192.891	548.352
<b>Total</b>	<b>6.428.513</b>	<b>616.141</b>

d) Interest income from subsidiaries and associates:

	<b>Current period</b>
Interest income from subsidiaries and associates	147.402

	<b>Prior period</b>
Interest income from subsidiaries and associates	49.280

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**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT**  
**(continued)**

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
Banks	56.819	225.970
<i>CBRT</i>	-	-
<i>Domestic banks</i>	56.819	51.082
<i>Overseas banks</i>	-	174.888
<i>Overseas head office and branches</i>	-	-
Other institutions	10	18.678
<b>Total</b>	<b>56.829</b>	<b>244.648</b>

	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
Banks	34.858	407.116
<i>CBRT</i>	1	-
<i>Domestic banks</i>	24.835	29.156
<i>Overseas banks</i>	10.022	377.960
<i>Overseas head office and branches</i>	-	-
Other institutions	11	20.134
<b>Total</b>	<b>34.869</b>	<b>427.250</b>

b) Interest expenses to subsidiaries and associates:

	<b>Current Period</b>
Interest expenses to subsidiaries and associates	595.228

	<b>Prior Period</b>
Interest expenses to subsidiaries and associates	481.229

c) Information on interest expenses to marketable securities issued:

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
Interest on securities issued	1.873.614	708.748
<b>Total</b>	<b>1.873.614</b>	<b>708.748</b>

	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
Interest on securities issued	919.824	543.720
<b>Total</b>	<b>919.824</b>	<b>543.720</b>

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**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

Account name	Current Period		Time deposits				Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
<b>TRY</b>								
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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>700</b>	<b>3.967.310</b>	<b>12.813.367</b>	<b>2.304.042</b>	<b>898.951</b>	<b>987.698</b>	<b>11.916</b>	<b>20.983.984</b>
<b>Foreign currency</b>								
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
<b>Total</b>	<b>72</b>	<b>519.784</b>	<b>1.678.397</b>	<b>146.163</b>	<b>61.652</b>	<b>147.063</b>	<b>-</b>	<b>2.553.131</b>
<b>Grand total</b>	<b>772</b>	<b>4.487.094</b>	<b>14.491.764</b>	<b>2.450.205</b>	<b>960.603</b>	<b>1.134.761</b>	<b>11.916</b>	<b>23.537.115</b>

Account name	Prior Period		Time deposits				Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
<b>TRY</b>								
Bank deposits	1.504	405.773	525.324	48.880	691	-	-	982.172
Saving deposits	5	317.695	7.368.649	310.727	119.538	59.977	9.931	8.186.522
Public deposits	106	268.493	544.146	101.996	271.430	3.570	-	1.189.741
Commercial deposits	19	1.256.483	3.807.186	413.078	254.973	38.034	-	5.769.773
Other deposits	-	122.682	1.346.118	193.824	396.049	5.747	-	2.064.420
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.634</b>	<b>2.371.126</b>	<b>13.591.423</b>	<b>1.068.505</b>	<b>1.042.681</b>	<b>107.328</b>	<b>9.931</b>	<b>18.192.628</b>
<b>Foreign currency</b>								
Deposits	1.052	135.150	1.737.375	122.754	97.333	124.184	-	2.217.848
Bank deposits	9	305.125	-	-	-	-	-	305.134
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	29	2.808	266	319	545	-	3.967
<b>Total</b>	<b>1.061</b>	<b>440.304</b>	<b>1.740.183</b>	<b>123.020</b>	<b>97.652</b>	<b>124.729</b>	<b>-</b>	<b>2.526.949</b>
<b>Grand total</b>	<b>2.695</b>	<b>2.811.430</b>	<b>15.331.606</b>	<b>1.191.525</b>	<b>1.140.333</b>	<b>232.057</b>	<b>9.931</b>	<b>20.719.577</b>

(3) Information on dividend income:

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through other Comprehensive Income	6.944	3.547
Other	414.881	506.810
<b>Total</b>	<b>421.825</b>	<b>510.357</b>

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**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

(4) a) Information on trading profit/loss:

	<b>Current Period</b>
<b>Profit</b>	<b>48.076.102</b>
Profit from the capital market operations	299.336
Profit on derivative financial instruments	8.927.439
Foreign exchange gains	38.849.327
<b>Loss (-)</b>	<b>51.343.198</b>
Loss from the capital market operations	5.944
Loss on derivative financial instruments	10.426.874
Foreign exchange losses	40.910.380
	<b>Prior Period</b>
<b>Profit</b>	<b>52.746.145</b>
Profit from the capital market operations	47.492
Profit on derivative financial instruments	5.865.670
Foreign exchange gains	46.832.983
<b>Loss (-)</b>	<b>52.596.890</b>
Loss from the capital market operations	17.622
Loss on derivative financial instruments	3.930.907
Foreign exchange losses	48.648.361

b) Information on derivative financial instruments:

	<b>Current period</b>	<b>Prior period</b>
<b>Profit on derivative financial instruments</b>	<b>8.927.439</b>	<b>5.865.670</b>
Effect of the change in foreign exchange on profit	8.614.436	5.703.044
Effect of the change in interest rate on profit	313.003	162.626
<b>Loss on derivative financial instruments (-)</b>	<b>10.426.874</b>	<b>3.930.907</b>
Effect of the change in foreign exchange on loss	10.154.504	3.798.071
Effect of the change in interest rate on loss	272.370	132.836
<b>Profit/loss on derivative financial instruments</b>	<b>(1.499.435)</b>	<b>1.934.763</b>

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**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT**  
**(continued)**

(5) Information on other operating income:

	<b>Current Period</b>
Adjustments for prior period expenses	2.156.048
Income from the asset sale	115.316
Rent income	47.187
Other income	88.889
<b>Total</b>	<b>2.407.440</b>

	<b>Prior Period</b>
Adjustments for prior period expenses	419.069
Receivable from the asset sale	123.169
Rent income	42.143
Other income	40.093
<b>Total</b>	<b>624.474</b>

(6) Impairment losses on loans and other receivables:

	<b>Current Period</b>
Expected Credit Loss	4.551.745
<i>12 Month Expected Credit Loss (Stage 1)</i>	<i>319.366</i>
<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>189.879</i>
<i>Non – Performing Loans (Stage 3)</i>	<i>4.042.500</i>
Marketable Securities Impairment Expense	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-
<i>Financial Assets at Fair Value through Other Comprehensive Income</i>	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
Other	146.153
<b>Total</b>	<b>4.697.898</b>

	<b>Prior Period</b>
Expected Credit Losses	2.354.618
<i>12 Month Expected Credit Loss (Stage 1)</i>	<i>60.111</i>
<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>449.482</i>
<i>Defaulted Loans (Stage 3)</i>	<i>1.845.025</i>
Marketable Securities Impairment Provision	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-
<i>Financial Assets at Fair Value through Other Comprehensive Income</i>	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
Other	780.455
<b>Total</b>	<b>3.135.073</b>

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**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT**  
**(continued)**

(7) Information on other operating expenses:

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for employee termination benefits	101.441	73.412
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	2.036	387
Depreciation expenses of fixed assets	337.323	129.151
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	41.486	35.508
Impairment expense for equity shares subject to	-	-
Impairment expense of assets that will be	-	-
Amortization expenses of assets that will be	11.509	7.846
Impairment expense for property and	-	-
Other operating expenses	1.895.078	1.894.299
<i>Leasing Expenses on TFRS 16 Exceptions</i>	<i>83.700</i>	<i>286.746</i>
<i>Maintenance expenses</i>	<i>54.145</i>	<i>47.059</i>
<i>Advertisement expenses</i>	<i>191.409</i>	<i>195.096</i>
<i>Other expenses</i>	<i>1.565.824</i>	<i>1.365.398</i>
Loss on sales of assets	225	99
Other	1.042.924	926.192
<b>Total</b>	<b>3.432.022</b>	<b>3.066.894</b>

(8) Information on profit/loss from continuing and discontinued operations before taxes:

The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 10.612.036 (31 December 2018: TRY 8.079.578) of net interest income and TRY 2.778.218 (31 December 2018: TRY 1.949.657) of net fees and commissions income. The profit from continuing operations before tax of the Bank is amounting to TRY 1.968.257. (31 December 2018: TRY 2.717.818)

(9) Information on tax provisions for continuing and discontinued operations:

For the period then ended 31 December 2019, the Bank's tax provision amounting to TRY 247.948 (31 December 2018: TRY 196.023) consists of TRY 435.511 (31 December 2018: TRY 9.840) of current tax charge and TRY 1.200.560 (31 December 2018: TRY 1.144.825) of deferred tax charge, TRY 1.388.123 (31 December 2018: TRY 958.642) of deferred tax income.

