

*(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 31 March 2020  
With Limited Review Report Thereon**  
*(Convenience Translation of Unconsolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

14 May 2020

*This report contains “Review Report” comprising 2 pages and; “Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes” comprising 100 pages.*

*Convenience Translation of the Report on Review of Interim Financial Information Originally Issued in Turkish*

## **REPORT ON REVIEW OF UNCONSOLIDATED INTERIM FINANCIAL INFORMATION**

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

### *Introduction*

We have reviewed the accompanying unconsolidated statement of financial position of Türkiye Halk Bankası A.Ş. (“the Bank”) as at 31 March 2020, and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity and unconsolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying unconsolidated interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial 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 Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this unconsolidated interim financial information based on our review.

### *Scope of Review*

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

### *Basis for Qualified Conclusion*

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 amounted to TRY 17.231.126 thousand as at 31 March 2020. If such classification were not made, total assets and shareholders’ equity, excluding tax effect, would be lower by TRY 2.361.357 thousand as at 31 March 2020.

### *Qualified Conclusion*

Based on our review, except for the effects of the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that accompanying unconsolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. as at 31 March 2020, and of the results of its operations and its cash flows for the three-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

### *Emphasis of Matter*

As detailed in Section Five Note Seven, 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”). The lawsuit action at the District Court is ongoing.

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. 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.

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

Based on our review, nothing has come to our attention that causes us to believe that the unconsolidated interim financial information provided in the Management's interim report included in section seven of the accompanying unconsolidated financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed unconsolidated interim financial statements and the explanatory notes.

### *Additional paragraph for English translation:*

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying unconsolidated interim financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying unconsolidated financial statements. The accounting principles used in the preparation of the accompanying unconsolidated interim 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 unconsolidated interim 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 May 2020

**TÜRKİYE HALK BANKASI AŞ**  
**THE UNCONSOLIDATED FINANCIAL REPORT**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

The unconsolidated three-month period 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** : LIMITED REVIEW REPORT
- **Section Seven** : INTERIM ACTIVITY REPORT

The unconsolidated financial statements for the three-month period and related disclosures and footnotes that are subject to limited review 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 May 2020

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

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

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

## **SECTION ONE**

### General Information About the Bank

|   | <b>Page No</b> |
|---|----------------|
| I. Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including The Changes of These Articles   | 3              |
| 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   | 3              |
| 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   | 4              |
| IV. Information About the Persons and Institutions that Have Qualified Shares Attributable to the Bank  | 5              |
| V. Explanations on the Bank's Functions and Lines of Activity   | 6              |
| VI. Differences Between the Communiqué 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 | 7              |
| 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   | 8              |

## **SECTION TWO**

### Unconsolidated Financial Statements

|  |    |
|--|----|
| I. Balance Sheet (Statement of Financial Position)             | 10 |
| II. Statement of Off-Balance Sheet Items                       | 12 |
| III. Statement of Profit Statement of or Loss                  | 13 |
| IV. Statement of Profit or Loss and Other Comprehensive Income | 14 |
| V. Statement of Changes in Shareholders' Equity                | 15 |
| VI. Statement of Cash Flows                                    | 16 |

Explanations on Associates, Subsidiaries and Joint Ventures , Explanations on Forward and Option Contracts and Derivative Products

## **SECTION THREE**

### Explanations on Accounting Policies

|   |    |
|---|----|
| I. Explanations on Basis of Presentation  | 17 |
| II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions  | 19 |
| III. Explanations on Associates, Subsidiaries and Joint Ventures                                    | 19 |
| IV. Explanations on Forward and Option Contracts and Derivative Products                            | 19 |
| V. Explanations on Interest Income and Expenses   | 20 |
| VI. Explanations on Fee and Commission Income and Expenses  | 20 |
| VII. Explanations on Financial Assets   | 20 |
| VIII. Explanations on Impairment of Financial Assets  | 25 |
| IX. Explanations on Offsetting Financial Instruments  | 28 |
| X. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned    | 28 |
| XI. Explanations on Assets Held For Sale, Assets of Discontinued Operations and Related Liabilities | 28 |
| XII. Explanations on Goodwill and Other Intangible Assets   | 28 |
| XIII. Explanations on Property, Plant and Equipment   | 29 |
| XIV. Explanations on Investment Properties  | 29 |
| XV. Explanations on Leasing Transactions  | 30 |
| XVI. Explanations on Provisions and Contingent Liabilities  | 31 |
| XVII. Explanations on Employee Benefit Liabilities  | 32 |
| XVIII. Explanations on Taxation   | 33 |
| XIX. Additional Explanations on Borrowings  | 34 |
| XX. Explanations on Shares Issued   | 34 |
| XXI. Explanations on Bill Guarantees and Acceptances  | 34 |
| XXII. Explanations on Government Incentives   | 34 |
| XXIII. Explanations on Segment Reporting  | 34 |
| XXIV. Explanations on Other Matters   | 34 |

#### **SECTION FOUR**

##### Information Related to Financial Position and Risk Management of the Bank

|       |  |    |
|-------|--|----|
| I.    | Explanations on Capital  | 35 |
| II.   | Explanations on Currency Risk  | 43 |
| III.  | Explanations on Interest Rate Risk                                     | 45 |
| IV.   | Explanations on Position Risk of Shares                                | 49 |
| V.    | Explanations on Liquidity Risk Management and Liquidity Coverage Ratio | 50 |
| VI.   | Explanations on Leverage Ratio   | 55 |
| VII.  | Explanations on Business Segmentation                                  | 55 |
| VIII. | Explanations on Risk Management and Risk Weighted Amounts              | 59 |

#### **SECTION FIVE**

##### Explanations and Notes Related to the Unconsolidated Financial Statements

|      |  |    |
|------|--|----|
| I.   | Explanation and Notes Related to the Assets                  | 61 |
| II.  | Explanation and Notes Related to the Liabilities             | 79 |
| III. | Explanation and Notes Related to the Off-Balance Sheet Items | 86 |
| IV.  | Explanation and Notes Related to the Income Statement        | 87 |
| V.   | Explanations Related to the Risk Group of the Bank           | 92 |
| VI.  | Explanations Related to the Subsequent Events                | 94 |
| VII. | Other Explanations on the Bank's Activity                    | 94 |

#### **SECTION SIX**

##### Limited Review Report

|     |   |    |
|-----|---|----|
| I.  | Explanations on Limited Review Report                       | 95 |
| II. | Explanations and Notes Prepared by the Independent Auditors | 95 |

#### **SECTION SEVEN**

##### Interim Activity Report

|    |   |    |
|----|---|----|
| I. | Interim Period Activity Report Included Chairman of the Board of Directors and CEO's Assessments for the Interim Activities | 96 |
|----|---|----|

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

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

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

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

As of 31 March 2020 the shareholders’ structure and their respective ownerships are summarized as follows:

| Shareholders                       | 31 March<br>2020 | %             | 31 December<br>2019 | %             |
|------------------------------------|------------------|---------------|---------------------|---------------|
| Türkiye Varlık Fonu <sup>(1)</sup> | 638.276          | 51,06         | 638.276             | 51,06         |
| Public shares <sup>(1)</sup>       | 611.644          | 48,93         | 611.643             | 48,93         |
| Other shareholders <sup>(2)</sup>  | 80               | 0,01          | 81                  | 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 78 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**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

*(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 Board of Directors                              |
| Osman ARSLAN         | Member of the Board of Directors, Chief Executive Officer  |
| Meltem TAYLAN AYDIN  | Member of the Board of Directors   |
| Mehmet Emin ÖZCAN    | Independent Member of the Board of Directors, Member of the Audit Committee  |
| Maksut SERİM         | Member of the Board of Directors   |
| Sadık TILTAK         | Independent Member of the Board of Director, Chairman of the Audit Committee                                       |
| Sezai UÇARMAK        | Member of the Board of Directors   |
| Mevlüt UYSAL         | Member of the Board of Directors   |
| Yılmaz ÇOLAK         | Member of the Supervisory Board  |
| Faruk ÖZÇELİK        | Member of the Supervisory Board  |
| İlhan BÖLÜKBAŞ       | Executive Vice President, Loan Allocation and Management   |
| Ergin KAYA           | Executive Vice President, Banking Operations and Support Services  |
| Yalçın MADENCİ       | Executive Vice President, Corporate and Commercial Marketing   |
| Yusuf Duran OCAK     | Executive Vice President, Financial Management and Planning, Credit Policies, Monitoring and Legal Follow-up (P.P) |
| Serdar SÜRER         | Executive Vice President, Treasury Management and International Banking  |
| Hasan TUNCA Y        | Executive Vice President, Retail Banking   |

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



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

*(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 2020 are listed with titles and dates of assignment.

None

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

| Title                          | Name and Surname | Leaving Date     |
|--------------------------------|------------------|------------------|
| Executive Vice President (P.P) | Nazmi BAĞDINLI   | 14 February 2020 |

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

*(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**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

*(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 March 2020, the Bank operates with a total of 1006 branches consisting of 1000 domestic and 6 foreign branches that are 5 in Turkish Republic of Northern Cyprus and 1 in Bahrain. Domestic branches include 41 satellite branches. The Bank has also 3 representative offices 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**

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**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

*(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**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

*(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 Profit or Loss
- IV. Statement of Profit or Loss and Other Comprehensive Income
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2020**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

| ASSETS   | Note    | Reviewed           |                    |                    | Audited            |                    |                    |
|--|---------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  |         | Current Period     |                    |                    | Prior Period       |                    |                    |
|  |         | 31 March 2020      | 31 March 2020      | 31 March 2020      | 31 December 2019   | 31 December 2019   | 31 December 2019   |
|  |         | TRY                | FC                 | TOTAL              | TRY                | FC                 | TOTAL              |
| <b>I. FINANCIAL ASSETS (NET)</b>   |         | <b>36.715.258</b>  | <b>29.145.082</b>  | <b>65.860.340</b>  | <b>30.196.996</b>  | <b>39.709.838</b>  | <b>69.906.834</b>  |
| <b>1.1 Cash and Cash Equivalents</b>   |         | <b>3.652.657</b>   | <b>22.904.975</b>  | <b>26.557.632</b>  | <b>2.970.056</b>   | <b>35.259.174</b>  | <b>38.229.230</b>  |
| 1.1.1 Cash and Balances with Central Bank  | (1)     | 3.356.815          | 19.978.786         | 23.335.601         | 2.472.458          | 32.016.123         | 34.488.581         |
| 1.1.2 Banks  | (3)     | 309.185            | 2.926.189          | 3.235.374          | 507.416            | 3.243.051          | 3.750.467          |
| 1.1.3 Money Markets  |         | -                  | -                  | -                  | -                  | -                  | -                  |
| 1.1.4 Expected Loss Provision (-)  |         | 13.343             | -                  | 13.343             | 9.818              | -                  | 9.818              |
| <b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>                   | (2)     | <b>16.266.874</b>  | <b>39</b>          | <b>16.266.913</b>  | <b>16.266.722</b>  | <b>64</b>          | <b>16.266.786</b>  |
| 1.2.1 Government Debt Securities   |         | 16.104.483         | 39                 | 16.104.522         | 16.104.564         | 64                 | 16.104.628         |
| 1.2.2 Equity Instruments   |         | 145.601            | -                  | 145.601            | 145.601            | -                  | 145.601            |
| 1.2.3 Other Financial Assets   |         | 16.790             | -                  | 16.790             | 16.557             | -                  | 16.557             |
| <b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>       | (4)     | <b>16.777.068</b>  | <b>4.300.435</b>   | <b>21.077.503</b>  | <b>10.956.522</b>  | <b>3.302.262</b>   | <b>14.258.784</b>  |
| 1.3.1 Government Debt Securities   |         | 16.069.633         | 4.172.993          | 20.242.626         | 10.275.808         | 3.170.818          | 13.446.626         |
| 1.3.2 Equity Instruments   |         | 103.531            | 127.442            | 230.973            | 100.631            | 131.444            | 232.075            |
| 1.3.3 Other Financial Assets   |         | 603.904            | -                  | 603.904            | 580.083            | -                  | 580.083            |
| <b>1.4 Derivative Financial Assets</b>   | (2)(11) | <b>18.659</b>      | <b>1.939.633</b>   | <b>1.958.292</b>   | <b>3.696</b>       | <b>1.148.338</b>   | <b>1.152.034</b>   |
| 1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss             |         | 18.659             | 1.939.633          | 1.958.292          | 3.696              | 1.148.338          | 1.152.034          |
| 1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income |         | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)</b>                        |         | <b>297.284.869</b> | <b>109.555.323</b> | <b>406.840.192</b> | <b>265.772.751</b> | <b>104.232.298</b> | <b>370.005.049</b> |
| <b>2.1 Loans</b>   | (5)     | <b>258.502.824</b> | <b>89.440.314</b>  | <b>347.943.138</b> | <b>223.887.121</b> | <b>85.320.980</b>  | <b>309.208.101</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>52.128.524</b>  | <b>20.115.009</b>  | <b>72.243.533</b>  | <b>53.297.037</b>  | <b>18.911.318</b>  | <b>72.208.355</b>  |
| 2.4.1 Government Debt Securities   |         | 52.078.017         | 20.115.009         | 72.193.026         | 53.246.524         | 18.911.318         | 72.157.842         |
| 2.4.2 Other Financial Assets   |         | 50.507             | -                  | 50.507             | 50.513             | -                  | 50.513             |
| <b>2.5 Expected Credit Loss (-)</b>  |         | <b>13.346.479</b>  | <b>-</b>           | <b>13.346.479</b>  | <b>11.411.407</b>  | <b>-</b>           | <b>11.411.407</b>  |
| <b>III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)</b>     | (14)    | <b>2.616.198</b>   | <b>-</b>           | <b>2.616.198</b>   | <b>2,576.996</b>   | <b>-</b>           | <b>2,576.996</b>   |
| 3.1 Held for Sale  |         | 2.616.198          | -                  | 2.616.198          | 2,576.996          | -                  | 2,576.996          |
| 3.2 Discontinued Operations  |         | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>IV. EQUITY INVESTMENTS</b>  |         | <b>1,781,431</b>   | <b>2,072,192</b>   | <b>3,853,623</b>   | <b>1,837,784</b>   | <b>1,911,883</b>   | <b>3,749,667</b>   |
| <b>4.1 Investments in Associates (Net)</b>   | (7)     | <b>52,762</b>      | <b>522,941</b>     | <b>575,703</b>     | <b>25,115</b>      | <b>482,671</b>     | <b>507,786</b>     |
| 4.1.1 Associates Valued Based on Equity Method                                     |         | -                  | -                  | -                  | -                  | -                  | -                  |
| 4.1.2 Unconsolidated Associates  |         | 52.762             | 522.941            | 575.703            | 25.115             | 482.671            | 507.786            |
| <b>4.2 Subsidiaries (Net)</b>  | (8)     | <b>1,728,669</b>   | <b>1,549,251</b>   | <b>3,277,920</b>   | <b>1,812,669</b>   | <b>1,429,212</b>   | <b>3,241,881</b>   |
| 4.2.1 Unconsolidated Financial Subsidiaries  |         | 1.728.669          | 1.549.251          | 3.277.920          | 1.728.669          | 1.429.212          | 3.157.881          |
| 4.2.2 Unconsolidated Non- Financial Subsidiaries                                   |         | -                  | -                  | -                  | 84.000             | -                  | 84.000             |
| <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>   |         | <b>7,326,004</b>   | <b>269</b>         | <b>7,326,273</b>   | <b>7,537,034</b>   | <b>212</b>         | <b>7,537,246</b>   |
| <b>VI. INTANGIBLE ASSETS (Net)</b>   |         | <b>154,168</b>     | <b>-</b>           | <b>154,168</b>     | <b>162,053</b>     | <b>-</b>           | <b>162,053</b>     |
| 6.1 Goodwill   |         | -                  | -                  | -                  | -                  | -                  | -                  |
| 6.2 Other  |         | 154.168            | -                  | 154.168            | 162.053            | -                  | 162.053            |
| <b>VII. INVESTMENT PROPERTIES (Net)</b>  | (12)    | <b>355,208</b>     | <b>-</b>           | <b>355,208</b>     | <b>356,027</b>     | <b>-</b>           | <b>356,027</b>     |
| <b>VIII. CURRENT TAX ASSET</b>   |         | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| <b>IX. DEFERRED TAX ASSET</b>  | (13)    | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           |
| <b>X. OTHER ASSETS (Net)</b>   | (15)    | <b>3,542,903</b>   | <b>665,593</b>     | <b>4,208,496</b>   | <b>2,514,640</b>   | <b>236,889</b>     | <b>2,751,529</b>   |
| <b>TOTAL ASSETS</b>  |         | <b>349,776,039</b> | <b>141,438,459</b> | <b>491,214,498</b> | <b>310,954,281</b> | <b>146,091,120</b> | <b>457,045,401</b> |

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2020**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

|   | Note   | Reviewed           |                    |                    | Audited            |                    |                    |
|---|--------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   |        | Current Period     |                    |                    | Prior Period       |                    |                    |
|   |        | 31 March 2020      |                    |                    | 31 December 2019   |                    |                    |
| LIABILITIES   |        | TRY                | FC                 | TOTAL              | TRY                | FC                 | TOTAL              |
| <b>I. DEPOSITS</b>  | (1)    | 186.047.491        | 141.157.487        | 327.204.978        | 166.473.587        | 131.260.589        | 297.734.176        |
| <b>II. FUNDS BORROWED</b>   | (3)    | 575.725            | 10.762.270         | 11.337.995         | 530.197            | 10.486.644         | 11.016.841         |
| <b>III. MONEY MARKETS</b>   |        | 59.650.991         | 658.853            | 60.309.844         | 50.249.750         | 2.951.294          | 53.201.044         |
| <b>IV. SECURITIES ISSUED (Net)</b>  | (4)    | 6.860.457          | 6.592.680          | 13.453.137         | 7.078.757          | 10.512.530         | 17.591.287         |
| 4.1 Bills   |        | 4.572.270          | -                  | 4.572.270          | 4.682.528          | -                  | 4.682.528          |
| 4.2 Assets Backed Securities  |        | 1.011.368          | -                  | 1.011.368          | 1.011.493          | -                  | 1.011.493          |
| 4.3 Bonds   |        | 1.276.819          | 6.592.680          | 7.869.499          | 1.384.736          | 10.512.530         | 11.897.266         |
| <b>V. FUNDS</b>   |        | 3.102.535          | -                  | 3.102.535          | 3.209.004          | -                  | 3.209.004          |
| 5.1 Borrower Funds  |        | -                  | -                  | -                  | -                  | -                  | -                  |
| 5.2 Other   |        | 3.102.535          | -                  | 3.102.535          | 3.209.004          | -                  | 3.209.004          |
| <b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>                       |        | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>VII. DERIVATIVE FINANCIAL ASSETS</b>   | (2)(7) | 5.352              | 647.341            | 652.693            | 334                | 353.384            | 353.718            |
| 7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss                   |        | 5.352              | 647.341            | 652.693            | 334                | 353.384            | 353.718            |
| 7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income       |        | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>VIII. FACTORING LIABILITIES</b>  |        | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>IX. LEASE LIABILITIES</b>  | (6)    | 551.208            | 46.951             | 598.159            | 525.530            | 54.395             | 579.925            |
| <b>X. PROVISIONS</b>  | (8)    | 1.967.595          | -                  | 1.967.595          | 1.663.354          | -                  | 1.663.354          |
| 10.1 Restructuring Provisions   |        | -                  | -                  | -                  | -                  | -                  | -                  |
| 10.2 Reserve for Employee Benefits  |        | 1.292.115          | -                  | 1.292.115          | 1.105.771          | -                  | 1.105.771          |
| 10.3 Insurance for Technical Provision (Net)  |        | -                  | -                  | -                  | -                  | -                  | -                  |
| 10.4 Other Provisions   |        | 675.480            | -                  | 675.480            | 557.583            | -                  | 557.583            |
| <b>XI. CURRENT TAX LIABILITY</b>  | (9)    | 938.155            | 24                 | 938.179            | 1.298.409          | 77                 | 1.298.486          |
| <b>XII. DEFERRED TAX LIABILITIES</b>  | (9)    | 382.719            | -                  | 382.719            | 309.861            | -                  | 309.861            |
| <b>XIII. NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>        | (10)   | -                  | -                  | -                  | -                  | -                  | -                  |
| 13.1 Held for Sale  |        | -                  | -                  | -                  | -                  | -                  | -                  |
| 13.2 Discontinued Operations  |        | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>   | (11)   | 6.010.358          | 6.735.290          | 12.745.648         | 6.037.858          | 6.146.988          | 12.184.846         |
| 14.1 Loans  |        | -                  | 6.735.290          | 6.735.290          | -                  | 6.146.988          | 6.146.988          |
| 14.2 Other Debt Instruments   |        | 6.010.358          | -                  | 6.010.358          | 6.037.858          | -                  | 6.037.858          |
| <b>XV. OTHER LIABILITIES</b>  | (5)    | 24.618.155         | 992.406            | 25.610.561         | 24.623.421         | 1.082.612          | 25.706.033         |
| <b>XVI. SHAREHOLDERS' EQUITY</b>  | (12)   | 32.484.474         | 425.981            | 32.910.455         | 31.744.821         | 452.005            | 32.196.826         |
| 16.1 Paid-in Capital  |        | 1.250.000          | -                  | 1.250.000          | 1.250.000          | -                  | 1.250.000          |
| 16.2 Capital Reserves   |        | 1.064.992          | 60.293             | 1.125.285          | 1.088.227          | 60.293             | 1.148.520          |
| 16.2.1 Share Premium  |        | -                  | -                  | -                  | -                  | -                  | -                  |
| 16.2.2 Share Cancellation Profits   |        | -                  | -                  | -                  | -                  | -                  | -                  |
| 16.2.3 Other Capital Reserves   |        | 1.064.992          | 60.293             | 1.125.285          | 1.088.227          | 60.293             | 1.148.520          |
| 16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss |        | 3.631.039          | 554.525            | 4.185.564          | 3.641.906          | 512.845            | 4.154.751          |
| 16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss     |        | 291.425            | (188.837)          | 102.588            | 342.755            | (121.133)          | 221.622            |
| <b>16.5 Profit Reserves</b>   |        | 23.701.624         | -                  | 23.701.624         | 23.701.624         | -                  | 23.701.624         |
| 16.5.1 Legal Reserves   |        | 2.274.506          | -                  | 2.274.506          | 2.252.739          | -                  | 2.252.739          |
| 16.5.2 Status Reserves  |        | -                  | -                  | -                  | -                  | -                  | -                  |
| 16.5.3 Extraordinary Reserves   |        | 21.379.937         | -                  | 21.379.937         | 21.401.704         | -                  | 21.401.704         |
| 16.5.4 Other Profit Reserves  |        | 47.181             | -                  | 47.181             | 47.181             | -                  | 47.181             |
| <b>16.6 Income or (Loss)</b>  |        | 2.545.394          | -                  | 2.545.394          | 1.720.309          | -                  | 1.720.309          |
| 16.6.1 Prior Periods' Income or (Loss)  |        | 1.720.309          | -                  | 1.720.309          | -                  | -                  | -                  |
| 16.6.2 Current Period Income or (Loss)  |        | 825.085            | -                  | 825.085            | 1.720.309          | -                  | 1.720.309          |
| <b>16.7 Minority Shares</b>   |        | -                  | -                  | -                  | -                  | -                  | -                  |
| <b>TOTAL LIABILITIES</b>  |        | <b>323.195.215</b> | <b>168.019.283</b> | <b>491.214.498</b> | <b>293.744.883</b> | <b>163.300.518</b> | <b>457.045.401</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 MARCH 2020**

