

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

# **Türkiye Halk Bankası Anonim Şirketi**

**Consolidated Financial Statements  
As of 30 June 2020  
With Review Report Thereon**  
*(Convenience Translation of Consolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

14 August 2020

*This report contains “Review Report” comprising 2  
pages and; “Consolidated Interim Financial  
Statements and Related Disclosures and Footnotes”  
comprising 117 pages.*

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

**REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION**

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

*Introduction*

We have reviewed the accompanying consolidated statement of financial position of Türkiye Halk Bankası A.Ş. (“the Parent Bank”) and its consolidated subsidiaries (together will be referred as “the Group”) as at 30 June 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Parent Bank management is responsible for the preparation and fair presentation of the accompanying consolidated 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 consolidated 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 Group reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost amounted to TRY 17.608.853 thousand as at 30 June. If such classification were not made, total assets and shareholders’ equity, excluding tax effect, would have been lower by TRY 1.348.755 thousand as at 30 June 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 consolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. and its consolidated subsidiaries as at 30 June 2020, and of the results of its operations and its cash flows for the six-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 Parent Bank in the New York Southern District Court (“District Court”). The criminal lawsuit action at the District Court is ongoing.

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

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

At this stage, the Parent Bank's Management stated that there were no penalty, compensation, sanction or measure arising from the ongoing criminal and civil lawsuits against the Parent Bank. There is an uncertainty with respect to any decisions by the US authorities that may adversely affect the financial position of the Parent Bank. No provision has been made in the accompanying consolidated 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 consolidated interim financial information provided in the Management’s interim report included in section seven of the accompanying consolidated financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed consolidated 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 consolidated interim financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying consolidated financial statements. The accounting principles used in the preparation of the accompanying consolidated interim financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Group’s financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the consolidated interim financial statements and IFRS.

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

Yaman Polat  
Partner

Istanbul, 14 August 2020

**TÜRKİYE HALK BANKASI AŞ**  
**THE CONSOLIDATED FINANCIAL REPORT**  
**FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

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

The consolidated six-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 PARENT BANK
- **Section Two** : CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- **Section Four** : INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- **Section Five** : EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : LIMITED REVIEW REPORT
- **Section Seven** : INTERIM ACTIVITY REPORT

Subsidiaries, associates, and joint ventures which are consolidated within this financial report are as below:

<b>Subsidiaries</b>		<b>Associates</b>	
1.	Halk Yatırım Menkul Değerler AŞ	1.	Demir-Halk Bank N.V.
2.	Halk Gayrimenkul Yatırım Ortaklığı AŞ	2.	Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3.	Halk Finansal Kiralama AŞ	3.	Türk P ve I Sigorta AŞ
4.	Halk Faktoring AŞ		
5.	Halk Banka A.D., Skopje		
6.	Halkbank A.D. Beograd		
7.	Halk Varlık Kiralama AŞ		

The consolidated financial statements for the six-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 August 2020

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

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

Name/Title : Atiye Ece Gülergün / Specialist  
Tel : 0216 503 52 48  
Fax No : 0212 340 09 90

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**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

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

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

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

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

As of 30 June 2020 the shareholders’ structure and their respective ownerships are summarized as follows:

<b>Shareholders</b>	<b>30 June 2020</b>	<b>%</b>	<b>31 December 2019</b>	<b>%</b>
Türkiye Varlık Fonu <sup>(1)</sup>	1.862.602	75,29	638.276	51,06
Public shares <sup>(1)</sup>	611.093	24,70	611.643	48,93
Other shareholders <sup>(2)</sup>	81	0,01	81	0,01
<b>Total</b>	<b>2.473.776</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 1.224.326 have been included in Public shares.

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

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

Name	Title
Recep Süleyman ÖZDİL	Chairman of the Board of Directors, Chairman of the Audit Committee
Himmet KARADAĞ	Vice Chairman of the Board of Directors, Independent Member of the Board Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Kerem ALKİN	Member of the Board of Directors
Meltem TAYLAN AYDIN	Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Ebubekir ŞAHİN	Member of the Board of Directors
Sezai UÇARMAK	Member of the Board of Directors
Mevlüt UYSAL	Independent Member of the Board of Directors, Member of the Audit Committee
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
İlhan BÖLÜKBAŞ	Executive Vice President, Loan Allocation and Management
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 Parent Bank’s capital.

- a) The professionals to the Parent Bank’s top management who have assigned to their position in 2020 are listed with titles and dates of assignment.

Title	Name and Surname	Beginning Date
Member of the Supervisory Board	Kerem ALKİN	12 June 2020
Member of the Supervisory Board	Ebubekir ŞAHİN	12 June 2020

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

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

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

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



**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

**V. BRIEF INFORMATION ON THE PARENT BANK’S FUNCTIONS AND LINES OF ACTIVITY**

a) General information about the Parent Bank:

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

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

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 Parent Bank was extended. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended the half of that “10 years” period as published in the Official Gazette by the Decree numbered 2010/964 and dated 6 November 2010.

As per the Higher Council of Privatization decision numbered 2006/69 dated 11 August 2006, the public shares were transferred to the Privatization Administration and 99,9% of the Parent Bank shares were decided to be sold before 25 May 2008 using the block sale method. 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 Parent 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**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

**V. BRIEF INFORMATION ON THE PARENT 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 Halkbank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler limited partnership and more than 500 shareholders. Pamukbank started its private banking operations as an incorporation in accordance with the decision of the Council of Ministers numbered 4/4573 dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 dated 19 June 2002 including 3rd and 4th Sub-articles in the Article 14 of the Banking Law No: 4389, the shareholders rights, excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.
- e) The Parent Bank’s service activities and operating areas: The Parent Bank’s operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 30 June 2020, the Parent Bank operates with a total of 1009 branches consisting of 1003 domestic and 6 foreign branches that are 5 in Turkish Republic of Northern Cyprus and 1 in Bahrain. Domestic branches include 34 satellite branches. The Bank has also 3 representative office in England, Singapore and Iran.

**VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION**

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler A.Ş.
- Halk Gayrimenkul Yatırım Ortaklığı A.Ş.
- Halk Finansal Kiralama A.Ş.
- Halk Faktoring A.Ş.
- Halk Banka A.D. Skopje
- Halkbank A.D. Beograd
- Halk Varlık Kiralama A.Ş.

are consolidated “line by line” in the accompanying consolidated financial statements.

The Parent Bank’s associates;

- Demir-Halk Bank N.V.
- Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş.
- Türk P ve I Sigorta A.Ş.

are accounted for at “equity method” in the accompanying consolidated financial statements.

Halk Gayrimenkul Yatırım Ortaklığı AŞ (“Halk GYO”), a subsidiary of the Parent Bank established in 2010, was registered on 18 October 2010. Halk GYO’s main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. Halk GYO’s main operational objective is to invest in capital market instruments based on real estates, real estate projects and rights based on real estates, as per the Capital Markets Board’s (“CMB”) regulation on investment trusts.

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

**VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION (continued)**

As at 15 February 2013 28% shares of Halk GYO has been offered to public. After collecting potential investors' book building, Halk GYO's shares started to be traded on Borsa İstanbul AŞ since 22 February 2013.

Halk Finansal Kiralama AŞ ("Halk Leasing") was established in September 1991 in Turkey and its main line of business is financial leasing. Halk Leasing operates under the provisions of the Turkish financial leasing law number 6361.

Halk Banka A.D., Skopje, formerly Export and Credit Bank A.D., Skopje is a subsidiary of the Parent Bank as of 8 April 2011, operating in Macedonia. The Bank's main activities include commercial lending, accepting deposits, and retail banking services in the country and abroad. In addition, the Company has been engaged in insurance activities through Halk Osiguruvanje purchased on 28 January 2019.

Halk Faktoring AŞ's ("Halk Faktoring") main line of business is to provide factoring services that include legitimate commercial lending for all domestic and international trade operation.

Halkbank A.D. Beograd is a subsidiary of the Parent Bank as of 28 May 2015. Its main activities include commercial lending, accepting deposits, and retail banking services in the country and abroad.

Halk Yatırım Menkul Değerler AŞ ("Halk Yatırım"), was established in 1997 to carry out capital markets activities, to purchase and sell capital markets instruments, and to execute stock exchange transactions. Halk Yatırım became a subsidiary in early 2006 when Halkbank bought the shares of Turkey Halk Bankası Personnel Provident Fund.

Halk Varlık Kiralama A.Ş. was established on 3 October 2017 with the purpose of issuing "Lease Certificate" in accordance with the Capital Markets Board Law No. 6362, the CMB Communiqué and the related regulations of the CMB.

For the purposes of the consolidated financial statements, the Parent Bank and its consolidated subsidiaries are referred to as "the Group".

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

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

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

Demir-Halk Bank N.V. ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş. and Türk P ve I Sigorta A.Ş. which are qualified as investments in associates, are presented in the consolidated financial statements based on equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has no significant influence and control, established at home and abroad.

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

Immediate transfer of the shareholder's equity between the Parent Bank and its subsidiaries is not in question. Dividend distribution from shareholders' equity is done according to related regulations.

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

**SECTION II: CONSOLIDATED FINANCIAL STATEMENTS**

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2020**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