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

As of 31 December 2019, the Bank's net operating income after tax is amounting to TRY 1.720.309.(31 December 2018: TRY 2.521.795)

(11) Information on operating results needed for better understanding of the Bank's performance:

a) Income and expenses from ordinary banking operations:

None.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss:

There is no issue to be disclosed.

(12) Other items in income statements:

The other items under Fees and Commissions Received and Fees and Commissions Paid generally consist of credit cards, insurance and other banking transaction commissions.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED**  
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**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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**SECTION V: EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT**

- (1) Disclosures for the “other” and “the effect of foreign exchange differences on cash and cash equivalents” items of cash flow statement:

The “net increase in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 18.035.777 increase for the year 2019 (31 December 2018: TRY 10.303.180). "Other" item in operating profit is composed of other operating expenses excluding fees and commissions expense, foreign exchange gain, other operating income and personnel expenses and decrease by TRY 11.153.133 for the year 2019 (31 December 2018: TRY 12.978.280 decrease).

For the year ended 31 December 2019, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 2.395.944 increase (31 December 2018: TRY 5.212.885 increase). The average exchange rates of last five weekdays were taken into consideration as of the balance sheet date when calculating the effect of change in the exchange rates.

- (2) Items used in determination of cash and cash equivalents: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.
- (3) The effect of any change in accounting policies: None.
- (4) Cash and cash equivalents balance at the beginning of the period:

	Current period	Prior period
Cash	34.957.050	36.373.039
<i>Cash in TRY and foreign currency</i>	4.417.864	2.119.116
<i>Central Bank and others<sup>(1)</sup></i>	30.539.186	34.253.923
Cash equivalents	5.136.433	7.348.489
<i>Demand and Time Deposits Up to 3 Months</i>	5.136.433	6.089.842
<i>Money Market Placements</i>	-	1.258.647
<b>Cash and Banks</b>	<b>40.093.483</b>	<b>43.721.528</b>
Reserve deposits in Central Bank of Turkey	(16.237.014)	(16.506.119)
Accruals on reserve deposits in Central Bank of Turkey	(223.863)	(89.784)
Accruals on banks	(987)	(1.092)
Accruals on the money market placements	-	(2.669)
<b>Total Cash and Cash Equivalents</b>	<b>23.631.619</b>	<b>27.121.864</b>

<sup>(1)</sup>Others items include cheques received.

- (5) Cash and cash equivalents balance at the end of the period:

	Current Period	Prior Period
Cash	34.488.581	34.957.050
<i>Cash in TRY and foreign currency</i>	3.665.767	4.417.864
<i>Central Bank and others<sup>(1)</sup></i>	30.822.814	30.539.186
Cash Equivalents	3.750.467	5.136.433
<i>Demand and Time Deposits Up to 3 Months</i>	3.750.467	5.136.433
<i>Money Market Placements</i>	-	-
<b>Cash and Banks</b>	<b>38.239.048</b>	<b>40.093.483</b>
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	-	-
<b>Total Cash and Cash Equivalents</b>	<b>24.122.354</b>	<b>23.631.619</b>

<sup>(1)</sup>Others items include cheques received.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK**

(1) Volume of the Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Information on the Loans of the Bank's risk group:

**Current period:**

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	1.377.511	224.571	-	-	-	-
Closing balance	2.331.642	313.114	-	-	-	-
Interest and commissions income	147.402	1.687	-	-	-	-

**Prior period:**

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	967.161	234.553	-	-	-	-
Closing balance	1.377.511	224.571	-	-	-	-
Interest and commissions income	49.280	1.151	-	-	-	-

b) Deposits held by the Bank's risk group:

**Current Period:**

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period		Current Period		Current Period	
	Deposits					
Beginning balance	2.889.487		-		-	
Closing Balance	3.574.573		-		-	
Interest expense on deposits	583.973		-		-	