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

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

| OFF-BALANCE SHEET   | Note | Reviewed             |                    |                      | Audited              |                    |                      |
|---|------|----------------------|--------------------|----------------------|----------------------|--------------------|----------------------|
|   |      | Current Period       |                    |                      | Prior Period         |                    |                      |
|   |      | TRY                  | FC                 | TOTAL                | TRY                  | FC                 | TOTAL                |
|   |      | 31 March 2020        |                    |                      | 31 December 2019     |                    |                      |
| <b>A. COMMITMENTS AND CONTINGENCIES (I+II+III)</b>                  |      | <b>94.587.723</b>    | <b>126.286.251</b> | <b>220.873.974</b>   | <b>84.003.573</b>    | <b>109.842.637</b> | <b>193.846.210</b>   |
| <b>I. GUARANTEES AND WARRANTIES</b>                                 | (1)  | <b>41.463.155</b>    | <b>52.140.523</b>  | <b>93.603.678</b>    | <b>40.671.074</b>    | <b>49.246.594</b>  | <b>89.917.668</b>    |
| 1.1 Letters of guarantee  |      | 38.562.778           | 41.512.206         | 80.074.984           | 38.023.134           | 38.396.087         | 76.419.221           |
| 1.1.1 Guarantees subject to public procurement law                  |      | 2.112.005            | 11.556.741         | 13.668.746           | 2.075.214            | 11.132.077         | 13.207.291           |
| 1.1.2 Guarantees given for foreign trade operations                 |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 1.1.3 Other letters of guarantee                                    |      | 36.450.773           | 29.955.465         | 66.406.238           | 35.947.920           | 27.264.010         | 63.211.930           |
| 1.2 Bank loans  |      | 16.532               | 7.115.103          | 7.131.635            | 8.260                | 6.953.738          | 6.961.998            |
| 1.2.1 Import acceptances  |      | -                    | 102.282            | 102.282              | -                    | 27.704             | 27.704               |
| 1.2.2 Other bank acceptances  |      | 16.532               | 7.012.821          | 7.029.353            | 8.260                | 6.926.034          | 6.934.294            |
| 1.3 Letters of credit   |      | 13.749               | 3.428.810          | 3.442.559            | 16.891               | 3.806.338          | 3.823.229            |
| 1.3.1 Documentary letters of credit                                 |      | 13.749               | 3.428.810          | 3.442.559            | 16.891               | 3.806.338          | 3.823.229            |
| 1.3.2 Other letters of credit                                       |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 1.4 Guaranteed refinancing  |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 1.5 Endorsements  |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 1.5.1 Endorsements to Central Bank of the Republic of Turkey        |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 1.5.2 Other Endorsements  |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 1.6 Purchase guarantees on marketable security issuance             |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 1.7 Factoring guarantees  |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 1.8 Other guarantees  |      | 2.870.096            | 84.404             | 2.954.500            | 2.622.789            | 90.431             | 2.713.220            |
| 1.9 Other sureties  |      | -                    | -                  | -                    | -                    | -                  | -                    |
| <b>II. COMMITMENTS</b>  |      | <b>30.454.912</b>    | <b>5.963.096</b>   | <b>36.418.008</b>    | <b>28.057.633</b>    | <b>2.567.647</b>   | <b>30.625.280</b>    |
| 2.1 Irrevocable commitments   | (1)  | 30.115.821           | 4.883.915          | 34.999.736           | 27.742.136           | 1.761.667          | 29.503.803           |
| 2.1.1 Forward asset purchase commitments                            |      | 394.506              | 4.345.910          | 4.740.416            | 967.531              | 1.265.092          | 2.232.623            |
| 2.1.2 Forward deposit purchase and sale commitments                 |      | 100.000              | -                  | 100.000              | -                    | -                  | -                    |
| 2.1.3 Capital commitments to subsidiaries and associates            |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 2.1.4 Loan granting commitments                                     |      | 2.629.133            | 538.005            | 3.167.138            | 2.564.640            | 496.575            | 3.061.215            |
| 2.1.5 Securities underwriting commitments                           |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 2.1.6 Payment commitments for reserve deposits                      |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 2.1.7 Payment commitments for Cheques                               |      | 3.557.781            | -                  | 3.557.781            | 3.219.679            | -                  | 3.219.679            |
| 2.1.8 Tax and fund liabilities from export commitments              |      | 95.273               | -                  | 95.273               | 83.156               | -                  | 83.156               |
| 2.1.9 Commitments for credit card expenditure limits                |      | 18.932.736           | -                  | 18.932.736           | 16.709.743           | -                  | 16.709.743           |
| 2.1.10 Commitments for credit cards and banking services promotions |      | 22.027               | -                  | 22.027               | 24.943               | -                  | 24.943               |
| 2.1.11 Receivables from short sale commitments                      |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 2.1.12 Payables for short sale commitments                          |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 2.1.13 Other irrevocable commitments                                |      | 4.384.365            | -                  | 4.384.365            | 4.172.444            | -                  | 4.172.444            |
| 2.2 Revocable commitments   |      | 339.091              | 1.079.181          | 1.418.272            | 315.497              | 805.980            | 1.121.477            |
| 2.2.1 Revocable loan granting commitments                           |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 2.2.2 Other revocable commitments                                   |      | 339.091              | 1.079.181          | 1.418.272            | 315.497              | 805.980            | 1.121.477            |
| <b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>                        |      | <b>22.669.656</b>    | <b>68.182.632</b>  | <b>90.852.288</b>    | <b>15.274.866</b>    | <b>58.028.396</b>  | <b>73.303.262</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  |      | 22.669.656           | 68.182.632         | 90.852.288           | 15.274.866           | 58.028.396         | 73.303.262           |
| 3.2.1 Forward foreign currency buy/sell transactions                |      | 1.507.386            | 6.953.609          | 8.460.995            | 1.508.922            | 3.822.829          | 5.331.751            |
| 3.2.1.1 Forward foreign currency transactions-buy                   |      | 725.215              | 3.980.751          | 4.705.966            | 779.407              | 1.489.169          | 2.268.576            |
| 3.2.1.2 Forward foreign currency transactions-sell                  |      | 782.171              | 2.972.858          | 3.755.029            | 729.515              | 2.333.660          | 3.063.175            |
| 3.2.2 Currency and interest rate swaps                              |      | 19.683.228           | 50.301.895         | 69.985.123           | 12.849.494           | 48.364.708         | 61.214.202           |
| 3.2.2.1 Currency swap-buy   |      | 431.789              | 18.347.339         | 18.779.128           | 432.526              | 15.601.222         | 16.033.748           |
| 3.2.2.2 Currency swap-sell  |      | 17.341.439           | 5.747.456          | 23.088.895           | 11.996.968           | 5.475.984          | 17.472.952           |
| 3.2.2.3 Interest rate swap-buy                                      |      | 955.000              | 13.103.550         | 14.058.550           | 210.000              | 13.643.751         | 13.853.751           |
| 3.2.2.4 Interest Rate swap-sell                                     |      | 955.000              | 13.103.550         | 14.058.550           | 210.000              | 13.643.751         | 13.853.751           |
| 3.2.3 Currency, interest rate and marketable securities options     |      | 1.479.042            | 2.047.823          | 3.526.865            | 916.450              | 2.604.064          | 3.520.514            |
| 3.2.3.1 Currency call options                                       |      | 737.620              | 1.025.399          | 1.763.019            | 457.977              | 1.302.273          | 1.760.250            |
| 3.2.3.2 Currency put options  |      | 741.422              | 1.022.424          | 1.763.846            | 458.473              | 1.301.791          | 1.760.264            |
| 3.2.3.3 Interest rate call options                                  |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 3.2.3.4 Interest rate put options                                   |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 3.2.3.5 Marketable securities call options                          |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 3.2.3.6 Marketable securities put options                           |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 3.2.4 Currency futures  |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 3.2.4.1 Currency futures-buy  |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 3.2.4.2 Currency futures-sell                                       |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 3.2.5 Interest rate buy/sell futures                                |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 3.2.5.1 Interest rate futures-buy                                   |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 3.2.5.2 Interest rate futures-sell                                  |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 3.2.6 Other   |      | -                    | 8.879.305          | 8.879.305            | -                    | 3.236.795          | 3.236.795            |
| <b>B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>                      |      | <b>1.272.112.282</b> | <b>402.426.833</b> | <b>1.674.539.115</b> | <b>1.206.385.046</b> | <b>359.967.108</b> | <b>1.566.352.154</b> |
| <b>IV. CUSTODIES</b>  |      | <b>577.557.695</b>   | <b>48.890.828</b>  | <b>626.448.523</b>   | <b>567.016.912</b>   | <b>50.583.195</b>  | <b>617.600.107</b>   |
| 4.1 Assets under management   |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 4.2 Custody marketable securities                                   |      | 187.999.523          | 1.785.874          | 189.785.397          | 203.825.309          | 1.420.996          | 205.246.305          |
| 4.3 Cheques in collection process                                   |      | 17.374.183           | 36.302.615         | 53.676.798           | 15.390.122           | 31.703.135         | 47.093.257           |
| 4.4 Commercial notes in collection process                          |      | 324.114.616          | 7.685.301          | 331.799.917          | 289.691.963          | 7.013.429          | 296.705.392          |
| 4.5 Other assets in collection process                              |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 4.6 Underwritten securities   |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 4.7 Other custodies   |      | 3.553.326            | 1.144.220          | 4.697.546            | 4.005.722            | 810.205            | 4.815.927            |
| 4.8 Custodians  |      | 44.516.047           | 1.972.818          | 46.488.865           | 54.103.796           | 9.635.430          | 63.739.226           |
| <b>V. PLEDGED ASSETS</b>  |      | <b>694.554.587</b>   | <b>353.536.005</b> | <b>1.048.090.592</b> | <b>639.368.134</b>   | <b>309.383.913</b> | <b>948.752.047</b>   |
| 5.1 Marketable securities   |      | 5.724.858            | 1.028.180          | 6.753.038            | 5.413.902            | 1.067.288          | 6.481.190            |
| 5.2 Collateral notes  |      | 8.223.388            | 1.349.356          | 9.572.744            | 7.199.337            | 1.207.048          | 8.406.385            |
| 5.3 Commodity   |      | 25.813               | -                  | 25.813               | 25.813               | -                  | 25.813               |
| 5.4 Warranty  |      | -                    | -                  | -                    | -                    | -                  | -                    |
| 5.5 Land and buildings  |      | 539.664.599          | 276.151.320        | 815.815.919          | 500.960.484          | 251.445.308        | 752.405.792          |
| 5.6 Other pledged assets  |      | 125.059.108          | 52.168.436         | 177.227.544          | 120.638.529          | 42.752.213         | 163.390.742          |
| 5.7 Pledges   |      | 15.856.821           | 22.838.713         | 38.695.534           | 5.130.069            | 12.912.056         | 18.042.125           |
| <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>1.366.700.005</b> | <b>528.713.084</b> | <b>1.895.413.089</b> | <b>1.290.388.619</b> | <b>469.809.745</b> | <b>1.760.198.364</b> |

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



**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED**  
**31 MARCH 2020**

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

**III. PROFIT STATEMENT OF OR LOSS**

|               |  | Reviewed<br>Current Period     | Reviewed<br>Prior Period       |
|---------------|--|--------------------------------|--------------------------------|
|               |  | 1 January-<br>31 March<br>2020 | 1 January-<br>31 March<br>2019 |
|               | <b>INCOME AND EXPENSES</b>   |                                |                                |
|               | Note   |                                |                                |
| <b>I.</b>     | <b>INTEREST INCOME</b>   | <b>11.723.099</b>              | <b>10.743.038</b>              |
| 1.1           | Interest on Loans  | 8.787.921                      | 8.440.465                      |
| 1.2           | Interest on Reserve Requirements   | 216                            | 25.738                         |
| 1.3           | Interest on Banks  | 33.388                         | 136.805                        |
| 1.4           | Interest on Money Market Transactions  | -                              | -                              |
| 1.5           | Interest on Marketable Securities Portfolio  | 2.867.576                      | 2.127.198                      |
| 1.5.1         | Fair Value Through Profit or Loss  | 397                            | 4.099                          |
| 1.5.2         | Fair Value Through Other Comprehensive Income  | 655.016                        | 269.181                        |
| 1.5.3         | Measured at Amortized Cost   | 2.212.163                      | 1.853.918                      |
| 1.6           | Financial Lease Interest Income  | -                              | -                              |
| 1.7           | Other Interest Income  | 33.998                         | 12.832                         |
| <b>II.</b>    | <b>INTEREST EXPENSE (-)</b>  | <b>6.435.446</b>               | <b>9.015.014</b>               |
| 2.1           | Interest on Deposits   | 4.264.539                      | 6.267.592                      |
| 2.2           | Interest on Funds Borrowed   | 74.958                         | 75.583                         |
| 2.3           | Interest Expense on Money Market Transactions  | 1.362.233                      | 2.069.058                      |
| 2.4           | Interest on Securities Issued  | 613.793                        | 508.290                        |
| 2.5           | Interest on Leases   | 20.390                         | 23.652                         |
| 2.6           | Other Interest Expenses  | 99.533                         | 70.839                         |
| <b>III.</b>   | <b>NET INTEREST INCOME (I - II)</b>  | <b>5.287.653</b>               | <b>1.728.024</b>               |
| <b>IV.</b>    | <b>NET FEES AND COMMISSIONS INCOME</b>   | <b>721.476</b>                 | <b>616.235</b>                 |
| 4.1           | Fees and Commissions Received  | 906.804                        | 861.773                        |
| 4.1.1         | Non – cash Loans   | 220.655                        | 217.120                        |
| 4.1.2         | Other  | 686.149                        | 644.653                        |
| 4.2           | Fees and Commissions Paid (-)  | 185.328                        | 245.538                        |
| 4.2.1         | Non – cash Loans   | 7                              | 47                             |
| 4.2.2         | Other  | 185.321                        | 245.491                        |
| <b>V.</b>     | <b>DIVIDEND INCOME</b>   | <b>426</b>                     | <b>377.114</b>                 |
| <b>VI.</b>    | <b>TRADING INCOME / LOSS (Net)</b>   | <b>(1.265.993)</b>             | <b>(431.225)</b>               |
| 6.1           | Trading Gains / (Losses) on Securities   | 79.812                         | 17.733                         |
| 6.2           | Gains / (Losses) on Derivate Financial Transactions  | 1.292.062                      | 456.024                        |
| 6.3           | Foreign Exchange Gains / (Losses)  | (2.637.867)                    | (904.982)                      |
| <b>VII.</b>   | <b>OTHER OPERATING INCOME</b>  | <b>613.196</b>                 | <b>431.612</b>                 |
| <b>VIII.</b>  | <b>GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>   | <b>5.356.758</b>               | <b>2.721.760</b>               |
| <b>IX.</b>    | <b>EXPECTED LOSS PROVISIONS (-)</b>  | <b>2.326.409</b>               | <b>1.047.074</b>               |
| <b>X.</b>     | <b>OTHER PROVISION EXPENSES (-)</b>  | <b>141.078</b>                 | <b>32.309</b>                  |
| <b>XI.</b>    | <b>PERSONNEL EXPENSE (-)</b>   | <b>895.576</b>                 | <b>712.745</b>                 |
| <b>XII.</b>   | <b>OTHER OPERATING EXPENSES (-)</b>  | <b>1.004.367</b>               | <b>814.068</b>                 |
| <b>XIII.</b>  | <b>NET OPERATING INCOME /LOSS (IX-X-XI)</b>  | <b>989.328</b>                 | <b>115.564</b>                 |
| <b>XIV.</b>   | <b>INCOME AFTER MERGER</b>   | -                              | -                              |
| <b>XV.</b>    | <b>INCOME / (LOSS ) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b> | -                              | -                              |
| <b>XVI.</b>   | <b>INCOME / (LOSS) ON NET MONETARY POSITION</b>  | -                              | -                              |
| <b>XVII.</b>  | <b>PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)</b>                     | <b>989.328</b>                 | <b>115.564</b>                 |
| <b>XVIII.</b> | <b>TAX PROVISIONS FOR CONTINUED OPERATIONS (±)</b>   | <b>(164.243)</b>               | <b>189.624</b>                 |
| 18.1          | Current Tax Provision  | 2.117                          | 2.613                          |
| 18.2          | Deferred Tax Income Effect (+)   | 684.793                        | 686.287                        |
| 18.3          | Deferred Tax Expense Effect (-)  | 522.667                        | 878.524                        |
| <b>XIX.</b>   | <b>CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)</b>                   | <b>825.085</b>                 | <b>305.188</b>                 |
| <b>XX.</b>    | <b>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.</b>   | <b>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.</b>  | <b>PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (IXX-XX)</b>                          | -                              | -                              |
| <b>XXIII.</b> | <b>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.</b>  | <b>PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)</b>                        | -                              | -                              |
| <b>XXV.</b>   | <b>NET PROFIT/(LOSS) (XVIII+XXIII)</b>   | <b>825.085</b>                 | <b>305.188</b>                 |
| 25.1          | Profit / (Loss) of Group   | 825.085                        | 305.188                        |
| 25.2          | Profit / (Loss) of Minority Shares (-)   | -                              | -                              |
|               | Profit / (Loss) Per Share (full TRY)   | 0,660068                       | 0,2441504                      |

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 FOR THE PERIOD ENDED 31 MARCH 2020**