ASSETS	Note	Reviewed			Audited		
		Current Period			Prior Period		
		30 June 2020	30 June 2020	30 June 2020	31 December 2019	31 December 2019	31 December 2019
		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I. FINANCIAL ASSETS (NET)</b>		<b>53.230.341</b>	<b>38.747.553</b>	<b>91.977.894</b>	<b>30.233.397</b>	<b>42.074.025</b>	<b>72.307.422</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>3.895.089</b>	<b>27.213.553</b>	<b>31.108.642</b>	<b>3.057.952</b>	<b>36.497.025</b>	<b>39.554.977</b>
1.1.1 Cash and Balances with Central Bank	(1)	3.573.142	24.546.638	28.119.780	2.472.611	32.841.376	35.313.987
1.1.2 Banks	(3)	214.091	2.667.114	2.881.205	508.021	3.655.952	4.163.973
1.1.3 Money Markets		121.866	-	121.866	87.138	-	87.138
1.1.4 Expected Loss Provision (-)		14.010	199	14.209	9.818	303	10.121
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	(2)	<b>16.665.179</b>	<b>7.575</b>	<b>16.672.754</b>	<b>16.295.809</b>	<b>9.954</b>	<b>16.305.763</b>
1.2.1 Government Debt Securities		16.478.783	127	16.478.910	16.131.520	64	16.131.584
1.2.2 Equity Instruments		145.601	7.448	153.049	145.601	9.890	155.491
1.2.3 Other Financial Assets		40.795	-	40.795	18.688	-	18.688
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	(4)	<b>32.570.775</b>	<b>9.675.559</b>	<b>42.246.334</b>	<b>10.875.940</b>	<b>4.418.750</b>	<b>15.294.690</b>
1.3.1 Government Debt Securities		31.930.269	9.520.124	41.450.393	10.275.808	4.283.752	14.559.560
1.3.2 Equity Instruments		40.691	155.435	196.126	20.049	134.998	155.047
1.3.3 Other Financial Assets		599.815	-	599.815	580.083	-	580.083
<b>1.4 Derivative Financial Assets</b>	(2)(11)	<b>99.298</b>	<b>1.850.866</b>	<b>1.950.164</b>	<b>3.696</b>	<b>1.148.296</b>	<b>1.151.992</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		99.298	1.850.866	1.950.164	3.696	1.148.296	1.151.992
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)</b>		<b>380.105.063</b>	<b>119.709.629</b>	<b>499.814.692</b>	<b>267.318.842</b>	<b>112.081.816</b>	<b>379.400.658</b>
<b>2.1 Loans</b>	(5)	<b>332.772.761</b>	<b>96.404.126</b>	<b>429.176.887</b>	<b>222.430.880</b>	<b>90.963.797</b>	<b>313.394.677</b>
2.2 Lease Receivables	(10)	1.777.118	2.336.617	4.113.735	1.021.658	2.369.156	3.390.814
2.3 Factoring Receivables		2.360.842	125.076	2.485.918	2.146.745	38.381	2.185.126
<b>2.4 Other Financial Assets Measured at Amortised Cost</b>	(6)	<b>58.521.398</b>	<b>21.356.465</b>	<b>79.877.863</b>	<b>53.297.037</b>	<b>19.174.085</b>	<b>72.471.122</b>
2.4.1 Government Debt Securities		58.470.897	21.356.465	79.827.362	53.246.524	19.174.085	72.420.609
2.4.2 Other Financial Assets		50.501	-	50.501	50.513	-	50.513
2.5 Expected Credit Loss (-)		15.327.056	512.655	15.839.711	11.577.478	463.603	12.041.081
<b>III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)</b>	(14)	<b>1.463</b>	<b>-</b>	<b>1.463</b>	<b>1.009.587</b>	<b>66.831</b>	<b>1.076.418</b>
3.1 Held for Sale		1.463	-	1.463	1.009.587	66.831	1.076.418
3.2 Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>54.054</b>	<b>555.937</b>	<b>609.991</b>	<b>116.254</b>	<b>476.980</b>	<b>593.234</b>
<b>4.1 Investments in Associates (Net)</b>	(7)	<b>54.054</b>	<b>555.937</b>	<b>609.991</b>	<b>32.254</b>	<b>476.980</b>	<b>509.234</b>
4.1.1 Associates Valued Based on Equity Method		22.491	555.937	578.428	21.152	476.980	498.132
4.1.2 Unconsolidated Associates		31.563	-	31.563	11.102	-	11.102
<b>4.2 Subsidiaries (Net)</b>	(8)	<b>-</b>	<b>-</b>	<b>-</b>	<b>84.000</b>	<b>-</b>	<b>84.000</b>
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
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>8.995.421</b>	<b>279.921</b>	<b>9.275.342</b>	<b>9.107.424</b>	<b>201.549</b>	<b>9.308.973</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>		<b>155.848</b>	<b>46.840</b>	<b>202.688</b>	<b>166.525</b>	<b>38.734</b>	<b>205.259</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		155.848	46.840	202.688	166.525	38.734	205.259
<b>VII. INVESTMENT PROPERTIES (Net)</b>	(12)	<b>1.130.681</b>	<b>8.674</b>	<b>1.139.355</b>	<b>1.096.814</b>	<b>7.649</b>	<b>1.104.463</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>602</b>	<b>10.098</b>	<b>10.700</b>	<b>602</b>	<b>7.469</b>	<b>8.071</b>
<b>IX. DEFERRED TAX ASSET</b>	(13)	<b>318.803</b>	<b>3.992</b>	<b>322.795</b>	<b>48.878</b>	<b>3.462</b>	<b>52.340</b>
<b>X. OTHER ASSETS (Net)</b>	(15)	<b>6.208.201</b>	<b>828.049</b>	<b>7.036.250</b>	<b>4.115.999</b>	<b>458.990</b>	<b>4.574.989</b>
<b>TOTAL ASSETS</b>		<b>450.200.477</b>	<b>160.190.693</b>	<b>610.391.170</b>	<b>313.214.322</b>	<b>155.417.505</b>	<b>468.631.827</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2020**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