**Prior Period:**

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Prior Period		Prior Period		Prior Period	
	Deposits					
Beginning balance	2.857.226		-		-	
Closing Balance	2.889.487		-		-	
Interest expense on deposits	469.702		-		-	

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK (continued)**

- (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 (continued)
- c) Forward and option contracts and similar transactions with the Bank's risk group:

<b>Risk group</b>	<b>Subsidiaries, associates and jointly controlled entities (joint ventures)</b>	<b>Direct or indirect shareholders of the Bank</b>	<b>Other real and legal persons in the risk group</b>
<b>Financial Assets At Fv Through Profit And Loss</b>	<b>Current Period</b>	<b>Current Period</b>	<b>Current Period</b>
Beginning balance	109.322	-	-
Closing Balance	17.918	-	-
Total Profit/Loss	104	-	-

<b>Risk group</b>	<b>Subsidiaries, associates and jointly controlled entities (joint ventures)</b>	<b>Direct or indirect shareholders of the Bank</b>	<b>Other real and legal persons in the risk group</b>
<b>Financial Assets At Fv Through Profit And Loss</b>	<b>Prior Period</b>	<b>Prior Period</b>	<b>Prior Period</b>
Beginning balance	11.936	-	-
Closing Balance	109.322	-	-
Total Profit/Loss	(318)	-	-

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**VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK (continued)**

(2) Disclosures for risk group:

a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

The branches of the Bank are agencies of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ. In addition, the Bank acts as an intermediary in Halk Yatırım Menkul Değerler A.Ş.'s activities within the scope of 'Intermediary Agreement for Securitites Orders'.

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:

	<b>Amount</b>	<b>% compared to the amounts in the financial statements</b>
Cash loans	2.331.642	0,80
Non-cash loans	313.114	0,35
Deposits	3.574.573	1,20
Forward and option contracts	17.918	0,02

Pricing of these transactions are in accordance with the general pricing policies of the Bank and are in line with market rates.

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:

Explained in b).

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 10.308 as of 31 December 2019 (31 December 2018: TRY 10.717).

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES**

- (1) Explanations on the Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of Employees	Countries	Total Assets	Statutory Capital
<b>Domestic Branch</b>	1000	18.895			
<b>Abroad Agencies</b>	3	4	IRAN ENGLAND SINGAPORE		
<b>Overseas Branch</b>	5	65	T.R.N.C. BAHRAIN	1.338.340 20.235.920	- -
<b>Off-shore Branches</b>	1	3			

- (2) Explanations on branch and agency openings or closings of the Bank:

The Bank opened 18 branches during the year 2019.

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**IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS**

As per the Board of Directors' decision dated February 4, 2020, it was decided to transfer 66.67% of the shares of the the Parent Bank's subsidiary, Bileşim Alternatif Dağıtım Kanalları A.Ş..

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**SECTION VI: OTHER EXPLANATIONS**

**X. OTHER EXPLANATIONS ON THE BANK'S ACTIVITY**

An indictment was filed against the Bank on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the Bank for violation of Iranian sanctions.

The Bank sought leave the New York Southern District Court (“District Court”) to make a “special appearance” in a proceeding to challenge the court’s jurisdiction and rejection of the judge of the case. The District Court has denied that request. The Bank appealed to the US Second Circuit Court of Appeals (“Court of Appeals”) for mandamus regarding the District Court deciding to allow the respective special appearance.

The District Court was requested to suspend the hearings upon the District Court’s requisition to continue the general hearings regarding the case. The District Court also denied that request. The Bank also applied to the Court of Appeals for a mandamus for the approval of denied suspension request.

The Court of Appeals’s appeal committee consisting of 3 judges granted a temporary stay on the District Court litigation until the resolution of the mandamus petition.

The appeal process for the suspension of the hearings before the Court of Appeals and the order of a high court for a special appearance is still ongoing.

The prosecution process is closely monitored by the Bank through specialized US law firms.

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

The Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and money transfers are open and transparent, and easily be monitored by authorities. The Bank will continue to adopt the same policies of transparency and compliance with international regulations.

The Bank placed a high importance on this matter and established a separate “Compliance Department”.

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**SECTION VII: AUDITORS' REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT**

The Bank's publicly available unconsolidated interim financial statements and footnotes as of 31 December 2019 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 14 February 2020 is presented in front of the financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.