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

**IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

|   | Reviewed             | Reviewed             |
|---|----------------------|----------------------|
|   | Current Period       | Prior Period         |
|   | 1 January - 31 March | 1 January - 31 March |
| STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY  | 2020                 | 2019                 |
| <b>I. CURRENT PERIOD INCOME/LOSS</b>  | <b>825.085</b>       | <b>305.188</b>       |
| <b>II. OTHER COMPREHENSIVE INCOME</b>   | <b>(88.221)</b>      | <b>(159.034)</b>     |
| <b>2.1 Not Reclassified Through Profit or Loss</b>  | <b>30.813</b>        | <b>-</b>             |
| 2.1.1 Property and Equipment Revaluation Increase/Decrease  | (3.717)              | -                    |
| 2.1.2 Intangible Assets Revaluation Increase/Decrease   | -                    | -                    |
| 2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss  | -                    | -                    |
| 2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss  | 34.159               | -                    |
| 2.1.5 Tax on Other Comprehensive Income Items Not Reclassified Through Profit or Loss   | 371                  | -                    |
| <b>2.2 Reclassified Through Profit or Loss</b>  | <b>(119.034)</b>     | <b>(159.034)</b>     |
| 2.2.1 Foreign Currency Translation Differences  | 10.987               | 1.855                |
| 2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income | (218.918)            | (223.621)            |
| 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   | 88.897               | 62.732               |
| <b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>   | <b>736.864</b>       | <b>146.154</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 MARCH 2020**  
(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   |  |   |  |                   |                  | Prior Period 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 | 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   |                  |                               |                                 |                                     |                 |                   |
| <b>Reviewed (1 January – 31 March 2019)</b>                           |   |                |                            |                        |   |   |   |  |   |  |                   |                  |                               |                                 |                                     |                 |                   |
| I. Prior Period End Balance   | 1.250.000   | -              | -                          | 1.230.674              | 1.324.802   | 9.543   | -   | (1.454)                                  | 1.505.546   | -  | 20.475.295        | 704.534          | 2.521.795                     | 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   | -   | (1.454)                                  | 1.505.546   | -  | 20.475.295        | 704.534          | 2.521.795                     | 29.020.735                      | -                                   | -               | 29.020.735        |
| IV. Total Comprehensive Income  | -   | -              | -                          | -                      | -   | -   | -   | 1.855                                    | (160.889)   | -  | -                 | -                | 305.188                       | 146.154                         | -                                   | -               | 146.154           |
| 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                               | -   | -              | -                          | 907                    | -   | -   | -   | -  | -   | -  | -                 | -                | 2.521.795                     | (2.521.795)                     | 907                                 | -               | 907               |
| XI. Profit Distribution   | -   | -              | -                          | -                      | -   | -   | -   | -  | -   | -  | -                 | -                | -                             | -                               | -                                   | -               | -                 |
| 11.1 Dividends Paid   | -   | -              | -                          | -                      | -   | -   | -   | -  | -   | -  | -                 | -                | -                             | -                               | -                                   | -               | -                 |
| 11.2 Transfers to Reserves  | -   | -              | -                          | -                      | -   | -   | -   | -  | -   | -  | -                 | -                | -                             | -                               | -                                   | -               | -                 |
| 11.3 Other  | -   | -              | -                          | -                      | -   | -   | -   | -  | -   | -  | -                 | -                | -                             | -                               | -                                   | -               | -                 |
| <b>Period End Balance (III+IV+.....+X+XI)</b>                         | <b>1.250.000</b>  | <b>-</b>       | <b>-</b>                   | <b>1.231.581</b>       | <b>1.324.802</b>  | <b>9.543</b>  | <b>-</b>  | <b>401</b>                               | <b>1.344.657</b>  | <b>-</b>   | <b>20.475.295</b> | <b>3.226.329</b> | <b>305.188</b>                | <b>29.167.796</b>               | <b>-</b>                            | <b>-</b>        | <b>29.167.796</b> |
| <b>Reviewed (1 January – 31 March 2020)</b>                           |   |                |                            |                        |   |   |   |  |   |  |                   |                  |                               |                                 |                                     |                 |                   |
| I. Prior Period End Balance   | 1.250.000   | -              | -                          | 1.148.520              | 1.364.725   | (59.859)  | 2.849.885   | (5.846)                                  | 227.468   | -  | 23.701.624        | -                | 1.720.309                     | 32.196.826                      | -                                   | -               | 32.196.826        |
| 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   | -              | -                          | 1.148.520              | 1.364.725   | (59.859)  | 2.849.885   | (5.846)                                  | 227.468   | -  | 23.701.624        | -                | 1.720.309                     | 32.196.826                      | -                                   | -               | 32.196.826        |
| IV. Total Comprehensive Income  | -   | -              | -                          | -                      | (3.346)   | -   | 34.159  | 10.987                                   | (130.021)   | -  | -                 | -                | 825.085                       | 736.864                         | -                                   | -               | 736.864           |
| 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                               | -   | -              | -                          | (23.235)               | -   | -   | -   | -  | -   | -  | -                 | -                | 1.720.309                     | (1.720.309)                     | (23.235)                            | -               | (23.235)          |
| XI. Profit Distribution   | -   | -              | -                          | -                      | -   | -   | -   | -  | -   | -  | -                 | -                | -                             | -                               | -                                   | -               | -                 |
| 11.1 Dividends Paid   | -   | -              | -                          | -                      | -   | -   | -   | -  | -   | -  | -                 | -                | -                             | -                               | -                                   | -               | -                 |
| 11.2 Transfers to Reserves  | -   | -              | -                          | -                      | -   | -   | -   | -  | -   | -  | -                 | -                | -                             | -                               | -                                   | -               | -                 |
| 11.3 Other  | -   | -              | -                          | -                      | -   | -   | -   | -  | -   | -  | -                 | -                | -                             | -                               | -                                   | -               | -                 |
| <b>Period End Balance (III+IV+.....+X+XI)</b>                         | <b>1.250.000</b>  | <b>-</b>       | <b>-</b>                   | <b>1.125.285</b>       | <b>1.361.379</b>  | <b>(59.859)</b>   | <b>2.884.044</b>  | <b>5.141</b>                             | <b>97.447</b>   | <b>-</b>   | <b>23.701.624</b> | <b>1.720.309</b> | <b>825.085</b>                | <b>32.910.455</b>               | <b>-</b>                            | <b>-</b>        | <b>32.910.455</b> |

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED**  
**31 MARCH 2020**

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

**VI. STATEMENT OF CASH FLOWS**

|  | Reviewed<br>Current Period  | Reviewed<br>Prior Period    |
|--|-----------------------------|-----------------------------|
| Note   | 1 January-<br>31 March 2020 | 1 January-<br>31 March 2019 |
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>   |                             |                             |
| <b>1.1 Operating profit before changes in operating assets and liabilities</b>                   | <b>(206.533)</b>            | <b>(2.883.748)</b>          |
| 1.1.1 Interest received  | 10.667.304                  | 9.696.038                   |
| 1.1.2 Interest paid  | (6.298.434)                 | (9.190.995)                 |
| 1.1.3 Dividend received  | 426                         | 377.114                     |
| 1.1.4 Fees and commissions received  | 905.213                     | 863.212                     |
| 1.1.5 Other income   | 302.962                     | 370.124                     |
| 1.1.6 Collections from previously written off loans  | 730.452                     | 342.844                     |
| 1.1.7 Cash payments to personnel and service suppliers   | (909.366)                   | (724.810)                   |
| 1.1.8 Taxes paid   | (483.557)                   | (443.887)                   |
| 1.1.9 Other  | (5.121.533)                 | (4.173.388)                 |
| <b>1.2 Changes in Assets and Liabilities Subject to Banking Operations</b>                       | <b>3.045.530</b>            | <b>(293.163)</b>            |
| 1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss           | 105                         | 660                         |
| 1.2.2 Net (increase) / decrease in due from banks  | (1.068)                     | (3.223)                     |
| 1.2.3 Net (increase) / decrease in loans   | (39.355.769)                | (21.666.979)                |
| 1.2.4 Net (increase) / decrease in other assets  | 5.486.439                   | (6.199.486)                 |
| 1.2.5 Net increase / (decrease) in bank deposits   | 5.201.242                   | 3.627.825                   |
| 1.2.6 Net increase / (decrease) in other deposits  | 24.031.555                  | 17.179.642                  |
| 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  | 231.763                     | (565.283)                   |
| 1.2.9 Net increase / (decrease) in matured payables  | -                           | -                           |
| 1.2.10 Net increase / (decrease) in other liabilities  | 7.451.263                   | 7.333.681                   |
| <b>I. Net cash provided from banking operations</b>  | <b>2.838.997</b>            | <b>(3.176.911)</b>          |
| <b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>  |                             |                             |
| <b>II. Net cash provided from/ (used in) investing activities</b>                                | <b>(4.448.296)</b>          | <b>(8.840.377)</b>          |
| 2.1 Cash paid for purchase of joint ventures, associates and subsidiaries                        | -                           | (89.974)                    |
| 2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries              | 17.151                      | 39.375                      |
| 2.3 Fixed assets purchases   | (43.704)                    | (166.991)                   |
| 2.4 Fixed assets sales   | 554.222                     | 94.278                      |
| 2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income  | (10.422.005)                | (10.500.854)                |
| 2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income | 3.966.671                   | 5.765.227                   |
| 2.7 Cash paid for purchase of investment securities  | (949.183)                   | (4.529.304)                 |
| 2.8 Cash obtained from sale of investment securities   | 2.432.914                   | 541.494                     |
| 2.9 Other  | (4.362)                     | 6.372                       |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                             |                             |
| <b>III. Net cash flow from financing activities</b>  | <b>(4.682.124)</b>          | <b>209.403</b>              |
| 3.1 Cash obtained from loans borrowed and securities issued                                      | 8.243.815                   | 2.336.000                   |
| 3.2 Cash used for repayment of loans borrowed and securities issued                              | (12.862.289)                | (2.065.879)                 |
| 3.3 Bonds issued   | -                           | -                           |
| 3.4 Dividends paid   | -                           | -                           |
| 3.5 Payments for leases  | (63.650)                    | (60.718)                    |
| 3.6 Other  | -                           | -                           |
| <b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>                | <b>1.656.807</b>            | <b>716.288</b>              |
| <b>V. Net increase / (decrease) in cash and cash equivalents</b>                                 | <b>(4.634.616)</b>          | <b>(11.091.597)</b>         |
| <b>VI. Cash and cash equivalents at beginning of the period</b>                                  | <b>24.122.353</b>           | <b>23.631.619</b>           |
| <b>VII. Cash and cash equivalents at end of the period</b>                                       | <b>19.487.737</b>           | <b>12.540.022</b>           |

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

The Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board (“BRSA”) and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards published by the Public Oversight Accounting (“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.

*Effects of COVID-19*

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

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

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

2. With the order made by the CBRT on 17 March 2020, foreign currency reserve deposit ratios for the banks whose credit growth rate is at qualified reference interval have been decreased by 500 basis points.

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION (continued)**

*Effects of COVID-19 (continued)*

4. With the decision made by the BRSA on 23 March 2020, banks are entitled to use the buying exchange rate used in preparation of financial statements as of 31 December 2019 when calculating the amount subject to credit risk for calculating the revalued amounts as per the Turkish Accounting Standards and related specific reserves, excluding the foreign currency assets measured at historical cost; and it has been decided that banks may calculate the equity amount to be used for CAR by disregarding the negative revaluation differences of the securities classified under Financial Assets Measured at Fair Value through Other Comprehensive Income portfolio before 23 March 2020 and disregard the provision for fair value decrease on securities for calculating the net foreign currency position.

5. With the decision of the BRSA dated 26 March 2020, it has been decided to exempt Banks from their obligations to meet the Liquidity Coverage Ratio.

6. With the amendments made by the BRSA on the Regulation on Provisions on 27 March 2020, transfer period to loans under close monitoring has been extended from 30 days to 90 days until 31.12.2020 and Expected Credit Loss provisions for the loans classified as First Group Loans of a Standard Nature within the scope of TFRS 9 are decided to be continued according to the banks' own risk models

7. With the decision of the BRSA dated 16 April 2020, it has been decided to apply 0% risk weight for the FC nominated receivables from the Centralized Administration of Turkish Republic within the scope of CAR regulation.

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

As regards to the consideration of macroeconomic factors, the Bank has not changed its scenario weights in its model due to the fact that the effects of the pandemic are still being experienced and it is not possible to measure, full and healthier, adverse effects that may arise. However, macroeconomic indicators are closely monitored.

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

*(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 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**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

*(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 March 2020, 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.

**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.



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**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**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

*(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**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

*(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**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

(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(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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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 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.

Within the scope of the measures taken by the BRSA in order to reduce the effects of the COVID-19 outbreak, the delinquency period of classification to loans under follow-up has been extended from 90 days to 180 days until 31 December 2020 and the Expected Credit Loss provisions for the loans classified as Second Group Loans Under Close Monitoring within the scope of TFRS 9 are decided to be continued according to the banks’ own risk models. In this context, the Bank extended the delinquency period for classification to loans under follow-up from 90 days to 180 days and for classification to loans under close monitoring from 30 days to 90 days. As stated in the BRSA announcement for the mentioned loans, provisions are continued to be set within the framework of the Bank’s risk model, for loans overdue 30-90 days in 12-Month Expected Credit Loss Provision (Stage 1), and for loans overdue 90-180 days in Expected Credit Loss for Significant Increase in Credit Risk (Stage 2) have been calculated.

**Low Credit Risk**

TFRS 9 standard states that in some cases, the credit risk on a financial instrument can be calculated as low if the financial instrument has a low risk of default when there is no reliable past default data.

If the entity determines that a financial instrument has a low credit risk as of the reporting date, it assumes that the credit risk on the financial instrument has not increased significantly following its initial recognition in the financial statement. Those transactions in the Bank are classified as follows:

a) CBRT transactions (Currencies held in CBRT and reserve requirements)

b) Securities (Fair value through other comprehensive income and financial assets measured at amortised cost)

c) Treasury Loans

d) Loans guaranteed by Treasury of Republic of Turkey

**The Rules of Significant Increase in Credit Risk**

Significant increase in credit risk requires measurement of the Bank’s provision for expected credit losses at lifetime probability of default instead of 12 month expected credit loss.

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage two.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

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

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

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

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

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

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

A discontinued operation is a component of 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.



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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<br/>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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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.

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

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

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

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

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

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

When applying the cost method, The Bank takes into account the accumulated depreciation and impairment losses for the subsequent period measurement of the existence of right-of-use. The Bank applies the depreciation requirements in 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 IFRS 16, at the commencement date, the Bank measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the alternative borrowing interest rate.

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,

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**XV. EXPLANATIONS ON LEASING TRANSACTIONS (continued)**

c) Reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease.

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

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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.

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

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

*Bahrain*

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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 VII.

**XXIV. EXPLANATIONS ON OTHER MATTERS**

None.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**I. EXPLANATIONS ON CAPITAL**

Equity amount and capital adequacy standard ratio calculation is made within the framework of “Regulation on Equities of the Banks” and “Regulation on Measurement and Evaluation of Banks’ Capital Adequacy” and in accordance with the amendments announced by the BRSA in the Press Release dated 23 March 2020.

These amendments include the following provisions respectively; in case of the net valuation differences of the securities included in the Fair Value Through Other Comprehensive Income portfolio as of 23 March 2020 are negative, these differences are not to be taken into account in the calculation of equity amount for the capital adequacy ratio, and the buying exchange rate used in financial statements dated 31 December 2019 can be used for the monetary and non-monetary assets’ carrying values in accordance with Turkish Accounting Standard except from the foreign currency items measured at historical cost basis for calculating the amount subject to credit risk and for the related specific provisions.

As of 31 March 2020, the capital adequacy ratio and the capital amount of the Bank were realized as 13,86% (31 December 2019: 14,33%) and TRY 48.857.656 (31 December 2019: TRY 46.543.894) which were calculated within the scope of the above-mentioned regulation amendments.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

(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   | 4.548.276         |  |
| Profit  | 2.545.394         |  |
| Current Period Profit   | 825.085           |  |
| Prior Period Profit   | 1.720.309         |  |
| Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit  | 182.697           |  |
| <b>Common Equity Tier 1 Capital Before Deductions</b>   | <b>33.448.442</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 (-)   | 217.659           |  |
| Leasehold Improvements on Operational Leases (-)  | 83.299            |  |
| Goodwill Netted with Deferred Tax Liabilities   | -                 |  |
| Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights   | 154.168           | 154.168  |
| 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 (-)   | 284.151           |  |
| 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>739.277</b>    |  |
| <b>Total Common Equity Tier 1 Capital</b>   | <b>32.709.165</b> |  |



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**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  | 6.456.060         |
| 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>6.456.060</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>6.456.060</b>  |
| <b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>  | <b>39.165.225</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)  | 3.768.834         |
| <b>Tier II Capital Before Deductions</b>  | <b>9.698.629</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>9.698.629</b>  |
| <b>Total Equity (Total Tier I and Tier II Capital)</b>  | <b>48.863.854</b> |
| <b>Total Tier I and Tier II Capital (Total Equity)</b>  | <b>48.857.656</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   | 6.198             |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**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)   | 48.857.656  |
| Total Risk Weighted Assets  | 352.445.403 |
| <b>Capital Adequacy Ratios</b>  |             |
| CET1 Capital Ratio (%)  | 9,28        |
| Tier I Capital Ratio (%)  | 11,11       |
| Capital Adequacy Ratio (%)  | 13,86       |
| <b>BUFFERS</b>  |             |
| Bank-specific total CET1 Capital Ratio (a+b+c)  | 2,526       |
| a) Capital Conservation Buffer Ratio (%)  | 2,5         |
| b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)  | 0,026       |
| 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 (%)   | 4,78        |
| <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   | 145.273     |
| 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   | 536.954     |
| Remaining Mortgage Servicing Rights   | -           |
| Net Deferred Tax Assets arising from Temporary Differences  | 1.697.603   |
| <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)   | 3.768.834   |
| General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets   | -           |
| 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 transitional provisions.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**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  | 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> |  |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**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 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>  | <b>-</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 Tier I Capital + 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>Total Deductions from Tier II Capital</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 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>-</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 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   | 11.332            |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**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 )   | 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  | 2,528       |
| Capital Conservation Buffer Ratio (%)   | 2,5         |
| Bank-specific Counter-Cyclical Capital Buffer Ratio (%)   | 0,028       |
| Systemic Bank Buffer Ratio (%)  | -           |
| Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation   | 5,34        |
| <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>  |             |
| Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4  | -           |
| Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit   | -           |
| Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4   | -           |
| Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit  | -           |

\*Amounts in this column represents the amounts of items that are subject to transition provisions.

- (2) The equity is calculated on the capital adequacy ratio calculation basis having reduced deductible assets on equity from the sum of core capital and supplementary capital within the scope of "Regulation on Equities of Banks" (Regulation). The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the first stage and second stage expected loss provisions and subordinated debt instruments. On the other hand, in the calculation of the Total Capital, development costs for operating leases followed under tangible assets in the balance sheet and intangible assets. Additionally, some of the accounts determined by the Board are reduced from the total equity in the calculation of capital.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**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  | 6.456  |
| 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 incompliance with article number 7 and 8 of "Own fund regulation"                                  | The instrument is not in compliant with article numbered 7.            | The instrument is not in compliant with article numbered 7.            | The instrument is not in compliant with article numbered 7.            | The instrument is not in compliant with article numbered 8.            |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**II. 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>24.03.2020</b> | <b>25.03.2020</b> | <b>26.03.2020</b> | <b>27.03.2020</b> | <b>30.03.2020</b> | <b>31.03.2020</b> |
|-----|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| USD | 6,4300000         | 6,4400000         | 6,3800000         | 6,4300000         | 6,5500000         | 6,5400000         |
| CHF | 6,5340000         | 6,5576000         | 6,5790000         | 6,6754000         | 6,8276000         | 6,7755000         |
| GBP | 7,5336000         | 7,5357000         | 7,6649000         | 7,8752000         | 8,1079000         | 8,1249000         |
| JPY | 0,0575907         | 0,0575355         | 0,0579181         | 0,0592459         | 0,0605474         | 0,0603208         |
| EUR | 6,9283000         | 6,9597000         | 7,0021000         | 7,0672000         | 7,2224000         | 7,1734000         |

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

|     | <b>Monthly Average Buying rate of exchange</b> |
|-----|--|
| USD | 6,3163636                                      |
| CHF | 6,5812636                                      |
| GBP | 7,8054818                                      |
| JPY | 0,0585282                                      |
| EUR | 6,9777409                                      |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**II. 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 | 9.498.356           | 7.345.147          | 3.135.283          | 19.978.786          |
| Banks  | 856.791             | 363.410            | 1.705.988          | 2.926.189           |
| Financial assets at fair value through profit and loss <sup>(3)</sup>  | -                   | 39                 | -                  | 39                  |
| Money market placements  | -                   | -                  | -                  | -                   |
| Financial assets at fair value through other comp. income  | 4.097.079           | 203.356            | -                  | 4.300.435           |
| Loans <sup>(2)</sup>   | 46.615.597          | 41.989.627         | 986.655            | 89.591.879          |
| Subsidiaries, associates and entities under common control   | 522.941             | -                  | 1.549.251          | 2.072.192           |
| Financial assets measured at amortised cost  | 6.735.290           | 13.379.719         | -                  | 20.115.009          |
| Derivative financial assets held for risk management   | -                   | -                  | -                  | -                   |
| Tangible assets  | -                   | -                  | 269                | 269                 |
| Intangible assets  | -                   | -                  | -                  | -                   |
| Other assets <sup>(3)</sup>  | 462.546             | 2.134.935          | 7.104              | 2.604.585           |
| <b>Total assets</b>  | <b>68.788.600</b>   | <b>65.416.233</b>  | <b>7.384.550</b>   | <b>141.589.383</b>  |
| <b>Liabilities</b>   |                     |                    |                    |                     |
| Bank deposits  | 10.608.130          | 5.438.630          | 488.760            | 16.535.520          |
| Foreign currency deposits  | 60.194.647          | 52.426.262         | 12.001.058         | 124.621.967         |
| Money market balances  | -                   | 658.853            | -                  | 658.853             |
| Funds provided from other financial institutions   | 6.529.823           | 4.223.484          | 8.963              | 10.762.270          |
| Bonds issued   | -                   | 6.592.680          | -                  | 6.592.680           |
| Sundry creditors   | 192.032             | 118.543            | 60                 | 310.635             |
| Derivative financial liabilities held for risk management  | -                   | -                  | -                  | -                   |
| Other liabilities <sup>(3)</sup>   | 7.249.304           | 766.587            | 95.486             | 8.111.377           |
| <b>Total liabilities</b>   | <b>84.773.936</b>   | <b>70.225.039</b>  | <b>12.594.327</b>  | <b>167.593.302</b>  |
| <b>Net balance sheet position</b>  | <b>(15.985.336)</b> | <b>(4.808.806)</b> | <b>(5.209.777)</b> | <b>(26.003.919)</b> |
| <b>Net off-balance sheet position</b>  |                     |                    |                    |                     |
| <b>Financial derivative assets<sup>(4)</sup></b>   | <b>16.608.639</b>   | <b>7.591.739</b>   | <b>7.663.536</b>   | <b>31.863.914</b>   |
| <b>Financial derivative liabilities<sup>(4)</sup></b>  | <b>1.341.432</b>    | <b>8.872.170</b>   | <b>4.243.926</b>   | <b>14.457.528</b>   |
| <b>Non-cash loans<sup>(1)</sup></b>  | <b>30.704.915</b>   | <b>19.005.770</b>  | <b>2.429.838</b>   | <b>52.140.523</b>   |
| <b>Prior period</b>  |                     |                    |                    |                     |
| Total assets   | 73.371.806          | 67.292.723         | 5.659.694          | 146.324.223         |
| Total liabilities  | 82.555.919          | 71.494.882         | 8.797.712          | 162.848.513         |
| <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</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</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>   |