	Note	Reviewed			Audited		
		Current Period			Prior Period		
		30 June 2020			31 December 2019		
LIABILITIES		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I. DEPOSITS</b>	(1)	243.153.040	164.557.691	407.710.731	163.097.510	137.590.041	300.687.551
<b>II. FUNDS BORROWED</b>	(3)	1.201.680	13.106.907	14.308.587	1.410.975	12.756.895	14.167.870
<b>III. MONEY MARKETS</b>		77.582.369	685.006	78.267.375	50.388.047	2.951.294	53.339.341
<b>IV. SECURITIES ISSUED (Net)</b>	(4)	9.040.328	6.949.054	15.989.382	8.781.602	10.512.530	19.294.132
4.1 Bills		5.500.897	-	5.500.897	4.745.320	-	4.745.320
4.2 Assets Backed Securities		2.491.045	-	2.491.045	2.651.546	-	2.651.546
4.3 Bonds		1.048.386	6.949.054	7.997.440	1.384.736	10.512.530	11.897.266
<b>V. FUNDS</b>		3.125.967	-	3.125.967	3.209.004	-	3.209.004
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		3.125.967	-	3.125.967	3.209.004	-	3.209.004
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(2)(7)	9.349	663.789	673.138	334	353.384	353.718
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		9.349	663.789	673.138	334	353.384	353.718
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		1.475	1.578	3.053	1.081	426	1.507
<b>IX. LEASE LIABILITIES</b>	(6)	621.471	151.170	772.641	534.189	109.870	644.059
<b>X. PROVISIONS</b>	(8)	1.935.035	83.540	2.018.575	1.678.800	71.545	1.750.345
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.140.230	12.358	1.152.588	1.119.640	14.108	1.133.748
10.3 Insurance for Technical Provision (Net)		-	67.913	67.913	-	53.652	53.652
10.4 Other Provisions		794.805	3.269	798.074	559.160	3.785	562.945
<b>XI. CURRENT TAX LIABILITY</b>	(9)	2.998.336	5.798	3.004.134	1.324.515	8.772	1.333.287
<b>XII. DEFERRED TAX LIABILITIES</b>	(9)	-	2.152	2.152	315.308	2.152	317.460
<b>XIII. NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)</b>	(10)	-	-	-	3.098.809	85.508	3.184.317
13.1 Held for Sale		-	-	-	3.098.809	85.508	3.184.317
13.2 Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(11)	6.034.558	7.252.193	13.286.751	6.037.858	6.146.988	12.184.846
14.1 Loans		-	7.252.193	7.252.193	-	6.146.988	6.146.988
14.2 Other Debt Instruments		6.034.558	-	6.034.558	6.037.858	-	6.037.858
<b>XV. OTHER LIABILITIES</b>	(5)	27.442.679	1.666.722	29.109.401	24.768.998	1.198.004	25.967.002
<b>XVI. SHAREHOLDERS' EQUITY</b>	(12)	41.419.636	699.647	42.119.283	31.561.248	636.140	32.197.388
16.1 Paid-in Capital		2.473.776	-	2.473.776	1.250.000	-	1.250.000
16.2 Capital Reserves		6.775.040	-	6.775.040	1.014.978	412	1.015.390
16.2.1 Share Premium		5.815.863	-	5.815.863	39.773	-	39.773
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		959.177	-	959.177	975.205	412	975.617
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.647.152	2.467	2.649.619	2.650.400	1.500	2.651.900
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		672.627	(136.465)	536.162	337.320	(83.834)	253.486
<b>16.5 Profit Reserves</b>		25.269.524	469.404	25.738.928	23.664.169	388.010	24.052.179
16.5.1 Legal Reserves		2.428.694	33.826	2.462.520	2.459.822	29.703	2.489.525
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		22.793.649	104.574	22.898.223	21.157.205	104.574	21.261.779
16.5.4 Other Profit Reserves		47.181	331.004	378.185	47.142	253.733	300.875
<b>16.6 Income or (Loss)</b>		3.335.484	358.027	3.693.511	2.362.968	324.212	2.687.180
16.6.1 Prior Periods' Income or (Loss)		818.044	317.056	1.135.100	179.946	239.626	419.572
16.6.2 Current Period Income or (Loss)		2.517.440	40.971	2.558.411	2.183.022	84.586	2.267.608
<b>16.7 Minority Shares</b>		246.033	6.214	252.247	281.413	5.840	287.253
<b>TOTAL LIABILITIES</b>		<b>414.565.923</b>	<b>195.825.247</b>	<b>610.391.170</b>	<b>296.208.278</b>	<b>172.423.549</b>	<b>468.631.827</b>

The Accompanying notes are an integral part of these consolidated financial statements.