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

<sup>(2)</sup> Includes TRY 151.565 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 641) in assets; and shareholders' equity (TRY 425.981) 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 1.482.080 and swap precious metal purchase transactions amounted to TRY 5.054.550. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.342.675. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**III. EXPLANATIONS ON INTEREST RATE RISK**

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

The interest rate risks incurred due to interest-sensitive positions in the Bank's trading and banking books are managed within the scope of the "*Policies for the Management of Interest Rate Risk*" which is approved by the Board of Directors. Interest rate risks are measured on a daily basis primarily through risk weighted asset and economic value change measurements, sensitivity, duration and gap analyses. Measurement results are daily reported to the Bank's Top Management and related business units.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**III. 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):

| Current 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 | 2.006.223            | -                  | -                  | -                  | -                 | 21.329.378           | 23.335.601         |
| Banks and financial institutions   | 863.811              | 173.113            | -                  | -                  | -                 | 2.198.450            | 3.235.374          |
| Financial assets at fair value through profit and loss   | 16.890               | 295                | 3                  | 42                 | -                 | 16.249.683           | 16.266.913         |
| Money market placements  | -                    | -                  | -                  | -                  | -                 | -                    | -                  |
| Financial assets at fair value through other comprehensive income  | 1.167.007            | 6.122.261          | 4.338.739          | 8.746.873          | 471.650           | 230.973              | 21.077.503         |
| Loans <sup>(4)</sup>   | 53.324.575           | 72.655.064         | 97.622.670         | 85.670.043         | 13.740.698        | 24.930.088           | 347.943.138        |
| Financial assets measured at amortised cost <sup>(4)</sup>   | 558.676              | 26.698.217         | 6.003.721          | 17.557.804         | 21.425.115        | -                    | 72.243.533         |
| Other assets <sup>(4)</sup>  | 599.757              | 1.638              | 7.833              | 17.431             | 71                | 6.485.706            | 7.112.436          |
| <b>Total assets</b>  | <b>58.536.939</b>    | <b>105.650.588</b> | <b>107.972.966</b> | <b>111.992.193</b> | <b>35.637.534</b> | <b>71.424.278</b>    | <b>491.214.498</b> |
| <b>Liabilities</b>   |                      |                    |                    |                    |                   |                      |                    |
| Bank deposits  | 16.599.595           | 7.869.154          | 104.000            | -                  | -                 | 8.263.633            | 32.836.382         |
| Other deposits   | 164.100.397          | 57.402.174         | 14.784.372         | 146.422            | -                 | 57.935.231           | 294.368.596        |
| Money market balances  | 53.185.273           | 7.087.248          | -                  | -                  | -                 | 37.323               | 60.309.844         |
| Miscellaneous Payables   | 3.217.091            | -                  | -                  | -                  | -                 | 2.728.580            | 5.945.671          |
| Bonds issued   | 1.432.798            | 3.927.864          | 3.698.267          | 4.268.164          | -                 | 126.044              | 13.453.137         |
| Funds provided from other financial institutions <sup>(3)</sup>  | 787.043              | 1.628.779          | 5.733.212          | 2.254.705          | 863.011           | 71.245               | 11.337.995         |
| Other liabilities <sup>(1),(2)</sup>   | 1.000.002            | -                  | 16.104.082         | 6.456.060          | 4.929.795         | 44.472.934           | 72.962.873         |
| <b>Total liabilities</b>   | <b>240.322.199</b>   | <b>77.915.219</b>  | <b>40.423.933</b>  | <b>13.125.351</b>  | <b>5.792.806</b>  | <b>113.634.990</b>   | <b>491.214.498</b> |
| Balance sheet long position  | -                    | 27.735.369         | 67.549.033         | 98.866.842         | 29.844.728        | -                    | 223.995.972        |
| Balance sheet short position   | (181.785.260)        | -                  | -                  | -                  | -                 | (42.210.712)         | (223.995.972)      |
| Off-balance sheet long position  | 20.163.169           | 5.007.475          | 15.202.557         | 292.200            | 5.177.889         | -                    | 45.843.290         |
| Off-balance sheet short position   | (20.101.310)         | (4.917.261)        | (13.604.468)       | (1.218.070)        | (5.167.889)       | -                    | (45.008.998)       |
| <b>Total position</b>  | <b>(181.723.401)</b> | <b>27.825.583</b>  | <b>69.147.122</b>  | <b>97.940.972</b>  | <b>29.854.728</b> | <b>(42.210.712)</b>  | <b>834.292</b>     |

(1) TRY 382.719 of net deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

(3) Funds provided from other financial institutions include borrowings.

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**III. 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 | 1.100.270            | -                 | -                 | -                 | -                 | 33.388.311           | 34.488.581         |
| Banks and financial institutions   | 2.080.201            | -                 | -                 | -                 | -                 | 1.670.266            | 3.750.467          |
| Financial assets at fair value through profit and loss   | 265                  | -                 | 16.774            | 64                | -                 | 16.249.683           | 16.266.786         |
| Money market placements  | -                    | -                 | -                 | -                 | -                 | -                    | -                  |
| Financial assets available-for-sale  | 3.309                | 3.049.156         | 4.378.714         | 5.837.986         | 757.544           | 232.075              | 14.258.784         |
| Loans <sup>(4)</sup>   | 77.301.990           | 47.047.508        | 81.570.652        | 68.303.275        | 12.266.909        | 22.717.767           | 309.208.101        |
| Held-to-maturity investments <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> Interest rediscounts and provisions are disclosed under the non-bearing interest column in other assets.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

2. Average interest rates applied to the monetary financial instruments of the Bank (%):

| 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> | -    | -    | -    | 8,00  |
| Due from other banks and financial institutions <sup>(1)</sup>   | 0,26 | 0,12 | -    | 10,20 |
| Financial assets at fair value through profit and loss   | -    | 7,63 | -    | 12,92 |
| Money market placements  | -    | -    | -    | -     |
| Financial assets at fair value through other comprehensive income  | 2,44 | 2,58 | -    | 14,38 |
| Loans <sup>(2)</sup>   | 5,21 | 6,91 | 3,1  | 11,78 |
| Financial assets measured at amortised cost  | 4,96 | 5,86 | -    | 16,33 |
| <b>Liabilities</b>   |      |      |      |       |
| Bank deposits  | 0,15 | 1,81 | 0,06 | 8,31  |
| Other deposits <sup>(4)</sup>  | 0,28 | 1,12 | -    | 8,75  |
| Money market borrowings  | -    | 6,61 | -    | 9,12  |
| Sundry creditors <sup>(3)</sup>  | -    | -    | -    | 4,50  |
| Bonds issued   | -    | 4,75 | -    | 13,78 |
| Funds provided from other financial institutions   | 1,09 | 2,42 | 3,10 | 10,23 |

<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 March 2020.

<sup>(4)</sup> Customer based calculated interest rates are applied to TRY and FC deposits as of 31 March 2020.

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

| 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> | -    | -    | -    | 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  | -    | -    | -    | -     |
| Available-for-sale financial assets  | 2,77 | 5,15 | -    | 18,15 |
| Loans <sup>(2)</sup>   | 5,28 | 7,04 | 3,1  | 13,93 |
| Held-to-maturity investments   | 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 as of the balance sheet date.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**IV. 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> | 576.996        | 576.996           | -            | 46.160               |
| Other  | 5.099.395      | 5.078.013         | -            | 494.131              |

<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 Common Equity and Tier II Capital:

| 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 |
| 1. Private equity investments                                       | -  | -   | -                                 | -                           | -                              |
| 2. Share certificates quoted on a stock exchange <sup>(1) (2)</sup> | -  | 416.051                                   | 416.051                           | -                           | -                              |
| 3. Other share certificates   | -  | 2.445.429                                 | 2.445.429                         | -                           | -                              |
| <b>Total</b>  | <b>-</b>                                     | <b>2.861.480</b>                          | <b>2.861.480</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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**V. 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; maturity and amount limits are determined for TL and FX transactions made in the interbank over-the-counter market, and limits are set on the maximum foreign currency position, forward and swap transactions that can be carried.

Liquidity risk analyzes (gap analysis, core deposit reports, etc.) are conducted on a daily basis and shared with the Bank's top management and related departments. Periodical stress tests are performed in line with the Bank's liquidity management policies.

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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

According to the BRSA's "Regulation for Banks' Liquidity Coverage Ratio Calculations" published in the Official Gazette No. 28948 dated 21 March 2014, FC and TRY+FC liquidity coverage ratios are calculated by using high quality liquid assets divided by net cash outflows. Within this context, the Bank is required to have the ability to cover net cash outflows with high quality liquid assets and its related ratios should be in compliance with the legal limits. According to the mentioned Regulation, the legal minimum limits of liquidity coverage ratios calculated by taking the monthly simple arithmetic average on a consolidated basis, and a weekly simple arithmetic average on an unconsolidated basis should be 100% for TRY+FC and 80% for FC. However, with the decision of the BRSA dated 26 March 2020 and numbered 8967, the monitoring the legal limit of banks regarding the calculation of liquidity coverage ratio has been ceased until 31 December 2020 and banks are required to continue reporting their liquidity coverage ratios to the BRSA.

High quality liquid assets are composed of 34,55% accounts held by the CBRT and the Central Banks of the foreign branches, 61,67% securities considered as high quality liquid assets and 3,78% cash and cash equivalents.

The main funding source of the Bank is deposits, other funding sources consist of money market borrowings and securities issued.

Derivative transactions did not cause a net cash outflow that would negatively affect the liquidity position. The estimated cash outflows from derivative financial instruments and other liabilities calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, are TRY 724.722.

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

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

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

Liquidity Minimum-Maximum

| Liquidity Coverage Ratio | FC                       |        | TRY+FC                   |        |
|--------------------------|--------------------------|--------|--------------------------|--------|
|                          | Related Week             | (%)    | Related Week             | (%)    |
| Maximum                  | 30.12.2019<br>05.01.2020 | 242,67 | 30.12.2019<br>05.01.2020 | 131,80 |
| Minimum                  | 27.01.2020<br>02.02.2020 | 141,46 | 23.03.2020<br>29.03.2020 | 98,49  |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**V. 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  |   |                   | 77.618.460                                    | 37.958.849        |
| <b>Cash Outflows</b>  |   |                   |   |                   |
| Retail and Small Business Customers, of which;  | 152.896.734                                     | 67.000.244        | 13.467.152                                    | 6.700.024         |
| Stable Deposits   | 36.450.419                                      | -                 | 1.822.521                                     | -                 |
| Less Stable Deposits  | 116.446.315                                     | 67.000.244        | 11.644.631                                    | 6.700.024         |
| Unsecured wholesale funding , of which;   | 122.701.321                                     | 52.036.407        | 57.070.005                                    | 23.780.602        |
| Operational Deposits  | 27.621.738                                      | 10.676.043        | 6.905.434                                     | 2.669.011         |
| Non-operational Deposits  | 88.534.265                                      | 37.887.690        | 44.414.279                                    | 17.697.775        |
| Other Unsecured Funding   | 6.545.318                                       | 3.472.674         | 5.750.292                                     | 3.413.816         |
| Secured Funding   |   |                   | -   | -                 |
| Other cash outflows, of which;  | 9.023.998                                       | 5.664.551         | 4.568.457                                     | 3.285.548         |
| Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions | 832.740   | 1.314.844         | 832.740                                       | 1.314.844         |
| Obligations related to structured financial products  | -   | -                 | -   | -                 |
| Commitments related to debts to financial markets and other off-balance sheet obligations                             | 8.191.258                                       | 4.349.707         | 3.735.717                                     | 1.970.704         |
| Other revocable off-balance sheet commitments and contractual obligations.  | -   | -                 | -   | -                 |
| Other irrevocable or conditionally revocable off-balance sheet Obligations  | 110.080.345                                     | 45.048.060        | 8.680.153                                     | 3.694.416         |
| <b>Total Cash Outflows</b>  |   |                   | <b>83.785.767</b>                             | <b>37.460.590</b> |
| <b>Cash Inflows</b>   |   |                   |   |                   |
| Secured Lending   | -   | -                 | -   | -                 |
| Unsecured Lending   | 24.549.760                                      | 7.297.640         | 15.611.646                                    | 5.508.320         |
| Other Cash Inflows  | 129.937   | 9.995.107         | 129.937                                       | 9.995.106         |
| <b>Total Cash Inflows</b>   | <b>24.679.697</b>                               | <b>17.292.747</b> | <b>15.741.583</b>                             | <b>15.503.426</b> |
| <b>Total Adjusted Value</b>   |   |                   |   |                   |
| <b>Total HQLA Stock</b>   |   |                   | <b>77.618.460</b>                             | <b>37.958.849</b> |
| <b>Total Net Cash Outflows</b>  |   |                   | <b>68.044.184</b>                             | <b>21.957.164</b> |
| <b>Liquidity Coverage Ratio (%)</b>   |   |                   | <b>114,12%</b>                                | <b>176,34%</b>    |

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



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

|   | Total Unweighted Value<br>(average) <sup>(1)</sup> |                   | Total Weighted Value<br>(average) <sup>(1)</sup> |                   |
|---|--|-------------------|--|-------------------|
|   | TRY+FC   | FC                | TRY+FC   | FC                |
| <b>Prior Period</b>   |  |                   |  |                   |
| <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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**V. 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 | 3.184.700           | 20.150.686           | -                   | 215                | -                  | -                 | -                   | 23.335.601         |
| Banks  | 2.363.640           | 697.521              | 173.145             | 1.068              | -                  | -                 | -                   | 3.235.374          |
| Financial assets at fair value through profit and loss   | -                   | 16.890               | 295                 | 16.104.084         | 43                 | -                 | 145.601             | 16.266.913         |
| Money market placements  | -                   | -                    | -                   | -                  | -                  | -                 | -                   | -                  |
| Financial assets at fair value through other comprehensive income  | -                   | 87.059               | 1.657.394           | 4.500.297          | 13.026.248         | 1.575.532         | 230.973             | 21.077.503         |
| Loans  | 18.902.019          | 20.996.143           | 19.839.304          | 87.460.874         | 162.942.365        | 37.802.433        | -                   | 347.943.138        |
| Financial assets measured at amortised cost  | -                   | 1.319                | 11.874              | 6.035.120          | 33.286.895         | 32.908.325        | -                   | 72.243.533         |
| Other assets <sup>(2)</sup>  | 2.578               | 193.401              | 226.236             | 1.628.488          | 103.702            | 434.704           | 4.523.327           | 7.112.436          |
| <b>Total assets</b>  | <b>24.452.937</b>   | <b>42.143.019</b>    | <b>21.908.248</b>   | <b>115.730.146</b> | <b>209.359.253</b> | <b>72.720.994</b> | <b>4.899.901</b>    | <b>491.214.498</b> |
| <b>Liabilities</b>   |                     |                      |                     |                    |                    |                   |                     |                    |
| Bank deposits  | 8.215.459           | 16.628.387           | 7.887.955           | 104.581            | -                  | -                 | -                   | 32.836.382         |
| Other deposits   | 56.186.946          | 164.441.389          | 56.824.436          | 16.663.932         | 250.825            | 1.068             | -                   | 294.368.596        |
| Funds provided from other financial institutions <sup>(3)</sup>  | 20                  | 487.423              | 792.611             | 2.724.546          | 4.514.649          | 2.818.746         | -                   | 11.337.995         |
| Money market balances  | -                   | 53.207.571           | 6.448.274           | -                  | -                  | 653.999           | -                   | 60.309.844         |
| Bonds issued   | -                   | 772.231              | 2.704.872           | 4.972.870          | 5.003.164          | -                 | -                   | 13.453.137         |
| Sundry creditors   | 23.995              | 2.490.202            | 160.773             | 774.353            | 2.076.732          | 8.848             | 410.768             | 5.945.671          |
| Other liabilities <sup>(1)</sup>   | -                   | 5.004.316            | 196.306             | 16.780.347         | 8.542.545          | 7.530.565         | 34.908.794          | 72.962.873         |
| <b>Total liabilities</b>   | <b>64.426.420</b>   | <b>243.031.519</b>   | <b>75.015.227</b>   | <b>42.020.629</b>  | <b>20.387.915</b>  | <b>11.013.226</b> | <b>35.319.562</b>   | <b>491.214.498</b> |
| <b>Liquidity gap</b>   | <b>(39.973.483)</b> | <b>(200.888.500)</b> | <b>(53.106.979)</b> | <b>73.709.517</b>  | <b>188.971.388</b> | <b>61.707.768</b> | <b>(30.419.661)</b> | <b>-</b>           |
| <b>Net off balance sheet position</b>  | <b>-</b>            | <b>61.859</b>        | <b>90.214</b>       | <b>(57.311)</b>    | <b>739.530</b>     | <b>-</b>          | <b>-</b>            | <b>834.292</b>     |
| Derivative financial assets  | -                   | 20.163.169           | 5.007.475           | 8.077.067          | 2.249.800          | 10.345.779        | -                   | 45.843.290         |
| Derivative financial liabilities   | -                   | (20.101.310)         | (4.917.261)         | (8.134.378)        | (1.510.270)        | (10.345.779)      | -                   | (45.008.998)       |
| <b>Non-cash loans</b>  | <b>28.455.890</b>   | <b>3.669.885</b>     | <b>10.458.669</b>   | <b>33.817.162</b>  | <b>15.247.951</b>  | <b>1.954.121</b>  | <b>-</b>            | <b>93.603.678</b>  |
| <b>Prior Period</b>  |                     |                      |                     |                    |                    |                   |                     |                    |
| Total Assets   | 23.748.554          | 53.811.141           | 18.141.032          | 103.106.937        | 184.832.518        | 67.520.756        | 5.884.463           | 457.045.401        |
| Total Liabilities  | 52.457.126          | 229.940.932          | 62.412.521          | 43.682.689         | 16.699.244         | 16.795.238        | 35.057.651          | 457.045.401        |
| <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>  |

<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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**VI. 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)  | 474.274.304                   | 449.580.786                 |
| 2.Assets that are deducted from core capital   | (238.497)                     | (217.070)                   |
| 3.Total on balance sheet exposures   | 474.035.807                   | 449.363.716                 |
| <b>Derivative exposures and credit derivatives</b>   |                               |                             |
| 4.Replacement cost associated with derivative financial instruments and credit derivatives                                   | 1.611.042                     | 1.128.580                   |
| 5.The potential amount of credit risk with derivative financial instruments and credit derivatives                           | 503.287                       | 537.343                     |
| 6.The total amount of risk on derivative financial instruments and credit derivatives  | 2.114.329                     | 1.665.923                   |
| <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) | 1.433.146                     | 3.055.227                   |
| 8.Risk amount of exchange brokerage operations   | -                             | -                           |
| 9.Total risks related with securities or commodity financing transactions  | 1.433.146                     | 3.055.227                   |
| <b>Off -Balance Sheet Items</b>  |                               |                             |
| 10.Gross notional amount of off-balance sheet items  | 124.519.275                   | 117.633.355                 |
| 11.Adjustments for conversion to credit equivalent amounts   | (1.184.074)                   | -                           |
| 12.The total risk of off-balance sheet items   | 123.335.201                   | 117.633.355                 |
| <b>Capital and Total Exposures</b>   |                               |                             |
| 13.Tier 1 Capital  | 39.044.918                    | 36.962.755                  |
| 14.Total Exposures   | 600.918.483                   | 571.718.221                 |
| <b>Leverage Ratio</b>  |                               |                             |
| 15.Leverage Ratio  | 6,50%                         | 6,47%                       |

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

**VII. 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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**VII. 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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**VII. 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 March 2020 are presented in the table below.

| <b>Current Period<br/>(1 January-31 March 2020)</b> | <b>Commercial/<br/>Corporate</b> | <b>SME/<br/>Integrated</b> | <b>Treasury/<br/>Investment</b> | <b>Total</b>       |
|---|----------------------------------|----------------------------|---------------------------------|--------------------|
| <b>OPERATING INCOME / EXPENSES</b>                  |                                  |                            |                                 |                    |
| Interest income                                     | 3.037.713                        | 5.706.824                  | 2.978.562                       | 11.723.099         |
| <i>Interest on loans</i>                            | 3.017.223                        | 5.676.378                  | 94.320                          | 8.787.921          |
| <i>Interest income on marketable securities</i>     | -                                | 17.516                     | 2.850.060                       | 2.867.576          |
| <i>Interest received from banks</i>                 | -                                | -                          | 33.388                          | 33.388             |
| <i>Other interest income</i>                        | 20.490                           | 12.930                     | 794                             | 34.214             |
| Interest expense                                    | 1.574.924                        | 2.476.514                  | 2.384.008                       | 6.435.446          |
| <i>Interest on deposits</i>                         | 1.562.322                        | 2.395.169                  | 307.048                         | 4.264.539          |
| <i>Interest on borrowings</i>                       | 11.560                           | 19.827                     | 43.571                          | 74.958             |
| <i>Interest on money market borrowings</i>          | -                                | 12.092                     | 1.350.141                       | 1.362.233          |
| <i>Interest on marketable bonds issued</i>          | -                                | -                          | 613.793                         | 613.793            |
| <i>Other interest expense</i>                       | 1.042                            | 49.426                     | 69.455                          | 119.923            |
| Net interest income                                 | 1.462.789                        | 3.230.310                  | 594.554                         | 5.287.653          |
| Net fees and commissions income                     | 250.013                          | 404.199                    | 67.264                          | 721.476            |
| Net trading profit / (loss)                         | 2.560                            | 615.394                    | (1.883.947)                     | (1.265.993)        |
| Dividend income                                     | -                                | -                          | 426                             | 426                |
| Other income  | 139.935                          | 269.361                    | 203.900                         | 613.196            |
| Expected loss provisions                            | 527.007                          | 688.496                    | 1.110.906                       | 2.326.409          |
| Other expenses                                      | 40.919                           | 710.589                    | 1.289.513                       | 2.041.021          |
| <b>Income before taxes</b>                          | <b>1.287.371</b>                 | <b>3.120.179</b>           | <b>(3.418.222)</b>              | <b>989.328</b>     |
| Income tax provision                                | -                                | -                          | (164.243)                       | (164.243)          |
| <b>Net profit for the period</b>                    | <b>1.287.371</b>                 | <b>3.120.179</b>           | <b>(3.582.465)</b>              | <b>825.085</b>     |
| <b>SEGMENT ASSETS<br/>(31 March 2020)</b>           |                                  |                            |                                 |                    |
| Marketable securities <sup>(1)</sup>                | -                                | 1.284.125                  | 108.294.240                     | 109.578.365        |
| Derivative financial assets held for trading        | -                                | 447.682                    | 1.510.610                       | 1.958.292          |
| Banks and money market receivables                  | -                                | 685                        | 3.234.388                       | 3.235.073          |
| Associates and subsidiaries (net)                   | -                                | -                          | 3.853.623                       | 3.853.623          |
| Loans <sup>(1)</sup>                                | 132.703.787                      | 200.117.405                | 1.785.051                       | 334.606.243        |
| Other assets  | 3.730.294                        | 4.611.446                  | 29.641.162                      | 37.982.902         |
| <b>TOTAL ASSETS</b>                                 | <b>136.434.081</b>               | <b>206.461.343</b>         | <b>148.319.074</b>              | <b>491.214.498</b> |
| <b>SEGMENT LIABILITIES<br/>(31 March 2020)</b>      |                                  |                            |                                 |                    |
| Deposits  | 115.866.742                      | 188.685.103                | 22.653.133                      | 327.204.978        |
| Derivative financial liabilities                    | -                                | 336.500                    | 316.193                         | 652.693            |
| Money market balances                               | -                                | 658.854                    | 59.650.990                      | 60.309.844         |
| Borrowing funding loans                             | 1.013.834                        | 1.287.193                  | 9.036.968                       | 11.337.995         |
| Bonds issued  | -                                | -                          | 13.453.137                      | 13.453.137         |
| Other liabilities                                   | 1.499.366                        | 8.835.418                  | 31.722.119                      | 42.056.903         |
| Provisions and tax payable                          | 182.742                          | 217.544                    | 2.888.207                       | 3.288.493          |
| Shareholders' equity                                | 1.194.683                        | 3.079.028                  | 28.636.744                      | 32.910.455         |
| <b>TOTAL LIABILITIES</b>                            | <b>119.757.367</b>               | <b>203.099.640</b>         | <b>168.357.491</b>              | <b>491.214.498</b> |
| <b>OFF-BALANCE SHEET ITEMS<br/>(31 March 2020)</b>  |                                  |                            |                                 |                    |
| Guarantees and sureties                             | 50.454.221                       | 28.255.194                 | 14.894.263                      | 93.603.678         |
| Commitments   | 674.620                          | 10.031.488                 | 25.711.900                      | 36.418.008         |
| Derivative financial instruments                    | -                                | 17.890.633                 | 72.961.655                      | 90.852.288         |
| <b>TOTAL OFF-BALANCE SHEET ITEMS</b>                | <b>51.128.841</b>                | <b>56.177.315</b>          | <b>113.567.818</b>              | <b>220.873.974</b> |

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

| <b>Prior Period<br/>(1 January - 31 March 2019)</b>   | <b>Corporate</b>   | <b>Commercial</b>  | <b>SME/<br/>Integrated</b> | <b>Treasury /<br/>Investment</b> |
|---|--------------------|--------------------|----------------------------|----------------------------------|
| <b>OPERATING INCOME / EXPENSES</b>                    |                    |                    |                            |                                  |
| Interest income                                       | 2.837.080          | 5.711.416          | 2.194.542                  | 10.743.038                       |
| <i>Interest on loans</i>                              | 2.836.012          | 5.567.749          | 36.704                     | 8.440.465                        |
| <i>Interest income on marketable securities</i>       | -                  | 133.955            | 1.993.243                  | 2.127.198                        |
| <i>Interest received from banks</i>                   | -                  | -                  | 136.805                    | 136.805                          |
| <i>Other interest income</i>                          | 1.068              | 9.712              | 27.790                     | 38.570                           |
| Interest expense                                      | 2.143.622          | 3.932.974          | 2.938.418                  | 9.015.014                        |
| <i>Interest on deposits</i>                           | 2.133.704          | 3.802.772          | 331.116                    | 6.267.592                        |
| <i>Interest on borrowings</i>                         | 4.692              | 16.769             | 54.122                     | 75.583                           |
| <i>Interest on money market borrowings</i>            | -                  | 62.059             | 2.006.999                  | 2.069.058                        |
| <i>Interest on marketable bonds issued</i>            | -                  | -                  | 508.290                    | 508.290                          |
| <i>Other interest expense</i>                         | 5.226              | 51.374             | 37.891                     | 94.491                           |
| Net interest income / (loss)                          | 693.458            | 1.778.442          | (743.876)                  | 1.728.024                        |
| Net fees and commissions income                       | 244.806            | 292.471            | 78.958                     | 616.235                          |
| Net trading profit / (loss)                           | 4.600              | 227.040            | (662.865)                  | (431.225)                        |
| Dividend income                                       | -                  | -                  | 377.114                    | 377.114                          |
| Other income  | 40.945             | 142.178            | 248.489                    | 431.612                          |
| Expected credit loss                                  | 241.275            | 423.727            | 382.072                    | 1.047.074                        |
| Other expenses  | 35.107             | 603.025            | 920.990                    | 1.559.122                        |
| <b>Income before taxes</b>                            | <b>707.427</b>     | <b>1.413.379</b>   | <b>(2.005.242)</b>         | <b>115.564</b>                   |
| Income tax provision                                  | -                  | -                  | 189.624                    | 189.624                          |
| <b>Net profit for the period</b>                      | <b>707.427</b>     | <b>1.413.379</b>   | <b>(1.815.618)</b>         | <b>305.188</b>                   |
| <b>SEGMENT ASSETS<br/>(31 December 2019)</b>          |                    |                    |                            |                                  |
| Marketable securities <sup>(1)</sup>                  | -                  | 4.833.999          | 97.890.183                 | 102.724.182                      |
| Derivative financial assets                           | -                  | 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<br/>(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<br/>(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                       |

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**VIII. 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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**VIII. 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) <sup>(**)</sup>                | 315.048.963           | 287.606.055        | 25.203.917                   | 23.008.484                   |
| 2  | Standardized approach (SA)  | 315.048.963           | 287.606.055        | 25.203.917                   | 23.008.484                   |
| 3  | Internal rating-based (IRB) approach  | -                     | -                  | -                            | -                            |
| 4  | Counterparty credit risk <sup>(**)</sup>  | 4.282.724             | 5.791.239          | 342.618                      | 463.299                      |
| 5  | Standardized approach for counterparty credit risk (SA-CCR)                           | 4.282.724             | 5.791.239          | 342.618                      | 463.299                      |
| 6  | Internal model method (IMM)   | -                     | -                  | -                            | -                            |
| 7  | Basic risk weight approach to internal models equity position in the banking account  | -                     | -                  | -                            | -                            |
| 8  | Investments made in collective investment companies look-through approach             | -                     | -                  | -                            | -                            |
| 9  | Investments made in collective investment companies mandate-based approach (*)        | -                     | -                  | -                            | -                            |
| 10 | Investments made in collective investment companies 1250% weighted risk approach      | -                     | -                  | -                            | -                            |
| 11 | Settlement risk   | -                     | -                  | -                            | -                            |
| 12 | Securitization positions in banking accounts  | -                     | -                  | -                            | -                            |
| 13 | IRB ratings-based approach (RBA)  | -                     | -                  | -                            | -                            |
| 14 | IRB Supervisory Formula Approach (SFA)  | -                     | -                  | -                            | -                            |
| 15 | SA/simplified supervisory formula approach (SSFA)                                     | -                     | -                  | -                            | -                            |
| 16 | Market risk   | 12.082.513            | 11.483.275         | 966.601                      | 918.662                      |
| 17 | Standardized approach (SA)  | 12.082.513            | 11.483.275         | 966.601                      | 918.662                      |
| 18 | Internal model approaches (IMM)   | -                     | -                  | -                            | -                            |
| 19 | Operational Risk  | 19.789.493            | 18.625.782         | 1.583.159                    | 1.490.063                    |
| 20 | Basic Indicator Approach  | 19.789.493            | 18.625.782         | 1.583.159                    | 1.490.063                    |
| 21 | Standard Approach   | -                     | -                  | -                            | -                            |
| 22 | Advanced measurement approach   | -                     | -                  | -                            | -                            |
| 23 | The amount of the discount threshold under the equity (subject to a 250% risk weight) | 1.241.710             | 1.241.710          | 99.337                       | 99.337                       |
| 24 | Floor adjustment  | -                     | -                  | -                            | -                            |
| 25 | <b>Total ( 1+4+7+8+9+10+11+12+16+19+23+24)</b>  | <b>352.445.403</b>    | <b>324.748.061</b> | <b>28.195.632</b>            | <b>25.979.845</b>            |

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

<sup>(\*\*)</sup> Based on the BRSA's decision dated 23 March 2020 and numbered 24049440-045.01-E.3397, foreign exchange buying rates used in the preparation of the 31 December 2019 financial statements were used in the calculation of the amount subject to credit risk.



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

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

|                           | Current period   |                   | Prior period     |                   |
|---------------------------|------------------|-------------------|------------------|-------------------|
|                           | TRY              | FC                | TRY              | FC                |
| Cash and foreign currency | 1.348.967        | 1.835.493         | 1.370.216        | 2.295.551         |
| CBRT                      | 2.007.848        | 18.143.293        | 1.102.242        | 29.720.567        |
| Other                     | -                | -                 | -                | 5                 |
| <b>Total</b>              | <b>3.356.815</b> | <b>19.978.786</b> | <b>2.472.458</b> | <b>32.016.123</b> |

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

|   | Current period   |                   | Prior period     |                   |
|---|------------------|-------------------|------------------|-------------------|
|   | TRY              | FC                | TRY              | FC                |
| Demand unrestricted amount <sup>(1)</sup> | 1.945.446        | 11.125.115        | 1.049.181        | 15.456.782        |
| Time unrestricted amount                  | -                | -                 | -                | -                 |
| Time restricted amount                    | -                | -                 | -                | 200.627           |
| Other <sup>(2)</sup>                      | 62.402           | 7.018.178         | 53.061           | 14.063.158        |
| <b>Total</b>                              | <b>2.007.848</b> | <b>18.143.293</b> | <b>1.102.242</b> | <b>29.720.567</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. The banks, whose credit growth rate is at qualified reference interval, 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%-2% varied according to their maturity compositions, for their FC liabilities at TRY, US Dollar, Euro and/or standard gold with reserve deposit rates between 0%-16% 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 20 May 2020, the interest related to the reserve requirements for banks held at TRY is paid as 800 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 2 January 2020, it has been decided to apply a commission charge on the reserve accounts and notice accounts held within the CBRT by 0,025 annually for foreign currencies held in USD up to the amount required to be held for deposit / participation fund liabilities in USD, and by 0,0025 annually for foreign currencies held in EUR and USD up to the amount required to be held for deposit / participation fund liabilities in other currencies except USD. With the change on 2 May 2015 made by the CBRT, execution of interest payments has been started for USD denominated reserve requirements, reserve options and free reserves held at CBRT. The interest rate is set on daily basis within the frame of global and local financial market conditions. The applicable yearly interest rate is 0 percent (announced on 19 September 2019).

With the decision No.1072 dated 27 December 2019 of the Central Bank of the TRNC, reserve requirement ratio is applied between 4,75% to 7,75% for the Turkish currency and foreign currency liabilities as of 29 February 2020.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

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

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

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

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

|   | Current Period    |          | Prior Period      |          |
|---|-------------------|----------|-------------------|----------|
|   | TRY               | FC       | TRY               | FC       |
| Treasury bills, government bonds and similar securities | 15.616.101        | -        | 13.534.565        | -        |
| <b>Total</b>  | <b>15.616.101</b> | <b>-</b> | <b>13.534.565</b> | <b>-</b> |

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

|                      | Current Period |                  | Prior Period |                  |
|----------------------|----------------|------------------|--------------|------------------|
|                      | TRY            | FC               | TRY          | FC               |
| Forward transactions | -              | 165.466          | -            | 53.558           |
| Swap transactions    | 18.614         | 1.766.413        | 3.695        | 1.091.646        |
| Futures transactions | -              | -                | -            | -                |
| Options              | 45             | 7.754            | 1            | 3.134            |
| Other                | -              | -                | -            | -                |
| <b>Total</b>         | <b>18.659</b>  | <b>1.939.633</b> | <b>3.696</b> | <b>1.148.338</b> |

(3) Information on banks and other financial institutions:

a) Information on banks:

|                             | Current Period |                  | Prior Period   |                  |
|-----------------------------|----------------|------------------|----------------|------------------|
|                             | TRY            | FC               | TRY            | FC               |
| Banks                       |                |                  |                |                  |
| Domestic banks              | 251.086        | 156.803          | 302.313        | 1.115.022        |
| Foreign banks               | 58.099         | 2.769.386        | 205.103        | 2.128.029        |
| Branches and offices abroad | -              | -                | -              | -                |
| <b>Total</b>                | <b>309.185</b> | <b>2.926.189</b> | <b>507.416</b> | <b>3.243.051</b> |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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:

|   | Current Period   |                  | Prior Period |                  |
|---|------------------|------------------|--------------|------------------|
|   | TRY              | FC               | TRY          | FC               |
| Treasury bills, government bonds and similar securities | 1.594.881        | 3.974.418        | -            | 1.999.958        |
| <b>Total</b>  | <b>1.594.881</b> | <b>3.974.418</b> | <b>-</b>     | <b>1.999.958</b> |

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

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

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

|                                   | Current Period    | Prior Period      |
|-----------------------------------|-------------------|-------------------|
| Debt securities                   | 20.872.034        | 14.026.728        |
| <i>Quoted on a stock exchange</i> | 20.863.926        | 14.026.728        |
| <i>Not quoted</i>                 | 8.108             | -                 |
| Equity Securities                 | 248.254           | 249.356           |
| <i>Quoted on a stock exchange</i> | 208.755           | 212.757           |
| <i>Not quoted</i>                 | 39.499            | 36.599            |
| Impairment provision (-)          | 42.785            | 17.300            |
| <b>Total</b>                      | <b>21.077.503</b> | <b>14.258.784</b> |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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:

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

|  | Current period |                | Prior period   |                |
|--|----------------|----------------|----------------|----------------|
|  | Cash loans     | Non-Cash loans | Cash loans     | Non-Cash loans |
| Direct loans granted to shareholders   | -              | -              | -              | -              |
| <i>Corporate shareholders</i>          | -              | -              | -              | -              |
| <i>Real person shareholders</i>        | -              | -              | -              | -              |
| Indirect loans granted to shareholders | -              | -              | -              | -              |
| Loans granted to employees             | 469.073        | -              | 366.108        | -              |
| <b>Toplam</b>                          | <b>469.073</b> | <b>-</b>       | <b>366.108</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                             | Standard Loans and Other Receivables | Loans and other receivables under close monitoring |                                    |   |
|--|--------------------------------------|--|------------------------------------|---|
|  |                                      | Loans and Receivables Not Subject to restructuring | Restructured Loans and Receivables |   |
|  |                                      |  | Subject to restructuring           | Loans and Receivables with Revised Contract Terms |
| Non-specialized loans                  | 245.825.317                          | 15.634.768   | 25.156                             | 10.971.144  |
| <i>Corporation loans</i>               | 145.569.497                          | 11.208.446   | -                                  | 10.959.209  |
| <i>Export loans</i>                    | 14.358.688                           | 237.565  | -                                  | -   |
| <i>Import loans</i>                    | -                                    | -  | -                                  | -   |
| <i>Loans given to financial sector</i> | 4.203.805                            | 1.635.000  | -                                  | -   |
| <i>Consumer loan</i>                   | 49.484.006                           | 890.827  | 22.700                             | 5.869   |
| <i>Credit cards</i>                    | 6.346.354                            | 507.529  | 2.456                              | -   |
| <i>Other</i>                           | 25.862.967                           | 1.155.401  | -                                  | 6.066   |
| Specialized lending                    | 50.572.805                           | 1.723.463  | -                                  | -   |
| Other receivables                      | -                                    | -  | -                                  | -   |
| Accruals                               | 5.021.455                            | 980.029  | 858                                | 647.786   |
| <b>Total</b>                           | <b>301.419.577</b>                   | <b>18.338.260</b>                                  | <b>26.014</b>                      | <b>11.618.930</b>                                 |

|                                     | Standard Loans                    |              | Loans Under Close Monitoring |              |
|-------------------------------------|-----------------------------------|--------------|------------------------------|--------------|
|                                     | Current Period                    | Prior Period | Current Period               | Prior Period |
|                                     | 12 Months Expected Loss Provision | 1.443.571    | 1.303.546                    | -            |
| Significant Increase in Credit Risk | -                                 | -            | 2.110.426                    | 1.215.456    |

1. 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.

2. 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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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):

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

| <b>Current Period</b>                     | <b>Short-term</b> | <b>Medium and long-term</b> | <b>Total</b>      |
|---|-------------------|-----------------------------|-------------------|
| Consumer loans-TRY                        | 517.240           | 48.394.535                  | 48.911.775        |
| <i>Real estate loans</i>                  | 4.922             | 30.580.413                  | 30.585.335        |
| <i>Automobile loans</i>                   | 4.396             | 283.638                     | 288.034           |
| <i>Consumer loans</i>                     | 507.922           | 17.530.484                  | 18.038.406        |
| <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               | 3.571.300         | 2.286                       | 3.573.586         |
| <i>Installment</i>                        | 1.284.486         | 2.286                       | 1.286.772         |
| <i>Non-installment</i>                    | 2.286.814         | -                           | 2.286.814         |
| Individual credit cards-FC                | 178               | -                           | 178               |
| <i>Installment</i>                        | -                 | -                           | -                 |
| <i>Non-installment</i>                    | 178               | -                           | 178               |
| Personnel loans-TRY                       | 28.046            | 339.967                     | 368.013           |
| <i>Real estate loans</i>                  | -                 | 204                         | 204               |
| <i>Automobile loans</i>                   | -                 | -                           | -                 |
| <i>Consumer loans</i>                     | 28.046            | 339.763                     | 367.809           |
| <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                | 101.022           | -                           | 101.022           |
| <i>Installment</i>                        | 34.681            | -                           | 34.681            |
| <i>Non-installment</i>                    | 66.341            | -                           | 66.341            |
| Personnel credit cards-FC                 | 38                | -                           | 38                |
| <i>Installment</i>                        | -                 | -                           | -                 |
| <i>Non-installment</i>                    | 38                | -                           | 38                |
| Overdraft accounts-TRY (Retail customers) | 1.123.614         | -                           | 1.123.614         |
| Overdraft accounts-FC (Retail customers)  | -                 | -                           | -                 |
| <b>Total</b>                              | <b>5.341.438</b>  | <b>48.736.788</b>           | <b>54.078.226</b> |

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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):

c) 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                        | 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> |

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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 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              | 1.217.928         | 40.901.938                  | 42.119.866        |
| <i>Business premises loans</i>                | 53                | 757.250                     | 757.303           |
| <i>Automobile loans</i>                       | 53.803            | 875.922                     | 929.725           |
| <i>Consumer loans</i>                         | 1.164.072         | 39.268.766                  | 40.432.838        |
| <i>Other</i>                                  | -                 | -                           | -                 |
| Commercial installment loans- Indexed to FC   | -                 | 32.326                      | 32.326            |
| <i>Business premises loans</i>                | -                 | -                           | -                 |
| <i>Automobile loans</i>                       | -                 | 37                          | 37                |
| <i>Consumer loans</i>                         | -                 | 32.289                      | 32.289            |
| <i>Other</i>                                  | -                 | -                           | -                 |
| Commercial installment loans - FC             | 113.309           | 20.361.843                  | 20.475.152        |
| <i>Business premises loans</i>                | -                 | -                           | -                 |
| <i>Automobile loans</i>                       | -                 | -                           | -                 |
| <i>Consumer loans</i>                         | 113.309           | 20.361.843                  | 20.475.152        |
| <i>Other</i>                                  | -                 | -                           | -                 |
| Corporate credit cards-TRY                    | 3.181.477         | -                           | 3.181.477         |
| <i>Installment</i>                            | 1.258.124         | -                           | 1.258.124         |
| <i>Non-installment</i>                        | 1.923.353         | -                           | 1.923.353         |
| Corporate credit cards-FC                     | 38                | -                           | 38                |
| <i>Installment</i>                            | -                 | -                           | -                 |
| <i>Non-installment</i>                        | 38                | -                           | 38                |
| Overdraft accounts-TRY (Commercial customers) | 2.405.544         | -                           | 2.405.544         |
| Overdraft accounts-FC (Commercial customers)  | -                 | -                           | -                 |
| <b>Total</b>                                  | <b>6.918.296</b>  | <b>61.296.107</b>           | <b>68.214.403</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              | 1.028.247         | 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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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):

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

|                | Current Period     | Prior Period       |
|----------------|--------------------|--------------------|
| Domestic loans | 328.680.127        | 290.726.869        |
| Foreign loans  | 2.722.654          | 2.561.151          |
| <b>Total</b>   | <b>331.402.781</b> | <b>293.288.020</b> |

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

f) Loans granted to subsidiaries and associates:

|   | Current Period   | Prior Period     |
|---|------------------|------------------|
| Direct loans granted to subsidiaries and associates   | 2.616.121        | 2.331.642        |
| Indirect loans granted to subsidiaries and associates | -                | -                |
| <b>Total</b>  | <b>2.616.121</b> | <b>2.331.642</b> |

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

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| Loans and receivables with limited collectability  | 689.455          | 1.044.059        |
| Loans and receivables with doubtful collectability | 2.108.832        | 2.001.698        |
| Uncollectible loans and receivables                | 6.984.611        | 5.836.905        |
| <b>Total</b>                                       | <b>9.782.898</b> | <b>8.882.662</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.