**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED**  
**30 JUNE 2020**

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

**III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Note	Reviewed	Reviewed	Reviewed	Reviewed
		Current Period	Prior Period	Current Period	Prior Period
		1 January- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2020	1 April- 30 June 2019
<b>INCOME AND EXPENSES</b>					
<b>I. INTEREST INCOME</b>	(1)	<b>24.448.665</b>	<b>23.371.952</b>	<b>12.503.744</b>	<b>12.400.951</b>
1.1 Interest on Loans		17.826.159	17.815.809	8.996.489	9.339.276
1.2 Interest on Reserve Requirements		780	67.727	280	41.578
1.3 Interest on Banks		67.614	262.101	32.688	112.159
1.4 Interest on Money Market Transactions		10.701	21.891	5.303	21.457
1.5 Interest on Marketable Securities Portfolio		6.166.064	4.825.325	3.288.908	2.689.402
1.5.1 Fair Value Through Profit or Loss		8.067	10.089	7.220	4.285
1.5.2 Fair Value Through Other Comprehensive Income		1.659.770	739.338	996.917	464.338
1.5.3 Measured at Amortized Cost		4.498.227	4.075.898	2.284.771	2.220.779
1.6 Financial Lease Interest Income		170.032	157.228	92.401	78.674
1.7 Other Interest Income		207.315	221.871	87.675	118.405
<b>II. INTEREST EXPENSE (-)</b>	(2)	<b>13.388.441</b>	<b>18.876.229</b>	<b>7.000.270</b>	<b>9.868.345</b>
2.1 Interest on Deposits		8.790.514	12.142.516	4.633.060	6.008.788
2.2 Interest on Funds Borrowed		222.101	266.783	102.077	142.588
2.3 Interest Expense on Money Market Transactions		2.793.495	5.073.488	1.421.724	2.967.340
2.4 Interest on Securities Issued		1.214.063	1.202.025	596.672	654.668
2.5 Interest on Leases		41.158	49.525	19.910	25.544
2.6 Other Interest Expenses		327.110	141.892	226.827	69.417
<b>III. NET INTEREST INCOME (I - II)</b>		<b>11.060.224</b>	<b>4.495.723</b>	<b>5.503.474</b>	<b>2.532.606</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>1.333.178</b>	<b>1.301.235</b>	<b>626.161</b>	<b>701.870</b>
4.1 Fees and Commissions Received		1.740.788	1.871.780	835.886	1.019.924
4.1.1 Non – cash Loans		406.274	464.418	182.333	245.014
4.1.2 Other	(11)	1.334.514	1.407.362	653.553	774.910
4.2 Fees and Commissions Paid (-)		407.610	570.545	209.725	318.054
4.2.1 Non – cash Loans		1.407	2.420	643	1.077
4.2.2 Other	(11)	406.203	568.125	209.082	316.977
<b>V. DIVIDEND INCOME</b>		<b>4.322</b>	<b>13.911</b>	<b>3.896</b>	<b>3.918</b>
<b>VI. TRADING INCOME / LOSS (Net)</b>	(3)	<b>(2.386.181)</b>	<b>(1.819.573)</b>	<b>(1.141.135)</b>	<b>(1.406.496)</b>
6.1 Trading Gains / (Losses) on Securities		80.160	31.951	(4.968)	13.819
6.2 Gains / (Losses) on Derivate Financial Transactions		1.707.342	(31.124)	413.192	(506.915)
6.3 Foreign Exchange Gains / (Losses)		(4.173.683)	(1.820.400)	(1.549.359)	(913.400)
<b>VII. OTHER OPERATING INCOME</b>	(4)	<b>932.200</b>	<b>1.988.551</b>	<b>232.224</b>	<b>1.473.825</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>10.943.743</b>	<b>5.979.847</b>	<b>5.224.620</b>	<b>3.305.723</b>
<b>IX. EXPECTED LOSS PROVISIONS (-)</b>	(5)	<b>4.323.723</b>	<b>2.591.219</b>	<b>1.961.976</b>	<b>1.482.754</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	(5)	<b>231.820</b>	<b>1.850</b>	<b>90.531</b>	<b>(30.459)</b>
<b>XI. PERSONNEL EXPENSE (-)</b>		<b>1.980.964</b>	<b>1.378.212</b>	<b>1.039.990</b>	<b>627.173</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	(6)	<b>2.184.447</b>	<b>1.639.516</b>	<b>1.165.448</b>	<b>856.928</b>
<b>XIII. NET OPERATING INCOME /LOSS (VIII-IX-X-XI-XII)</b>		<b>2.222.789</b>	<b>369.050</b>	<b>966.675</b>	<b>369.327</b>
<b>XIV. INCOME AFTER MERGER</b>		-	-	-	-
<b>XV. INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>5.078</b>	<b>16.327</b>	<b>(1.157)</b>	<b>6.966</b>
<b>XVI. INCOME / (LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XVII. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)</b>	(7)	<b>2.227.867</b>	<b>385.377</b>	<b>965.518</b>	<b>376.293</b>
<b>XVIII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)</b>	(8)	<b>(601.392)</b>	<b>202.893</b>	<b>(403.425)</b>	<b>24.718</b>
18.1 Current Tax Provision		1.172.319	24.878	1.137.690	8.889
18.2 Deferred Tax Income Effect (+)		387.255	533.917	(298.949)	(152.612)
18.3 Deferred Tax Expense Effect (-)		958.182	761.688	435.316	(119.005)
<b>XIX. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)</b>	(9)	<b>1.626.475</b>	<b>588.270</b>	<b>562.093</b>	<b>401.011</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>1.481.462</b>	<b>953.520</b>	<b>867.529</b>	<b>498.587</b>
20.1 Income from non- Current Assets Held for Sale		613.933	953.520	-	498.587
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		867.529	-	867.529	-
20.3 Income from Other Discontinued Operations		-	-	-	-
<b>XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>		<b>494.089</b>	<b>860.941</b>	<b>-</b>	<b>433.174</b>
21.1 Expenses for Non-current Assets Held for Sale		494.089	860.941	-	433.174
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
21.3 Expenses for Other Discontinued Operations		-	-	-	-
<b>XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)</b>	(7)	<b>987.373</b>	<b>92.579</b>	<b>867.529</b>	<b>65.413</b>
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	(8)	<b>(48.603)</b>	<b>(80.473)</b>	<b>-</b>	<b>(43.748)</b>
23.1 Current Tax Provision		48.981	64.753	-	35.636
23.2 Deferred Tax Expense Effect (+)		-	16.607	-	8.522
23.3 Deferred Tax Income Effect (-)		378	887	-	410
<b>XXIV. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)</b>	(9)	<b>938.770</b>	<b>12.106</b>	<b>867.529</b>	<b>21.665</b>
<b>XXV. NET PROFIT/(LOSS) (XVIII+XXIV)</b>	(10)	<b>2.565.245</b>	<b>600.376</b>	<b>1.429.622</b>	<b>422.676</b>
25.1 Profit / (Loss) of Group		2.558.411	591.100	1.429.973	418.339
25.2 Profit / (Loss) of Minority Shares (-)		6.834	9.276	(351)	4.337
Profit / (Loss) Per Share		1,6843156	0,4728800	0,7997954	0,3346711