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

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

|  | III. Group<br>Loans and<br>receivables with<br>limited<br>collectability | IV. Group<br>Loans and<br>receivables with<br>doubtful<br>collectability | V. Group<br>Uncollectible<br>loans and<br>receivables |
|--|--|--|---|
| <b>Current period</b>                        |  |  |   |
| Gross amounts before the specific provisions | 312.514  | 119.664  | 1.523.632   |
| Rescheduled loans and other receivables      | 312.514  | 119.664  | 1.523.632   |
| <b>Prior period</b>                          |  |  |   |
| Gross amounts before the specific provisions | 134.442  | 95.916   | 1.331.355   |
| Rescheduled loans and other receivables      | 134.442  | 95.916   | 1.331.355   |



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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):

h) Information on non-performing loans (Net) (continued):

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

|  | <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</b>  |  |   |  |
| Prior period end balance                                     | 2.811.379  | 4.508.885   | 8.599.817                                  |
| Additions (+)  | 733.315  | 44.683  | 572.730                                    |
| Transfers from other categories of loans under follow-up (+) | -  | 1.550.504   | 1.289.351                                  |
| Transfers to other categories of loans under follow-up (-)   | 1.556.513  | 1.283.342   | -  |
| Collections (-)  | 245.356  | 188.658   | 296.438                                    |
| 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>1.742.825</b>   | <b>4.632.072</b>  | <b>10.165.460</b>                          |
| Provision (-)  | 689.455  | 2.108.832   | 6.984.611                                  |
| <b>Net balance on balance sheet</b>                          | <b>1.053.370</b>   | <b>2.523.240</b>  | <b>3.180.849</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>Prior 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>                           |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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):

h) Information on non-performing loans (Net) (continued):

h.3. Information on foreign currency non-performing loans and other receivables<sup>(\*)</sup>:

|   | <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</b>                   |  |   |  |
| Balance at the end of the period        | 366.342  | 996.838   | 3.262.857                                  |
| Provisions(-)                           | 174.996  | 566.899   | 2.096.159                                  |
| <b>Net balance in the balance sheet</b> | <b>191.346</b>   | <b>429.939</b>  | <b>1.166.698</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>Prior period</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>                           |

(\*)Rediscounts are not included.

h.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>1.053.370</b>   | <b>2.523.240</b>  | <b>3.180.849</b>                           |
| Loans to granted real persons and legal entities (Gross)      | 1.742.825  | 4.632.072   | 10.165.460                                 |
| Provisions (-)  | 689.455  | 2.108.832   | 6.984.611                                  |
| <b>Loans to granted real persons and legal entities (Net)</b> | <b>1.053.370</b>   | <b>2.523.240</b>  | <b>3.180.849</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>Prior 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                                  |
| Specific 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)   | -  | -   | -  |
| 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>                                   |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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) 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>115.044</b>   | <b>441.017</b>  | <b>455.366</b>                             |
| Interest Accruals and Valuation Differences | 206.585  | 881.695   | 1.265.930                                  |
| Provision (-)                               | 91.541   | 440.678   | 810.564                                    |
| <b>Prior 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                                    |

j) 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.

k) 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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**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    |                   | Prior Period     |                  |
|---|-------------------|-------------------|------------------|------------------|
|   | TRY               | FC                | TRY              | FC               |
| Bills                                   | -                 | -                 | -                | -                |
| Government bonds and similar securities | 18.716.746        | 18.597.672        | 3.044.934        | 9.849.904        |
| <b>Total</b>                            | <b>18.716.746</b> | <b>18.597.672</b> | <b>3.044.934</b> | <b>9.849.904</b> |

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

|  | Current Period    |                  | Prior Period      |                  |
|--|-------------------|------------------|-------------------|------------------|
|  | TRY               | FC               | TRY               | FC               |
| Treasury bills, government bonds and similar | 24.697.401        | 1.284.125        | 35.754.611        | 4.806.422        |
| <b>Total</b>                                 | <b>24.697.401</b> | <b>1.284.125</b> | <b>35.754.611</b> | <b>4.806.422</b> |

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

|                                     | Current Period    | Prior Period      |
|-------------------------------------|-------------------|-------------------|
| Government bonds                    | 71.676.453        | 72.004.446        |
| Treasury bills                      | -                 | -                 |
| Other public sector debt securities | 516.573           | 153.396           |
| <b>Total</b>                        | <b>72.193.026</b> | <b>72.157.842</b> |

c) Information on financial assets measured at amortised cost:

|                                   | Current Period    | Prior Period      |
|-----------------------------------|-------------------|-------------------|
| Debt securities                   | 72.243.533        | 72.208.355        |
| <i>Quoted on a stock exchange</i> | 72.243.533        | 72.208.355        |
| <i>Not quoted</i>                 | -                 | -                 |
| Impairment provision (-)          | -                 | -                 |
| <b>Total</b>                      | <b>72.243.533</b> | <b>72.208.355</b> |

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

|   | Current Period    | Prior Period      |
|---|-------------------|-------------------|
| Beginning balance                               | 72.208.355        | 56.073.053        |
| Foreign currency differences on monetary assets | 1.847.236         | 1.415.732         |
| Purchases during the year <sup>(1)</sup>        | 620.856           | 18.543.355        |
| Disposals through sales and redemptions         | (2.432.914)       | (3.823.785)       |
| Impairment provision (-)                        | -                 | -                 |
| <b>Balance at the end of the period</b>         | <b>72.243.533</b> | <b>72.208.355</b> |

<sup>(1)</sup> Interest income accrual differences between 31 March 2020 amounting to TRY 9.303.504 and 31 December 2019 amounting to TRY 9.631.831 has been included in purchases row.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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<br>(City/ Country) | Bank's share<br>percentage, if<br>different-voting<br>percentage (%) | Bank's risk<br>group share<br>percentage (%) |
|---|----------------------------|--|--|
| 1. Demir-Halkbank NV <sup>(1)</sup>                             | The Netherlands            | 30,00  | 30,00  |
| 2. Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş. <sup>(1)</sup> | Ankara/Turkey              | 31,47  | 33,12  |
| 3. Türk P ve I Sigorta A.Ş. <sup>(1)</sup>                      | Istanbul/Turkey            | 16,67  | 16,67  |
| 4. Kredi Kayıt Bürosu A.Ş. <sup>(2)</sup>                       | Istanbul/Turkey            | 18,18  | 18,18  |
| 5. Bankalararası Kart Merkezi A.Ş. <sup>(2)</sup>               | Istanbul/Turkey            | 18,95  | 18,95  |
| 6. Platform Ortak Kartlı Sistemler A.Ş.                         | Istanbul/Turkey            | 26,67  | 26,67  |
| 7. Bileşim Alternatif Dağ. Kan. A.Ş. <sup>(2)</sup>             | Istanbul/Turkey            | 33,33  | 33,33  |

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

|    | Total assets | Shareholders'<br>equity | Total<br>fixed<br>assets | Interest<br>income | Income from<br>marketable<br>securities<br>portfolio | Current<br>period<br>profit/loss | Prior<br>period<br>profit/loss | Fair<br>value <sup>(4)</sup> |
|----|--------------|-------------------------|--------------------------|--------------------|--|----------------------------------|--------------------------------|------------------------------|
| 1. | 10.325.593   | 1.726.114               | 29.899                   | 77.019             | (160)  | 18.042                           | 29.427                         | 522.941                      |
| 2. | 53.891       | 53.048                  | 24                       | 800                | -  | (99)                             | 532                            | -                            |
| 3. | 122.588      | 31.678                  | 1.572                    | 303                | -  | 5.507                            | 2.196                          | -                            |
| 4. | 315.839      | 183.791                 | 195.603                  | 941                | -  | 11.540                           | 11.639                         | -                            |
| 5. | 166.383      | 102.327                 | 76.714                   | 1.096              | -  | 10.119                           | 11.084                         | -                            |
| 6. | 4.200        | 4.200                   | -                        | -                  | -  | -                                | -                              | -                            |
| 7. | 71.612       | 45.042                  | 19.072                   | 666                | -  | (317)                            | 4.286                          | 27.997                       |

<sup>(1)</sup> The financial data is obtained from 31 March 2020 financial statements used in consolidation.

<sup>(2)</sup> The financial data is obtained from unreviewed financial statements as of 31 March 2020.

<sup>(3)</sup> Financial information on the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 March 2020.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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):

c) Movement of associates:

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Balance at the beginning of the period                        | 507.786               | 438.318             |
| Movements during the period                                   | 67.917                | 69.468              |
| <i>Purchases</i>  | -                     | 1.750               |
| <i>Bonus shares obtained profit from current year's share</i> | -                     | 875                 |
| <i>Dividends from current year income</i>                     | -                     | -                   |
| <i>Sales</i>  | (350)                 | -                   |
| <i>Transfers</i>  | 27.997                | -                   |
| <i>Revaluation decrease (-) / increase</i>                    | 40.270                | 66.843              |
| <i>Impairment provisions (-) / reversals</i>                  | -                     | -                   |
| <b>Balance at the end of the period</b>                       | <b>575.703</b>        | <b>507.786</b>      |
| Capital commitments   | -                     | -                   |
| Share percentage at the end of the period (%)                 | -                     | -                   |

d) Sectorial information and related carrying amounts of associates:

|                                  | <b>Current Period</b> | <b>Prior Period</b> |
|----------------------------------|-----------------------|---------------------|
| Banks                            | 522.941               | 482.671             |
| Insurance companies              | 2.495                 | 2.495               |
| Factoring companies              | -                     | -                   |
| Leasing companies                | -                     | -                   |
| Financing companies              | -                     | -                   |
| Other financial investments      | 11.518                | 11.518              |
| Other non- financial investments | 38.749                | 11.102              |

e) Associates quoted on a stock exchange:

None.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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>COMMON EQUITY</b>  |                                 |                 |                            |                                       |                           |                         |                   |                       |                         |
| <b>TIER I 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                    | 356.120                 | 15.008            | 353.516               | 622                     |
| Other Comprehensive Income according to TAS   | 15.801                          | -               | -                          | 858.140                               | -                         | 7.251                   | 10                | 38.421                | -                       |
| <b>Profit / Loss</b>  | <b>121.469</b>                  | <b>303.935</b>  | <b>495.530</b>             | <b>70.976</b>                         | <b>(63.449)</b>           | <b>77.355</b>           | <b>100.635</b>    | <b>33.199</b>         | <b>1.213</b>            |
| <i>Net Profit</i>   | 35.162                          | 80.778          | 108.850                    | 15.999                                | 10.791                    | 13.889                  | 35.544            | 8.999                 | 143                     |
| <i>Prior Period Profit/Loss</i>   | 86.307                          | 223.157         | 386.680                    | 54.977                                | (74.240)                  | 63.466                  | 65.091            | 24.200                | 1.070                   |
| 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 (-) | -                               | 582             | 4.841                      | 24                                    | 95                        | 613                     | -                 | -                     | -                       |
| Leasehold Improvements (-)  | -                               | -               | 415                        | 2.990                                 | -                         | 13.643                  | -                 | 7.025                 | -                       |
| Intangible Assets (-)   | 1.613                           | 5.033           | 2.941                      | 289                                   | 1.799                     | 9.586                   | 1.488             | 16.662                | 3                       |
| <b>Total Core Capital</b>   | <b>263.147</b>                  | <b>674.427</b>  | <b>1.030.892</b>           | <b>1.970.615</b>                      | <b>272.616</b>            | <b>880.743</b>          | <b>210.165</b>    | <b>713.848</b>        | <b>1.932</b>            |
| <b>SUPPLEMENTARY CAPITAL</b>  | <b>-</b>                        | <b>-</b>        | <b>-</b>                   | <b>-</b>                              | <b>44.103</b>             | <b>16.275</b>           | <b>27.635</b>     | <b>7.334</b>          | <b>-</b>                |
| <b>CAPITAL</b>  | <b>263.147</b>                  | <b>674.427</b>  | <b>1.030.892</b>           | <b>1.970.615</b>                      | <b>316.719</b>            | <b>897.018</b>          | <b>237.800</b>    | <b>721.182</b>        | <b>1.932</b>            |
| <b>NET AVAILABLE CAPITAL</b>  | <b>263.147</b>                  | <b>674.427</b>  | <b>1.030.892</b>           | <b>1.970.615</b>                      | <b>316.719</b>            | <b>897.018</b>          | <b>237.800</b>    | <b>721.182</b>        | <b>1.932</b>            |

<sup>(1)</sup> The information is presented from companies' financial statements as of 31 March 2020.

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

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

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

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

Legal reserves are the status reserves which have been appropriated from distributable profit in accordance with the related clauses of Turkish Commercial Code no. 6102.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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):

b) Information on subsidiaries:

| Description   | Address<br>(City/ Country) | Bank's share<br>percentage, if<br>different-voting<br>percentage (%) | Bank's risk group<br>share percentage (%) |
|---|----------------------------|--|---|
| 1. Halk Yatırım Menkul Değerler AŞ                          | Istanbul                   | 99,96  | 99,99                                     |
| 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) (3)</sup> | Istanbul                   | 79,33  | 79,36                                     |
| 5. Halk Finansal Kiralama AŞ                                | Istanbul                   | 100,00   | 100,00                                    |
| 6. Halk Banka AD, Skopje                                    | North 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                                    |

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

|    | Total Shareholders'<br>assets | Total fixed<br>equity | Total fixed<br>assets | Interest<br>income | Income from<br>marketable<br>securities<br>portfolio | Current<br>period<br>profit / loss | Prior<br>period<br>profit / loss | Fair<br>Value |
|----|-------------------------------|-----------------------|-----------------------|--------------------|--|------------------------------------|----------------------------------|---------------|
| 1. | 834.981                       | 264.760               | 10.399                | 11.776             | 450  | 35.162                             | 20.141                           | 294.882       |
| 2. | 3.243.016                     | 679.460               | 15.684                | 92.782             | 8.348  | 80.778                             | 53.800                           | 576.996       |
| 3. | 1.827.459                     | 1.034.248             | 10.809                | 43.834             | 8.071  | 108.850                            | 101.687                          | 2.000.000     |
| 4. | 2.405.869                     | 1.947.732             | 1.593.658             | 601                | -  | 15.999                             | 11.060                           | 814.812       |
| 5. | 3.494.907                     | 274.415               | 4.303                 | 77.698             | -  | 10.791                             | 4.355                            | 385.000       |
| 6. | 6.648.288                     | 903.972               | 141.815               | 54.001             | 3.425  | 13.889                             | 23.736                           | 887.334       |
| 7. | 2.000.836                     | 211.653               | 2.632                 | 82.965             | -  | 35.544                             | 16.718                           | 231.075       |
| 8. | 4.224.009                     | 737.535               | 97.173                | 36.779             | 5.705  | 8.999                              | 7.086                            | 661.917       |
| 9. | 1.851.694                     | 1.935                 | 3                     | -                  | -  | 143                                | 66                               | 2.900         |

<sup>(1)</sup> The financial data is obtained from 31 March 2020 financial statements used in consolidation.

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

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

d) Movement of the subsidiaries:

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| Balance at the beginning of the period                 | <b>3.241.881</b> | <b>4.332.481</b> |
| Movements during the period                            | 36.039           | (1.090.600)      |
| Purchase   | -                | 89.974           |
| Bonus shares obtained profit from current year's share | -                | 171.789          |
| Dividends from current year income                     | -                | -                |
| Sales  | -                | -                |
| Transfer <sup>(1)(2)</sup>                             | (84.000)         | (2.576.996)      |
| Revaluation Increase/Decrease                          | 120.039          | 1.039.403        |
| Impairment Provisions (-)/ Reversals                   | -                | 185.230          |
| <b>Balance at the end of the period</b>                | <b>3.277.920</b> | <b>3.241.881</b> |
| Capital commitments                                    | -                | -                |
| Share percentage at the end of the period (%)          | -                | -                |

<sup>(1)</sup> The Bank classified the shares of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ as non-current assets held for sale in the prior period.

<sup>(2)</sup> The Bank classified the shares of Bileşim Alternatif Dağıtım Kanalları A.Ş. to be sold, as non-current assets held for sale in the current period which were classified as subsidiaries in the previous period.



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**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:

|                                  | Current Period | Prior Period |
|----------------------------------|----------------|--------------|
| Banks                            | 1.549.251      | 1.429.212    |
| Insurance companies              | -              | -            |
| Factoring companies              | 231.075        | 231.075      |
| Leasing companies                | 385.000        | 385.000      |
| Financing companies              | -              | -            |
| Other financial subsidiaries     | 1.112.594      | 1.112.594    |
| Other non-financial subsidiaries | -              | 84.000       |

f) Subsidiaries quoted in the stock exchange:

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

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

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

None.

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

None.

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

None.

(12) Information on investment property:

|   | Current Period | Prior Period   |
|---|----------------|----------------|
| <b>Cost:</b>                              |                |                |
| Opening Balance                           | 434.764        | 432.347        |
| Acquisitions                              | -              | 2.417          |
| Transfer                                  | -              | -              |
| Disposals                                 | -              | -              |
| Impairment Charge/Reversal                | -              | -              |
| <b>Ending Balance</b>                     | <b>434.764</b> | <b>434.764</b> |
| <b>Accumulated Depreciation (-)</b>       |                |                |
| Opening Balance                           | 78.737         | 75.499         |
| Amortization Charge                       | 819            | 3.238          |
| Transfer                                  | -              | -              |
| Disposals                                 | -              | -              |
| Impairment Provisions                     | -              | -              |
| <b>Total Accumulated Depreciation (-)</b> | <b>79.556</b>  | <b>78.737</b>  |
| <b>Net Book Value</b>                     | <b>355.208</b> | <b>356.027</b> |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

(13) Information on tax assets:

Please refer to Section 5, explanations related to the liabilities footnote 9.

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

|                               | <b>Current Period<sup>(**)</sup></b> | <b>Prior Period<sup>(*)</sup></b> |
|-------------------------------|--------------------------------------|-----------------------------------|
| Cost                          | 2.616.198                            | 2.576.996                         |
| Accumulated Depreciation (-)  | -                                    | -                                 |
| <b>Net book value</b>         | <b>2.616.198</b>                     | <b>2.576.996</b>                  |
| <br>                          |                                      |                                   |
| Prior Period Closing Balance  | <b>2.576.996</b>                     | <b>39.377</b>                     |
| Acquisitions                  | -                                    | 145.599                           |
| Transfer (net)                | 39.202                               | 2.431.395                         |
| Disposals (net)               | -                                    | (39.375)                          |
| Revaluation Increase          | -                                    | -                                 |
| Impairment/Reversal           | -                                    | -                                 |
| Depreciation                  | -                                    | -                                 |
| <b>Closing net book value</b> | <b>2.616.198</b>                     | <b>2.576.996</b>                  |

<sup>(\*)</sup> As of the previous period, the Bank has classified the shares of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ as non-current assets held for sale within the scope of TFRS 5 Assets Held for Sale and Discontinued Operations Standard.

<sup>(\*\*)</sup> The Bank has classified the shares of Bileşim Alternatif Dağıtım Kanalları A.Ş. to be sold, as non-current asset held for sale in the current period which were classified as subsidiary in the previous period.

(15) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 4.208.496 and does not exceed 10% of the balance sheet total (31 December 2019: TRY 2.751.529).