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

**TÜRKİYE HALK BANKASI AŞ**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

	Reviewed	Reviewed
	Current Period	Prior Period
STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	1 January - 30 June 2020	1 January - 30 June 2019
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>2.565.245</b>	<b>600.376</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>280.395</b>	<b>90.867</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>(2.281)</b>	<b>-</b>
2.1.1 Property and Equipment Revaluation Increase/Decrease	(6.783)	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	1.101	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	2.818	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	583	-
<b>2.2 Reclassified Through Profit or Loss</b>	<b>282.676</b>	<b>90.867</b>
2.2.1 Foreign Currency Translation Differences	6.846	6.601
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	261.577	48.384
2.2.3 Cash Flow Hedge Income/Loss	-	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	14.253	35.882
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>2.845.640</b>	<b>691.243</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2020**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss							Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss							Total Equity Expect 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	Prior Period Profit or (Loss)	Current Period Profit or (Loss)			
<b>Reviewed (1 January – 30 June 2019)</b>																
I. Prior Period End Balance	1.250.000	39.740	-	1.228.055	2.459.595	8.624	-	(1.454)	(174.506)	-	20.820.054	1.007.844	2.656.647	29.294.599	246.641	29.541.240
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	39.740	-	1.228.055	2.459.595	8.624	-	(1.454)	(174.506)	-	20.820.054	1.007.844	2.656.647	29.294.599	246.641	29.541.240
IV. Total Comprehensive Income	-	-	-	-	-	-	-	6.601	84.266	-	-	-	591.100	681.967	9.276	691.243
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	-	-	-	(263.841)	4.010	-	-	-	-	-	(88.510)	2.721.762	(2.656.647)	(283.226)	15.607	(267.619)
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	3.308.537	(3.309.939)	-	(1.402)	1.402	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(1.402)	-	(1.402)	1.402	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3.308.537	(3.308.537)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (III+IV+.....+X+XI)</b>	<b>1.250.000</b>	<b>39.740</b>	<b>-</b>	<b>964.214</b>	<b>2.463.605</b>	<b>8.624</b>	<b>-</b>	<b>5.147</b>	<b>(90.240)</b>	<b>-</b>	<b>24.040.081</b>	<b>419.667</b>	<b>591.100</b>	<b>29.691.938</b>	<b>272.926</b>	<b>29.964.864</b>
<b>Reviewed (1 January – 30 June 2020)</b>																
I. Prior Period End Balance	1.250.000	39.773	-	975.617	2.665.635	(61.018)	47.283	(5.846)	259.332	-	24.052.179	419.572	2.267.608	31.910.135	287.253	32.197.388
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	39.773	-	975.617	2.665.635	(61.018)	47.283	(5.846)	259.332	-	24.052.179	419.572	2.267.608	31.910.135	287.253	32.197.388
IV. Total Comprehensive Income	-	-	-	-	(6.105)	1.006	2.818	6.846	275.830	-	-	-	2.558.411	2.838.806	6.834	2.845.640
V. Capital Increase by Cash	1.223.776	5.776.224	-	-	-	-	-	-	-	-	-	-	-	7.000.000	-	7.000.000
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	-	(134)	-	(16.440)	-	-	-	-	-	-	(80.026)	2.483.707	(2.267.608)	119.499	(43.244)	76.255
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	1.766.775	(1.768.179)	-	(1.404)	1.404	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(1.404)	-	(1.404)	1.404	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	1.766.775	(1.766.775)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (III+IV+.....+X+XI)</b>	<b>2.473.776</b>	<b>5.815.863</b>	<b>-</b>	<b>959.177</b>	<b>2.659.530</b>	<b>(60.012)</b>	<b>50.101</b>	<b>1.000</b>	<b>535.162</b>	<b>-</b>	<b>25.738.928</b>	<b>1.135.100</b>	<b>2.558.411</b>	<b>41.867.036</b>	<b>252.247</b>	<b>42.119.283</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED**  
**30 JUNE 2020**

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

**VI. CONSOLIDATED STATEMENT OF CASH FLOWS**

	Reviewed Current Period	Reviewed Prior Period
Note	1 January- 30 June 2020	1 January- 30 June 2019
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>1.009.871</b>	<b>(7.404.366)</b>
1.1.1 Interest received	21.668.548	20.241.382
1.1.2 Interest paid	(13.629.367)	(18.820.323)
1.1.3 Dividend received	4.322	13.911
1.1.4 Fees and commissions received	1.740.788	1.939.017
1.1.5 Other income	551.834	1.847.171
1.1.6 Collections from previously written off loans	734.364	759.195
1.1.7 Cash payments to personnel and service suppliers	(2.004.842)	(1.446.253)
1.1.8 Taxes paid	(154.772)	(487.220)
1.1.9 Other	(7.901.004)	(11.451.246)
<b>1.2 Changes in Assets and Liabilities Subject to Banking Operations</b>	<b>23.699.613</b>	<b>10.496.519</b>
1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss	(368.174)	(2.578.964)
1.2.2 Net (increase) / decrease in due from banks	-	(6.475)
1.2.3 Net (increase) / decrease in loans	(114.604.597)	(25.880.629)
1.2.4 Net (increase) / decrease in other assets	3.790.464	(6.894.872)
1.2.5 Net increase / (decrease) in bank deposits	2.281.141	(2.974.316)
1.2.6 Net increase / (decrease) in other deposits	105.081.896	18.407.553
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	(49.496)	(1.046.787)
1.2.9 Net increase / (decrease) in matured payables	-	-
1.2.10 Net increase / (decrease) in other liabilities	27.568.379	31.471.009
<b>I. Net cash provided from banking operations</b>	<b>24.709.484</b>	<b>3.092.153</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>II. Net cash provided from/ (used in) investing activities</b>	<b>(33.057.203)</b>	<b>(21.633.264)</b>
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	(148.506)	(109.320)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	39.375
2.3 Fixed assets purchases	(306.770)	(2.655.928)
2.4 Fixed assets sales	778.679	273.301
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income	(34.191.208)	(9.499.827)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income	5.756.086	1.656.022
2.7 Cash paid for purchase of investment securities	(9.976.731)	(14.697.232)
2.8 Cash obtained from sale of investment securities	5.058.942	3.354.408
2.9 Other	(27.695)	5.937
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash flow from financing activities</b>	<b>2.807.907</b>	<b>4.979.503</b>
3.1 Cash obtained from loans borrowed and securities issued	14.241.124	9.936.512
3.2 Cash used for repayment of loans borrowed and securities issued	(18.323.298)	(4.585.202)
3.3 Bonds issued	7.000.000	-
3.4 Dividends paid	-	-
3.5 Payments for leases	(109.919)	(109.423)
3.6 Other	-	(262.384)
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>2.872.185</b>	<b>1.125.828</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>	<b>(2.667.627)</b>	<b>(12.435.780)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	<b>24.297.689</b>	<b>23.448.586</b>
<b>VII. Cash and cash equivalents at end of the period</b>	<b>21.630.062</b>	<b>11.012.806</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

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

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

***Effects of COVID 19***

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

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

1. With the 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**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

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

As regards to the consideration of macroeconomic factors, the Bank regularly evaluates scenario weights and macroeconomic factors in its model and if deemed necessary, makes additional provision through individual assessment due to the fact that the effects of the pandemic are still being experienced. As of the end of the current period, additional provisions calculated on individual basis for certain customers were recognized in the financial statements.

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 30 JUNE 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**

1) The Group's strategy on financial instruments:

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

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

2) The Group's explanations on foreign currency transactions:

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

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

Assets and liabilities of the foreign branches and subsidiaries of the Parent Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. The foreign branches' income and expenses are converted by at exchange rates at the dates of the transactions. The foreign subsidiaries' income and expenses are converted by average rate of the exchange of the current year.

The Group hedged the net investment risk from the foreign currency exchange rate fluctuations on foreign financial investments (Halkbank A.D. Beograd (subsidiary), Demir-Halk Bank N.V. (affiliate) and Halk Banka A.D., Skopje (subsidiary) with the foreign currency denominated funds (hedging instrument) as of 1 July 2015. In this context, exchange differences recorded in profit/loss and arising from funds denominated in foreign currencies that are determined to be effective in the current period will be shown in equity.

**III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES**

1. Basis of consolidation:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" and the Turkish Accounting Standards are applied in the consolidation.

a. Basis of consolidation of subsidiaries:

The Parent Bank's subsidiaries Halk Yatırım Menkul Değerler A.Ş., Halk Gayrimenkul Yatırım Ortaklığı A.Ş., Halk Finansal Kiralama A.Ş., Halk Faktoring A.Ş., Halk Banka A.D., Skopje, Halkbank A.D. Beograd and Halk Varlık Kiralama A.Ş. are included in the scope of consolidation.

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

**III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES (continued)**

1. Basis of consolidation (continued):

a. Basis of consolidation of subsidiaries (continued):

Subsidiaries are entities that are controlled by the Parent Bank. Control is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of

directors through direct or indirect possession of the majority of a legal person's capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding preferred shares or of agreements with other shareholders although not owning the majority of capital. Under line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank's investment in each subsidiary and the Group's each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group's net income and the Group's equity. Minority interests are identified separately in the balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries' financial statements. There is no item that a different accounting policy is applied.

b. Basis of consolidation of associates:

The Parent Bank's investments in associates, Demir-Halk Bank N.V. ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş. and Türk P ve I Sigorta A.Ş., are presented in the accompanying financial statements based on the equity method of accounting. An associate is an entity established domestically and abroad in which the Parent Bank invests with a significant influence but no control.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds ten percent or more of the voting power of the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.



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

**IV. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES (continued)**

Qualified share is the share that directly or indirectly constitute ten percent of a subsidiary's capital or voting rights and irrespective of this requirement, possession of preferred shares giving right to appoint members of board of directors.

Equity accounting method is an evaluation method of associates by which the Parent Bank's share in the associates' equity is compared with the book value of the associate accounted for in the Parent Bank's balance sheet.

Accounting principles used by the consolidated associates accounted for at equity method, Demir-Halk Bank N.V., Kobi Girişim Sermayesi A.Ş. and Türk P ve I Sigorta A.Ş., are the same of the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures which subject to consolidation.

d. Principles applied during share transfer, merger and acquisition:

Accounting for business combinations

From 1 January 2010, the Group applies TFRS 3 Business Combinations (2008) in accounting for business combinations. Change in this accounting policy was applied prospectively and did not have a significant impact on earnings per share ("EPS").

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

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

**III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES (continued)**

1. Basis of consolidation (continued):

d. Principles applied during share transfer, merger and acquisition (continued):

*Acquisitions after 1 January 2010*

Goodwill at the acquisition date for business combinations on or after 1 January 2010 are measured as below:

- The fair value of the acquisition cost; plus
- The recognized amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, the gain on acquisition is recognized immediately in profit or loss.

Fair values of the identifiable acquired assets, liabilities and contingent liabilities if the initial recognition of the combination is to be made temporarily at the end of the period in which the combination takes place since the cost of the combination can be determined only temporarily on the basis of the carrying values, the acquirer accounts for the business combination on with temporary amounts. The temporary acquisition value of the combination should be adjusted within 12 months to reflect the completion of the transaction, including adjusting the goodwill.

The acquisition cost does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent liability is recognized at fair value at the acquisition date. If the contingent amount is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent amount are recognized in profit or loss.

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, the gain on acquisition is recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations are capitalized as part of the cost of the acquisitions.

**IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS**

Derivative transactions of the Group consist of foreign currency and interest rate swaps, cross currency swaps, options and forwards. The Group uses derivatives to avoid economical risks and account for as trading under TFRS 9 Standard as "Changes in Fair Value through Profit or Loss".

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

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

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

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

The Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic's credit risk. As of 30 June 2020, the bank has credit default swap transaction amounting to USD 310 million with 5 year maturity. In these transactions, the Parent Bank sells the protection.

**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 Group, if the Group is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Group. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an arm's length transaction. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists.

The estimated fair values of financial assets have been determined by the Group using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

Classification of the category of a financial instrument at initial recognition depends on both the business model for managing the financial assets and their contractual cash flow characteristics.

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

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

*Assessment of Business Model*

The Group classifies its financial assets in accordance with TFRS 9 through its business model which is used for financial assets management.

The Group's business model is related with how the Group manages its financial assets to generate cash flows. In other terms, the source of cash flows depends on the Group's business model whether the cash flow is generated from contractual terms or through sale of financial asset or both.

Classification of financial assets is made at initial recognition considering the aim of purchase of the financial asset.

The Group's business models are classified in three main categories in accordance with TFRS 9.

**1. A business model whose objective is to hold assets in order to collect contractual cash flows:**

A business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The purpose of the business model does not require to hold to collect the contractual cash flows of the instruments over their life, even the aim of the business model is to hold the instruments up to maturity for the contractual cash flows. Therefore, even when financial asset sales are anticipated or expected to occur in the future, the business model may still be a model that aims to retain financial assets in order to collect contractual cash flows.

The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**2. A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:**

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value changes of the financial assets that are held within the scope of this business model are accounted for under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**3. Other Business Models:**

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Group makes its decisions on the basis of business model, which is based on the fair value of the assets and manages the assets to obtain their fair value. Therefore, if the financial assets are held for the purpose of obtaining cash flows arising from their sale, the change in fair value are measured at fair value through profit or loss.