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**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            | 11.180.770        | -                          | 4.728.689            | 47.811.905         | 4.590.162         | 661.685              | 3.609.278              | 110.451                    | 72.692.940         |
| Foreign currency deposits  | 22.285.091        | -                          | 6.456.814            | 66.763.200         | 9.595.367         | 2.592.016            | 6.399.227              | 11.428                     | 114.103.143        |
| <i>Residents in Turkey</i> | 18.802.326        | -                          | 5.542.135            | 59.271.102         | 9.084.534         | 1.570.906            | 3.786.295              | 10.905                     | 98.068.203         |
| <i>Residents abroad</i>    | 3.482.765         | -                          | 914.679              | 7.492.098          | 510.833           | 1.021.110            | 2.612.932              | 523                        | 16.034.940         |
| Public sector deposits     | 3.646.358         | -                          | 7.670.990            | 3.756.934          | 519.730           | 352.151              | 8.391                  | -                          | 15.954.554         |
| Commercial inst. deposits  | 9.530.351         | -                          | 20.020.230           | 27.496.320         | 2.641.989         | 532.420              | 3.565.171              | -                          | 63.786.481         |
| Other inst. deposits       | 925.282           | -                          | 1.517.797            | 7.863.424          | 3.676.358         | 579.369              | 2.750.424              | -                          | 17.312.654         |
| Precious metals            | 8.619.094         | -                          | 36.530               | 1.490.884          | 232.274           | 50.731               | 89.311                 | -                          | 10.518.824         |
| Interbank deposits         | 8.215.459         | -                          | 10.396.178           | 14.087.515         | 130.601           | 6.629                | -                      | -                          | 32.836.382         |
| <i>CBRT</i>                | -                 | -                          | -                    | -                  | -                 | -                    | -                      | -                          | -                  |
| <i>Domestic banks</i>      | 104.151           | -                          | 8.420.044            | 9.033.582          | 130.601           | 6.629                | -                      | -                          | 17.695.007         |
| <i>Foreign banks</i>       | 8.102.319         | -                          | 213.822              | 3.494.950          | -                 | -                    | -                      | -                          | 11.811.091         |
| <i>Participation banks</i> | 8.989             | -                          | 1.762.312            | 1.558.983          | -                 | -                    | -                      | -                          | 3.330.284          |
| <b>Total</b>               | <b>64.402.405</b> | <b>-</b>                   | <b>50.827.228</b>    | <b>169.270.182</b> | <b>21.386.481</b> | <b>4.775.001</b>     | <b>16.421.802</b>      | <b>121.879</b>             | <b>327.204.978</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            | 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> |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**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:

| Tasarruf Mevduatı  | Under the guarantee insurance |              | Exceeding the insurance limit |              |
|--|-------------------------------|--------------|-------------------------------|--------------|
|  | Current Period                | Prior Period | Current Period                | Prior Period |
| Saving deposits  | 38.792.944                    | 36.907.556   | 33.647.339                    | 30.985.259   |
| Foreign currency saving deposits   | 20.370.266                    | 18.785.110   | 42.375.637                    | 39.155.466   |
| Other deposits in the form of saving deposits                            | -                             | -            | -                             | -            |
| Foreign branches' deposits under foreign authorities' insurance          | 328.936                       | 311.411      | -                             | -            |
| Off-shore banking regions' deposits under foreign authorities' insurance | -                             | -            | -                             | -            |

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

c) Saving deposits which are not under the guarantee of deposit insurance fund:

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Foreign branches' saving deposits and other accounts  | 245.552        | 225.517      |
| Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody  | -              | -            |
| Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody | 4.049          | 3.188        |
| Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004   | -              | -            |
| Deposits in the banks to be engaged exclusively in offshore banking in Turkey   | -              | -            |

(2) Information on derivative financial liabilities:

Negative differences table related to the derivative financial liabilities:

|                      | Current Period |                | Prior Period |                |
|----------------------|----------------|----------------|--------------|----------------|
|                      | TRY            | FC             | TRY          | FC             |
| Forward transactions | -              | 71.171         | -            | 26.993         |
| Swap transactions    | 4.948          | 565.264        | 51           | 323.519        |
| Future transactions  | -              | -              | -            | -              |
| Options              | 404            | 10.906         | 283          | 2.872          |
| Other                | -              | -              | -            | -              |
| <b>Total</b>         | <b>5.352</b>   | <b>647.341</b> | <b>334</b>   | <b>353.384</b> |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

(3) Information on funds borrowed:

a) Information on Banks and other financial institutions:

|                                       | Current Period |                   | Prior Period   |                   |
|---------------------------------------|----------------|-------------------|----------------|-------------------|
|                                       | TRY            | FC                | TRY            | FC                |
| Funds borrowed from CBRT              | -              | -                 | -              | -                 |
| Domestic banks and institutions       | 575.725        | 2.053.700         | 530.197        | 1.969.879         |
| Foreign banks, institutions and funds | -              | 8.708.570         | -              | 8.516.765         |
| <b>Total</b>                          | <b>575.725</b> | <b>10.762.270</b> | <b>530.197</b> | <b>10.486.644</b> |

b) Maturity structure of funds borrowed:

|                      | Current Period |                   | Prior Period   |                   |
|----------------------|----------------|-------------------|----------------|-------------------|
|                      | TRY            | FC                | TRY            | FC                |
| Short-term           | 575.392        | 524.533           | 529.866        | 726.701           |
| Medium and long-term | 333            | 10.237.737        | 331            | 9.759.943         |
| <b>Total</b>         | <b>575.725</b> | <b>10.762.270</b> | <b>530.197</b> | <b>10.486.644</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 22,22% of saving deposits and 34,87% 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.

The Bank's 50,36% of bank deposits and 42,34% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (net):

|                          | Current Period   |                  | Prior Period     |                   |
|--------------------------|------------------|------------------|------------------|-------------------|
|                          | TRY              | FC               | TRY              | FC                |
| Bills                    | 4.572.270        | -                | 4.682.528        | -                 |
| Bonds                    | 1.276.819        | 6.592.680        | 1.384.736        | 10.512.530        |
| Assets Backed Securities | 1.011.368        | -                | 1.011.493        | -                 |
| <b>Total</b>             | <b>6.860.457</b> | <b>6.592.680</b> | <b>7.078.757</b> | <b>10.512.530</b> |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

- (5) Information on other liabilities:

Other liabilities balance does not exceed 10% of the balance sheet total.

(31 December 2019: Other liabilities balance does not exceed 10% of the balance sheet total).

- (6) Information on finance lease payables (Net):

- a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the related accounting standards.

- b) Explanation on finance lease payables:

None.

- c) Explanations on operational leases:

|                   | Current Period |                | Prior Period   |                |
|-------------------|----------------|----------------|----------------|----------------|
|                   | Gross          | Net            | Gross          | Net            |
| Up to 1 year      | 30.252         | 24.893         | 46.461         | 41.583         |
| 1 - 4 years       | 191.508        | 164.570        | 200.231        | 165.000        |
| More than 4 years | 653.515        | 408.696        | 630.661        | 373.342        |
| <b>Total</b>      | <b>875.275</b> | <b>598.159</b> | <b>877.353</b> | <b>579.925</b> |

- (7) Information on derivative financial liabilities for hedging purposes:

None.

- (8) Explanations on provisions:

- a) Provisions for the foreign currency losses on the principal amount of foreign currency indexed loans and finance lease receivables:

As of 31 March 2020 the Bank does not have a provision amount of the currency differences on foreign currency indexed loans and finance lease receivables (31 December 2019: None).

- b) Specific provisions provided for unindemnified non-cash loans:

As of 31 March 2020, the Bank's specific provision for unindemnified non-cash loans balance is TRY 126.050 (31 December 2019: TRY 114.712).

- c) Information on other provisions:

Total other provision balance amounting to TRY 675.480 (31 December 2019: TRY 557.583) consists of TRY 126.050 (31 December 2019: TRY 114.712) for specific provisions of unindemnified and unfunded non-cash loans, TRY 191.909 (31 December 2019: 172.593) for stage 1 and stage 2 expected credit loss amount of non-cash loans, TRY 76.792 (31 December 2019: TRY 76.714) for legal cases filed against the Bank, and TRY 280.729 (31 December 2019: TRY 193.564) of other provisions.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 March 2020, the Bank's calculated current tax asset is amounting to TRY 26.385 and recognized under corporate tax provision account as of the mentioned date.

a.2. Information on taxes payable:

|   | Current Period | Prior Period     |
|---|----------------|------------------|
| Corporate tax payable                         | 26.385         | 422.949          |
| Income on securities tax                      | 711.103        | 625.775          |
| Property income tax                           | 2.141          | 2.199            |
| Banking and insurance transactions tax (BITT) | 103.186        | 158.774          |
| Foreign exchange transactions tax             | 6.855          | 4.360            |
| Value added tax payable                       | -              | -                |
| Other   | 37.089         | 44.915           |
| <b>Total</b>                                  | <b>886.759</b> | <b>1.258.972</b> |

a.3. Information on premiums:

|  | Current Period | Prior Period  |
|--|----------------|---------------|
| Social insurance premiums-employee                   | 21             | 22            |
| Social insurance premiums-employer                   | 26             | 28            |
| Bank social aid pension fund premium-employee        | 19.030         | 14.605        |
| Bank social aid pension fund premium-employer        | 27.873         | 21.370        |
| Pension fund membership fees and provisions-employee | -              | -             |
| Pension fund membership fees and provisions-employer | -              | -             |
| Unemployment insurance-employee                      | 1.378          | 1.057         |
| Unemployment insurance-employer                      | 2.723          | 2.083         |
| Other  | 369            | 349           |
| <b>Total</b>   | <b>51.420</b>  | <b>39.514</b> |

b) Information deferred tax liability:

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| <b>Deferred Tax (Asset) /Liability</b>   |                  |                  |
| Provisions <sup>(1)</sup>  | 1.121.208        | 843.555          |
| Revaluation of Financial Assets  | (1.220.317)      | (736.461)        |
| Other  | (283.610)        | (416.955)        |
| <b>Deferred Tax (Asset) /Liability:</b>  | <b>(382.719)</b> | <b>(309.861)</b> |
| <b>Deferred tax accounted under shareholders' equity</b>   | <b>(114.153)</b> | <b>(203.421)</b> |
| Fair value through other comprehensive income arising from securities' internal efficiency-stock market difference | 22.146           | (66.750)         |
| Actuarial gains/losses   | 14.965           | 14.965           |
| Valuation of subsidiaries  | (151.264)        | (151.636)        |

<sup>(1)</sup> Provisions are comprised of the employee termination benefits and other provisions.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

(10) Information on liabilities regarding assets held for sale and discontinued operations:

None.

(11) 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<sup>(\*)</sup>:

| Information on Subordinated Loans  | Current Period   |                  | Prior Period     |                  |
|--|------------------|------------------|------------------|------------------|
|  | TRY              | FC               | TRY              | FC               |
| To be included in the calculation of additional capital borrowings instruments | -                | 6.735.290        | -                | 6.146.988        |
| Subordinated loans   | -                | 6.735.290        | -                | 6.146.988        |
| Subordinated debt instruments  | -                | -                | -                | -                |
| Debt instruments to be included in contribution capital calculation            | 6.010.358        | -                | 6.037.858        | -                |
| Subordinated loans   | -                | -                | -                | -                |
| Subordinated debt instruments  | 6.010.358        | -                | 6.037.858        | -                |
| <b>Total</b>   | <b>6.010.358</b> | <b>6.735.290</b> | <b>6.037.858</b> | <b>6.146.988</b> |

(\*) Detailed information is disclosed in Section Four Footnote I.

(12) Information on shareholders' equity:

a) Presentation of paid-in capital:

|                 | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common stock    | 1.250.000      | 1.250.000    |
| Preferred stock | -              | -            |

b) Application of registered capital system and registered capital ceiling amount:

There is an application of registered capital system and registered capital ceiling amount is TRY 7.500.000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

d) Information on additions from capital reserves to capital in the current period:

None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

f) Information on the Bank's acquired shares:

Between 1 January – 31 March 2020, the Bank has resold previously acquired treasury shares amounting to TRY 1.500 and repurchased shares amounting to TRY 6.004 within the scope of the Board of Directors' decision dated 29 August 2018 and 17 March 2020.

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.



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

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

(12) Information on shareholders' equity (continued):

i) Information on marketable securities revaluation fund:

|  | Current Period   |                | Prior Period     |                |
|--|------------------|----------------|------------------|----------------|
|  | TRY              | FC             | TRY              | FC             |
| From subsidiaries, associates and jointly controlled entities (joint ventures) | 2.306.955        | 554.525        | 2.337.040        | 512.845        |
| Valuation differences  | 2.306.955        | 554.525        | 2.337.040        | 512.845        |
| Exchange rate difference   | -                | -              | -                | -              |
| Financial assets at fair value through other comprehensive income              | 291.425          | (188.837)      | 342.755          | (121.133)      |
| Valuation differences  | 291.425          | (193.978)      | 342.755          | (115.287)      |
| Exchange rate difference   | -                | 5.141          | -                | (5.846)        |
| <b>Total</b>   | <b>2.598.380</b> | <b>365.688</b> | <b>2.679.795</b> | <b>391.712</b> |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**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               | 18.932.736            | 16.709.743          |
| Payment commitments for cheques                              | 3.557.781             | 3.219.679           |
| Loan granting commitments                                    | 3.167.138             | 3.061.215           |
| Forward asset purchase and sale commitments                  | 4.740.416             | 2.232.623           |
| Forward deposit purchase and sale commitments                | 100.000               | -                   |
| Commitments for credit cards and banking services promotions | 22.027                | 24.943              |
| Tax and fund liabilities from export commitments             | 95.273                | 83.156              |
| Share capital commitments to associates and subsidiaries     | -                     | -                   |
| Other irrevocable commitments                                | 4.384.365             | 4.172.444           |
| <b>Total</b>   | <b>34.999.736</b>     | <b>29.503.803</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> | <b>Prior Period</b> |
|-------------------|-----------------------|---------------------|
| Letters of credit | 3.442.559             | 3.823.229           |
| Bank acceptances  | 7.131.635             | 6.961.998           |
| Other guarantees  | 2.954.500             | 2.713.220           |
| <b>Total</b>      | <b>13.528.694</b>     | <b>13.498.447</b>   |

b.2. Certain guarantees, tentative guarantees, sureties and similar transactions:

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Letters of certain guarantees                 | 16.279.899            | 16.257.998          |
| Letters of advance guarantees                 | 4.436.792             | 4.382.365           |
| Letters of tentative guarantees               | 783.288               | 713.001             |
| Letters of guarantee given to customs offices | 1.964.825             | 1.939.926           |
| Other letters of guarantee                    | 56.610.180            | 53.125.931          |
| <b>Total</b>                                  | <b>80.074.984</b>     | <b>76.419.221</b>   |

c) Total non-cash loans:

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Non-cash loans for providing cash loans          | 9.527.422             | 8.095.714           |
| <i>Within one year or less original maturity</i> | 2.029.818             | 1.646.649           |
| <i>Within more than one year maturity</i>        | 7.497.604             | 6.449.065           |
| Other non-cash loans                             | 84.076.256            | 81.821.954          |
| <b>Total</b>                                     | <b>93.603.678</b>     | <b>89.917.668</b>   |

d) Information on contingent liabilities and assets:

The Bank's commitments for the cheques given to customers are TRY 3.557.781 (31 December 2019: TRY 3.219.679).

e) Services provided on behalf of others:

None.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT**

(1) Information on interest income:

a) Information on interest income on loans:

|   | Current Period   |                  | Prior Period     |                  |
|---|------------------|------------------|------------------|------------------|
|   | TRY              | FC               | TRY              | FC               |
| <b>Interest on loans<sup>(1)</sup></b>          |                  |                  |                  |                  |
| Short term loans                                | 1.387.273        | 112.804          | 2.363.971        | 126.335          |
| Medium and long term loans                      | 5.636.051        | 1.350.825        | 4.496.260        | 1.281.999        |
| Interest on non-performing loans                | 300.968          | -                | 171.900          | -                |
| Premiums from resource utilization support fund | -                | -                | -                | -                |
| <b>Total</b>                                    | <b>7.324.292</b> | <b>1.463.629</b> | <b>7.032.131</b> | <b>1.408.334</b> |

<sup>(1)</sup> Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

|                                   | Current Period |              | Prior Period   |               |
|-----------------------------------|----------------|--------------|----------------|---------------|
|                                   | TRY            | FC           | TRY            | FC            |
| CBRT                              | 23.216         | -            | 87.344         | 15.847        |
| Domestic banks                    | 5.749          | 588          | 15.796         | 2.158         |
| Foreign banks                     | 2.963          | 872          | 6.448          | 9.212         |
| Foreign headquarters and branches | -              | -            | -              | -             |
| <b>Total</b>                      | <b>31.928</b>  | <b>1.460</b> | <b>109.588</b> | <b>27.217</b> |

c) Interest income on marketable securities:

|   | Current Period   |                | Prior Period     |                |
|---|------------------|----------------|------------------|----------------|
|   | TRY              | FC             | TRY              | FC             |
| From Financial Assets at Fair Value through Profit or Loss        | 397              | -              | 3.745            | 354            |
| Financial Assets at Fair Value through Other Comprehensive Income | 629.923          | 25.093         | 242.283          | 26.898         |
| Financial Assets Measured at Amortized Cost                       | 1.935.574        | 276.589        | 1.695.278        | 158.640        |
| <b>Total</b>  | <b>2.565.894</b> | <b>301.682</b> | <b>1.941.306</b> | <b>185.892</b> |

d) Interest income from subsidiaries and associates:

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Interest income from subsidiaries and associates | 38.776         | 32.000       |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

|  | Current Period |               | Prior Period  |               |
|--|----------------|---------------|---------------|---------------|
|  | TRY            | FC            | TRY           | FC            |
| Banks                                    | 14.428         | 55.288        | 11.720        | 59.042        |
| <i>CBRT</i>                              | -              | -             | -             | -             |
| <i>Domestic banks</i>                    | 14.428         | 16.501        | 11.720        | 9.223         |
| <i>Overseas banks</i>                    | -              | 38.787        | -             | 49.819        |
| <i>Overseas head office and branches</i> | -              | -             | -             | -             |
| Other institutions                       | 2              | 5.240         | -             | 4.821         |
| <b>Total</b>                             | <b>14.430</b>  | <b>60.528</b> | <b>11.720</b> | <b>63.863</b> |

b) Interest expenses to subsidiaries and associates:

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Interest expenses given to subsidiaries and associates | 125.505        | 149.429      |

c) Information on interest expenses to marketable securities issued:

|                               | Current Period |                | Prior Period   |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | TRY            | FC             | TRY            | FC             |
| Interest on securities issued | 423.845        | 189.948        | 361.708        | 146.582        |
| <b>Total</b>                  | <b>423.845</b> | <b>189.948</b> | <b>361.708</b> | <b>146.582</b> |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**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           | 35              | 267.475          | 84.830           | 153            | 257           | -                | -                  | 352.750          |
| Saving deposits         | 11              | 82.446           | 1.195.056        | 156.963        | 21.764        | 152.852          | 2.926              | 1.612.018        |
| Public deposits         | 18              | 145.906          | 62.773           | 8.455          | 10.067        | 331              | -                  | 227.550          |
| Commercial deposits     | 4               | 476.416          | 712.619          | 48.402         | 12.539        | 182.097          | -                  | 1.432.077        |
| Other deposits          | -               | 22.005           | 205.524          | 61.747         | 24.220        | 49.286           | -                  | 362.782          |
| 7 days call accounts    | -               | -                | -                | -              | -             | -                | -                  | -                |
| <b>Total</b>            | <b>68</b>       | <b>994.248</b>   | <b>2.260.802</b> | <b>275.720</b> | <b>68.847</b> | <b>384.566</b>   | <b>2.926</b>       | <b>3.987.177</b> |
| <b>Foreign currency</b> |                 |                  |                  |                |               |                  |                    |                  |
| Deposits                | 15              | 9.311            | 184.273          | 14.120         | 9.182         | 21.070           | -                  | 237.971          |
| Bank deposits           | 4               | 36.589           | -                | -              | -             | -                | -                  | 36.593           |
| 7 days call accounts    | -               | -                | -                | -              | -             | -                | -                  | -                |
| Precious metal          | -               | 38               | 1.910            | 463            | 134           | 253              | -                  | 2.798            |
| <b>Total</b>            | <b>19</b>       | <b>45.938</b>    | <b>186.183</b>   | <b>14.583</b>  | <b>9.316</b>  | <b>21.323</b>    | <b>-</b>           | <b>277.362</b>   |
| <b>Grand total</b>      | <b>87</b>       | <b>1.040.186</b> | <b>2.446.985</b> | <b>290.303</b> | <b>78.163</b> | <b>405.889</b>   | <b>2.926</b>       | <b>4.264.539</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           | 124             | 142.374        | 285.181          | 928            | 661            | -                | -                  | 429.268          |
| Saving deposits         | 1               | 94.739         | 2.153.715        | 192.490        | 114.581        | 36.236           | 3.201              | 2.594.963        |
| Public deposits         | 24              | 104.244        | 189.762          | 135.872        | 23.881         | 670              | -                  | 454.453          |
| Commercial deposits     | 6               | 488.818        | 784.074          | 97.158         | 130.409        | 21.256           | -                  | 1.521.721        |
| Other deposits          | 1               | 12.553         | 247.570          | 130.522        | 52.775         | 20.368           | -                  | 463.789          |
| 7 days call accounts    | -               | -              | -                | -              | -              | -                | -                  | -                |
| <b>Total</b>            | <b>156</b>      | <b>842.728</b> | <b>3.660.302</b> | <b>556.970</b> | <b>322.307</b> | <b>78.530</b>    | <b>3.201</b>       | <b>5.464.194</b> |
| <b>Foreign currency</b> |                 |                |                  |                |                |                  |                    |                  |
| Deposits                | 25              | 82.485         | 517.749          | 64.357         | 20.197         | 42.183           | -                  | 726.996          |
| Bank deposits           | 1               | 74.418         | -                | -              | -              | -                | -                  | 74.419           |
| 7 days call accounts    | -               | -              | -                | -              | -              | -                | -                  | -                |
| Precious metal          | -               | 6              | 1.493            | 86             | 157            | 241              | -                  | 1.983            |
| <b>Total</b>            | <b>26</b>       | <b>156.909</b> | <b>519.242</b>   | <b>64.443</b>  | <b>20.354</b>  | <b>42.424</b>    | <b>-</b>           | <b>803.398</b>   |
| <b>Grand total</b>      | <b>182</b>      | <b>999.637</b> | <b>4.179.544</b> | <b>621.413</b> | <b>342.661</b> | <b>120.954</b>   | <b>3.201</b>       | <b>6.267.592</b> |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

(3) a) Information on trading profit/loss:

|   | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| <b>Profit</b>                               | <b>13.202.269</b>     | <b>10.918.809</b>   |
| Profit from the capital market transactions | 141.185               | 21.755              |
| Profit on derivative financial transactions | 3.216.516             | 1.737.983           |
| Foreign exchange gains                      | 9.844.568             | 9.159.071           |
| <b>Loss (-)</b>                             | <b>14.468.262</b>     | <b>11.350.034</b>   |
| Loss from the capital market transactions   | 61.373                | 4.022               |
| Loss from derivative financial transactions | 1.924.454             | 1.281.959           |
| Foreign exchange losses                     | 12.482.435            | 10.064.053          |

(4) Information on other operating income:

|                                       | <b>Current Period</b> | <b>Prior Period</b> |
|---------------------------------------|-----------------------|---------------------|
| Adjustments for prior period expenses | 500.559               | 397.059             |
| Income from the asset sale            | 91.392                | 16.299              |
| Rent income                           | 11.714                | 3.370               |
| Other income                          | 9.531                 | 14.884              |
| <b>Total</b>                          | <b>613.196</b>        | <b>431.612</b>      |

(5) Impairment losses on loans and other receivables:

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Expected Credit Losses   | 2.326.409             | 1.047.074           |
| <i>12 Month Expected Credit Loss (Stage 1)</i>                               | <i>181.919</i>        | <i>352.952</i>      |
| <i>Significant Increase in Credit Risk (Stage 2)</i>                         | <i>913.285</i>        | <i>23.035</i>       |
| <i>Defaulted Loans (Stage 3)</i>   | <i>1.231.205</i>      | <i>671.087</i>      |
| Marketable Securities Impairment Provision                                   | -                     | -                   |
| <i>Financial Assets at Fair Value through Profit or Loss</i>                 | <i>-</i>              | <i>-</i>            |
| <i>Financial Assets at Fair Value through Other Comprehensive Income</i>     | <i>-</i>              | <i>-</i>            |
| Impairment losses from associates, subsidiaries, jointly controlled entities | -                     | -                   |
| <i>Associates</i>  | <i>-</i>              | <i>-</i>            |
| <i>Subsidiaries</i>  | <i>-</i>              | <i>-</i>            |
| <i>Joint Ventures</i>  | <i>-</i>              | <i>-</i>            |
| Other  | 141.078               | 32.309              |
| <b>Total</b>   | <b>2.467.487</b>      | <b>1.079.383</b>    |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)**

(6) Information on other operating expenses:

|  | Current Period   | Prior Period   |
|--|------------------|----------------|
| Reserve for employee termination benefits                                    | 38.571           | 34.671         |
| Bank social aid provision fund deficit provision                             | -                | -              |
| Fixed assets impairment expense  | -                | -              |
| Depreciation expenses of fixed assets  | 93.068           | 72.322         |
| Intangible assets impairment expense   | -                | -              |
| Goodwill impairment expense  | -                | -              |
| Amortization expenses of intangible assets                                   | 12.247           | 10.159         |
| Impairment expense for equity shares subject to the equity method accounting | -                | -              |
| Impairment expense of assets to be sold                                      | -                | -              |
| Amortization expenses of assets to be sold                                   | 4.958            | 2.623          |
| Impairment expense for property and equipment held for sale                  | -                | -              |
| Other operating expenses   | 516.680          | 423.190        |
| <i>Leasing Expenses on TFRS 16 Exceptions</i>                                | 18.083           | 21.656         |
| <i>Maintenance expenses</i>  | 12.627           | 5.924          |
| <i>Advertisement expenses</i>  | 20.176           | 37.030         |
| <i>Other expenses</i>  | 465.794          | 358.580        |
| Loss on sales of assets  | 198              | 25             |
| Other  | 338.645          | 271.078        |
| <b>Total</b>   | <b>1.004.367</b> | <b>814.068</b> |

(7) 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 5.287.653 of net interest income (31 March 2019: TRY 1.728.024) and TRY 721.476 of net fees and commissions income (31 March 2019: TRY 616.235). The profit from continuing operations before tax of the Bank is amounting to TRY 989.328 (31 December 2019: TRY 115.564).

(8) Information on tax provisions for continuing and discontinued operations:

For the period then ended 31 March 2020, the Bank's tax provision amounting to TRY 164.243 (31 March 2019: TRY 189.624 tax benefit) consists of TRY 2.117 of current tax charge (31 March 2019: TRY 2.613), TRY 684.793 of deferred tax charge (31 March 2019: TRY 686.287), and TRY 522.667 of deferred tax benefit (31 March 2019: TRY 878.524).

(9) Information on net income/expense from continuing and discontinued operations after tax:

As of 31 March 2020, the Bank's net operating income after tax is amounting to TRY 825.085 (31 March 2019: TRY 305.188)

(10) Information on net profit/loss:

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.

(11) Other items in the income statement:

The other items under Fees and Commissions Received and Fees and Commissions Paid generally consist of credit cards, insurance and other banking transaction commissions.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**V. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK**

(1) Volume of the Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Information on the Loans of the Bank's risk group:

**Current period:**

| Risk group                      | Subsidiaries, associates and jointly controlled entities (joint ventures) |          | Direct or indirect shareholders of the Bank |          | Other real and legal persons in the risk group |          |
|---------------------------------|---|----------|---|----------|--|----------|
|                                 | Cash  | Non-Cash | Cash  | Non-Cash | Cash   | Non-Cash |
|                                 | Loans and other receivables   |          |   |          |  |          |
| Beginning balance               | 2.331.642   | 313.114  | -   | -        | -  | -        |
| Closing balance                 | 2.616.121   | 341.207  | -   | -        | -  | -        |
| Interest and commissions income | 38.776  | 581      | -   | -        | -  | -        |

**Prior period:**

| Risk group                      | Subsidiaries, associates and jointly controlled entities (joint ventures) |          | Direct or indirect shareholders of the Bank |          | Other real and legal persons in the risk group |          |
|---------------------------------|---|----------|---|----------|--|----------|
|                                 | Cash  | Non-Cash | Cash  | Non-Cash | Cash   | Non-Cash |
|                                 | Loans and other receivables   |          |   |          |  |          |
| Beginning balance               | 1.377.511   | 224.571  | -   | -        | -  | -        |
| Closing balance                 | 2.331.642   | 313.114  | -   | -        | -  | -        |
| Interest and commissions income | 32.000  | 391      | -   | -        | -  | -        |

b) Deposits held by the Bank's risk group:

| Risk group                   | Subsidiaries, associates and jointly controlled entities (joint ventures) |              | Direct or indirect shareholders of the Bank |              | Other real and legal persons in the risk group |              |
|------------------------------|---|--------------|---|--------------|--|--------------|
|                              | Cari Dönem  | Önceki Dönem | Cari Dönem                                  | Önceki Dönem | Cari Dönem                                     | Önceki Dönem |
|                              | Deposits  |              |   |              |  |              |
| Beginning balance            | 3.574.573   | 2.889.487    | -   | -            | -  | -            |
| Closing Balance              | 4.188.132   | 3.574.573    | -   | -            | -  | -            |
| Interest expense on deposits | 122.798   | 146.767      | -   | -            | -  | -            |



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**V. 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:

| Risk group  | Subsidiaries, associates and jointly controlled entities (joint ventures) | Direct or indirect shareholders of the Bank |              | Other real and legal persons in the risk group |              |
|---|---|---|--------------|--|--------------|
|   |   | Current Period                              | Prior Period | Current Period                                 | Prior Period |
| <b>Financial Assets At Fv Through Profit And Loss</b> |   |   |              |  |              |
| Beginning balance                                     | 17.918  | 109.322                                     | -            | -  | -            |
| Closing Balance                                       | 6.362   | 17.918                                      | -            | -  | -            |
| Total Profit/Loss                                     | (40)  | -   | -            | -  | -            |

(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:

|                              | Amount    | % compared to the amounts in the financial statements |
|------------------------------|-----------|---|
| Cash loans                   | 2.616.121 | 0,79  |
| Non-cash loans               | 341.207   | 0,36  |
| Deposits                     | 4.188.132 | 1,28  |
| Forward and option contracts | 6.362     | 0,01  |

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 2.548 as of 31 March 2020 (31 March 2019: TRY 2.409).

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

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

**VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS**

As of 22 April 2020, a share transfer agreement was signed between TVF Finansal Yatırımlar A.Ş. ("TVF Financial Investments"), acting as the buyer, and the Bank, acting as the seller, for the purpose of the transfer of shares to TVF Financial Investments, representing the entire capital of Halk Hayat ve Emeklilik A.Ş. and shares representing 89,18% of the capital of Halk Sigorta A.Ş., and share transfers were completed as of the mentioned date.

During the Bank's Board of Directors meeting on 11 May 2020, it has been resolved that the Bank's TRY 1.250.000.000 (in full TRY) total issued share capital, comprised of shares of TRY 0,01 nominal value each, shall be increased in a nominal capital amount to be calculated based on the share sale price to be determined in accordance with Wholesale Transactions Procedure of Borsa Istanbul A.Ş. In so doing, all current shareholders' preemptive rights shall be restricted in full and the capital increase shall be conducted in cash and by way of a "private placement" as stipulated in Article 13 of the Communiqué No. VII-128.1 on Shares, and the total sales proceeds through the capital increase shall amount to TRY 7.000.000.000 (in full TRY). The entirety of the shares issued through the capital increase shall be sold to the Bank's majority shareholder Türkiye Varlık Fonu by way of a private placement without a public offering and through a wholesale transaction on Borsa Istanbul A.Ş.

**VII. 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.

Initially, the Bank applied to the District Court on 4 November 2019, requesting a special appearance to discuss the issues of objection and denial of judicial jurisdiction, and rejection of the judge of the case. The District Court dismissed the request of the special appearance on 5 December 2019. The Bank appealed the District Court's decision to the Second Circuit Court of Appeals on 17 December 2019. The Second Circuit Court of Appeals dismissed the Bank's objection on 21 February 2020.

In the meeting held by the Bank's Board of Directors on 27 March 2020; it was decided to attend the hearing on 31 March 2020 in the District Court where the case will be discussed, to accept the notification of the case and to appoint William & Connolly law firm with a proxy to represent the Bank in the process.

At the hearing on 31 March 2020 held in the District Court; it has been decided to postpone the hearing to 9 June 2020 due to the global scale COVID-19 outbreak.

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.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**SECTION VI: LIMITED REVIEW REPORT**

**I. EXPLANATIONS ON LIMITED REVIEW REPORT**

The Bank's publicly available unconsolidated interim financial statements and footnotes as of 31 March 2020 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' review report dated 14 May 2020 is presented in front of the financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR**

None.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**SECTION VII: INTERIM ACTIVITY REPORT**

**I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESMENTS FOR THE INTERIM ACTIVITIES**

**Assessment of Chairman of the Board of Directors**

Esteemed stakeholders,

The adverse developments in the first quarter of 2020, which we started with great hopes, has not only bring about economical transformations on a global scale but also lead to momentous social and cultural changes. The new type of coronavirus that first emerged in Wuhan, China, last December, has gradually spread to the rest of the world, and humanity come face to face with a disaster the kind of which had never been seen before.

Under the current circumstances, it will not be easy to remove the negative impact of this experience on the world's economies. Manufacturers that had to suspend operations in quarantine zones, small businesses forced to close their businesses and millions of people who have lost their jobs are the most pressing issues that need to be addressed.

Throughout this delicate period, many people from different professions, especially the frontline healthcare workers, worked with great dedication and served their communities selflessly. In addition to healthcare services, many have continued their operations and sacrificed a lot in the process to keep the production and supply chain safe. We are deeply grateful to all those who have toiled so hard to ensure the continuity of the social life, and we thank everyone for their hard work.

On the other hand, it is important to remember the people who work in financial services, considering the roles they play in sustaining the economy and social life. The banking sector is the ultimate guarantor our citizens can depend on to meet their cash needs, and in Turkey, especially the state-owned banks have given a have passed this test successfully. For this reason, I would like to express my gratitude to my colleagues, especially to Halkbank employees, who have made every effort to serve our nation.

In the first quarter of 2020, Halkbank continued to be an active component of the resolutely implemented Economic Stability Shield program in Turkey against the new type of coronavirus, which has engulfed the entire world. Maintaining its national standing at all times and under all circumstances, our Bank donated a total of 56 million Turkish lira, which corresponds to each Halkbank employee donating a sum equal to one minimum wage, to the National Solidarity Campaign launched by our President, demonstrating once again the value it places on human dignity.

Esteemed stakeholders,

Humanity will win the fight against this virus by rallying to help each other and showing solidarity. The memory of those who succumbed to the virus will always live with us, and I believe that our nation will always remember those who extend their helping hand to those in need in these difficult days. Since its foundation, Halkbank has regarded creating value for its stakeholders as its uttermost priority and will continue to increase its brand value and strength with the strong of its investors and employees.

Best regards,

R. Süleyman Özdil  
Chairman

<sup>(\*)</sup> Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

**I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO’S ASSESMENTS FOR THE INTERIM ACTIVITIES (continued)**

**Assessment of General Manager**

Esteemed stakeholders,

Turkey’s economy made a positive start to 2020 after capping off 2019 with accelerated growth and positive economic indicators. In January, although all economic data, particularly exports, were in line with those set out in the annual plans, as of February, a new agenda has emerged for the Turkish economy, as well as the other world economies, with the emergence of a new type of coronavirus, which has engulfed the entire world.

Turkey has succeeded in becoming a country that inspires trust in its citizens with its advanced healthcare system by implementing measures against this new type of coronavirus, where vaccination and treatment efforts continue at an intense pace. Measures taken by our government to mitigate the possible impact of anti-coronavirus efforts on our country’s economy boosted our national resistance to the pandemic.

The Economic Stability Shield program, launched under the coordination of the Ministry of Treasury and Finance, has served as an action plan that prioritizes the creation of tailor-made solutions for the state-owned banks to different customer profiles and all professional segments. Public banks have made great effort to achieve success in implementing these steps, which aim to protect both the household economy and the financial structure of businesses of different sizes. The debt deferment facilities we offer to prevent our citizens from experiencing payment problems have given a breather to all segments of society.

One of these facilities is the Artisan Support Package, which was implemented by our Bank to protect artisans and craftsmen. The Paraf Esnaf Card received great interest from our customers in this period, with a working capital loan of up to 25,000 Turkish lira and a limit of up to 25,000 Turkish lira. Small businesses have not only been able to meet their liquidity needs through the Working Capital Loan but also process their transactions with their suppliers with the Paraf Esnaf Card, which offers a grace period of three months to holders.

Our Bank also developed a Business Continuity Loan Support – Lifeline Working Capital Loan to help our businesses, which have been negatively affected by the new type of coronavirus outbreak, to continue as going concerns and maintain their current employment levels. This loan, which was implemented with the support of the Credit Guarantee Fund, aims to protect employment in our country by keeping the companies from reducing the number of registered employees as of February 2020 as a prerequisite.

In the same period, a Check Payment Support Loan was established to provide funds for the payment of checks that Halkbank customers have drawn up based on their actual commercial transactions and that they will issue as part of their commercial activities. With this product, our Bank has continued to contribute to maintaining the environment of confidence in the market and protecting the commercial reputation of companies.

Our Bank has supported the monthly household income of 5,000 Turkish lira and less, as well as minimum wage earners, pensioners, the self-employed and other middle and low-income groups with the Personal Basic Need Support Loan. This loan has attracted great interest from our citizens, allowing our low-income customers to meet their basic needs such as healthcare, rent, utility payments and food with a six-month grace period.

In the first quarter, as we introduced new products for customer groups of different sizes, our Bank employees worked with extraordinary dedication to delivering a performance worthy of Halkbank’s brand and reputation. Our 21,000 employees at 1,000 branches throughout Turkey maintained the outstanding service quality of our Bank and made great efforts to complete the transactions in the fastest way possible.

<sup>(\*)</sup> Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

**I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)**

**Assessment of General Manager (continued)**

Our Bank has planned a detailed measures program to protect the health of our employees and customers. The practices implemented in this period have been carefully monitored by our Head Office. During this period, as we increased the in-branch measures and strictly followed social distance rules, we often undertook disinfection efforts. To reduce crowding at our branches, we directed our customers to alternative distribution channels as much as possible and continued our efforts to accommodate rising demand for these channels.

Esteemed stakeholders,

At the end of the first quarter of 2020, as the global economy faced a deep problem, our Bank increased its total assets by 7.5 percent to 491.2 billion Turkish lira compared to year-end 2019, and increased its total deposits to 327.2 billion Turkish lira. Over the same period, our cash loans rose by 12.5 percent to 347.9 billion Turkish lira; and our total loans, including non-cash loans, increased by 10.6 percent to 441.5 billion Turkish lira. Our commercial loan volume, including SME loans, increased by 13.6 percent to 292.5 billion Turkish lira and we achieved a 19.4 percent market share in SME banking for 2019.

In this period, we use our resources meticulously and put people first in everything we did. The efforts we undertake with the support of our investors have bolstered the reputation of our Bank. We believe that we will overcome the negative effects of this catastrophe that humanity is facing, and we express our gratitude to all our stakeholders for helping us along the way.

Best regards,

Osman Arslan  
General Manager

<sup>(\*)</sup> Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

**I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)**

**Major Financial Information**

| <b>Summary Balance Sheet (Million TRY)</b> | <b>March 2020</b> | <b>December 2019</b> | <b>Change (%)</b> |
|--|-------------------|----------------------|-------------------|
| Total Assets                               | 491.214           | 457.045              | 7,5               |
| Loans                                      | 347.943           | 309.208              | 12,5              |
| <i>TRY</i>                                 | 258.503           | 223.887              | 15,5              |
| <i>FC</i>                                  | 89.440            | 85.321               | 4,8               |
| Marketable Securities                      | 109.588           | 102.734              | 6,7               |
| Deposit                                    | 327.205           | 297.734              | 9,9               |
| <i>TRY</i>                                 | 186.048           | 166.473              | 11,8              |
| <i>FC</i>                                  | 141.157           | 131.261              | 7,5               |
| Total Equity                               | 32.910            | 32.197               | 2,2               |

| <b>Summary Statement of Profit or Loss (Million TRY)</b> | <b>March 2020</b> | <b>December 2019</b> | <b>Change (%)</b> |
|--|-------------------|----------------------|-------------------|
| Interest Income  | 11.723            | 10.743               | 9,1               |
| <i>On Loan</i>   | 8.788             | 8.440                | 4,1               |
| <i>On Securities</i>                                     | 2.868             | 2.127                | 34,8              |
| Interest Expense   | 6.435             | 9.015                | (28,6)            |
| <i>On Deposit</i>  | 4.265             | 6.268                | (32,0)            |
| Net Interest Income                                      | 5.288             | 1.728                | 206,0             |
| Net Fee and Commission                                   | 721               | 616                  | 17,1              |
| Net Profit   | 825               | 305                  | 170,4             |

| <b>Ratio (%)</b>                              | <b>March 2020</b> | <b>December 2019</b> |
|---|-------------------|----------------------|
| Cash Loans/Total Asset                        | 70,8              | 67,7                 |
| Non-Performing Loans/Total Cash Loans (Gross) | 4,8               | 5,2                  |
| Demand Deposit/Total Deposit                  | 19,7              | 17,6                 |
| Loan/Deposit Ratio                            | 106,3             | 103,9                |
| Average Return on Asset (ROA)                 | 0,7               | 0,4                  |
| Average Return on Equity (ROE)                | 10,2              | 5,6                  |
| Capital Adequacy Ratio                        | 13,9              | 14,3                 |

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2020**

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

**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

**I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO’S ASSESMENTS FOR THE INTERIM ACTIVITIES (continued)**

**2020 First Quarter Interim Developments**

**Significant Developments**

- Our Bank has issued bonds with a par value of 2.636.515.000 Turkish lira to the qualified investors throughout this period.

**New Products and Campaigns**

- In line with our country’s 2023 vision for, our Bank has established an Employment-Oriented Working Capital Loan to support the increase in production, productivity, and employment of companies.
- Our Bank has created a “Lifeline Water Working Capital Loan” under the Economic Stability Shield – Business Continuity Loan Support, so that our businesses, which are affected by the global coronavirus (COVID-19), pandemic, can continue as going concerns and maintain their current employment levels.
- Our Bank has created a “Check Payment Support Loan” within the scope of the Economic Stability Shield measures to allow businesses that are affected by the coronavirus (COVID-19), pandemic and use checks for commercial activities to meet their checks they are obliged to pay by accessing an affordable financing facility.
- The Bank has created a Tradesmen Support Package containing Working Capital Loans and Paraf Artisans Card products to support artisans and craftsmen whose businesses have incurred losses due to the coronavirus (COVID-19), pandemic in support of the real economy under the Economic Stability Shield.
- Our Bank has created a “Personal Basic Need Support Loan Package” to support financing of basic needs such as health, rent, invoice of our customers, who are directly or indirectly affected and/or likely to be affected by the developments related to coronavirus (COVID-19), which has turned into an epidemic worldwide.
- The Bank has created a “Pharmacy Loan” for the financial needs of individual employees who are affiliated with the Turkish Pharmacists’ Association, non-legal persons or non-pharmacy owners, and who are payroll employees at public and private institutions.

<sup>(\*)</sup> Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.