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**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 Group classified all its financial assets based on the business model for managing the financial assets. Accordingly, the financial assets are classified as per TFRS 9 in three main categories listed below:

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

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

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

**1. Financial Assets Measured at Amortised Cost**

A financial asset is measured at amortized cost if both of the following conditions are met:

- a) Asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are loans and receivables and financial assets. Subsequent to the initial recognition, financial investments are accounted for at amortised cost calculated by using the effective interest rate method. Loans are initially recognized with their cost and carried at their amortized costs calculated using the internal rate of return subsequent to recognition.

**2. Financial Assets Measured at Fair Value through Other Comprehensive Income**

A financial asset is measured if both of the following conditions are met:

- a) Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

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**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 income statement. However, the Group may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

*Cash Equivalents and Banks*

Cash and bank balances in foreign currencies are valued by using the Group's current period end exchange rates. The presented values of cash in TRY, foreign currency cash and banks at balance sheet are the estimated fair values of these assets.

*Loans and receivables*

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return subsequent to recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates.

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

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

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

As of 1 January 2018, the Group recognizes loan loss allowances for expected credit losses on financial assets and loans measured at amortised cost and measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit / loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classifications of Loans and Allowances Allocated for Such Loans” effective from 1 January 2018. Financial assets measured at fair value are not assessed for impairment.

As of the reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition in accordance with TFRS 9. When making the assessment, the Group shall use the change in the risk of a default occurring for the financial instrument.

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Group measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Group calculates the expected credit loss on a collective basis by grouping the financial assets having common credit risk features or on an individual basis.

The Group constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration the change in the risk of a default event occurring over the expected life of the financial instrument.

**Calculation of expected credit losses**

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

TFRS 9 Financial Instruments Standard allows the calculation of expected credit loss provisions in aggregate or individually by grouping financial assets with common credit risk characteristics.

**Probability of Default (PD)**

It is defined as the probability that the debtor does not fulfill its obligations to the Group or in other words it can not repay its debts to the Group. This ratio is calculated for each loan based on various statistical assumptions depending on the maturity, internal behavioral model, external behavioral model and financial module data. The probability values take a value between 0 and 1, and as the probability value increases, the likelihood of the credit defaulting increases.

**Loss given Default (LGD)**

This is the parameter indicates the expected economic loss of the Group if the credit defaults. In the case of the credit defaults and the Group collects the entire amount of the default, LGD is zero, in the case of no collection, LGD is 100% percent. LGD rates are reviewed on a maximum of 1 year basis.

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

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

**Exposure at Default (EAD)**

It is the parameter that indicates how much of a loan will default. The default amount for a spot or installment loan is the amount, which is listed on the payment schedule at the time of default. Additionally, the default amount for the credit cards and limit gaps of overdraft accounts and non-cash loans, are calculated with a parameter called credit conversion rate (CCR). The default risk amount in the future is estimated by calculating by the statistical methods with the credit conversion rate, since it is not known at the time of loan origination due to undrawn commitment for limit of credit cards and overdraft accounts.

**12 Month Probability of Default**

It is the estimated probability of default occurring within the next 12 months following the balance sheet date. According to Article 5.5.5 of TFRS 9 standard, in the case of that there is no significant increase in credit risk of a financial instrument since its first recognition, the Group shall measure at the provision for loss of the related financial instrument as equal as 12 month expected credit losses.

In the case of a customer or a loan that is classified under Standard Loans (Stage I), the provision for loan is calculated on 365 days even if the maturity of the loan is above 1 year. In the case of maturity of the loan is under 1 year, number of days left to maturity (except revolving loans and credit cards) are used in calculations.

**Lifetime Expected Credit Losses**

It is the estimated expected credit losses occurring within the next 12 months following the balance sheet date. According to TFRS 9 standard, in the case of that there is no significant increase in credit risk of a financial instrument since its first recognition, the Bank shall measure at the provision for loss of the related financial instrument as equal as 12 month expected credit losses.

In the case of a customer or loan is classified as Stage 2 or Stage 3, the provision for expected credit loss is measured at the lifetime probability of default. Despite the fact that the methods for used calculation for provision of expected credit loss are similar for Stage 2 and Stage 3 loans, the probability of default for Stage 3 credits is accepted as 100%.

TFRS 9 Standard does not include a direct definition of default, but requires a consistent definition of default to be used in credit risk management. The Group is considering qualitative indicators (e.g. financial commitments), if appropriate, when defining a default according to TFRS 9, for the purpose of determining the risk of business default and adopts a definition of default, consistent with the definition used for in-house credit risk management purposes for the relevant financial instruments. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. "The definition of default used for these purposes applies consistently to all financial instruments unless information can be obtained that demonstrates that another definition of default is more appropriate for a particular financial instrument." in line with the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches assumes that debt defaulted if at least one of the following two conditions occurs.

- a) Considering that a debtor is unlikely to pay credit obligations to the Parent Bank and to the Parent Bank's consolidated financial subsidiaries without using guarantees
- b) Considering that a debt having past due more than 90 days to the Parent Bank or its financial subsidiaries



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

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

**Lifetime Expected Credit Losses (continued)**

The 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 Parent Bank extended the delinquency period for classification to loans under follow-up from 90 days to 180 days and for classification to loans under close monitoring from 30 days to 90 days. As stated in the BRSA announcement for the mentioned loans, provisions are continued to be set within the framework of the Parent Bank's risk model, for loans overdue 30-90 days in 12-Month Expected Credit Loss Provision (Stage 1), and for loans overdue 90-180 days in the Expected Credit Loss for Significant Increase in Credit Risk (Stage 2).

**Low Credit Risk**

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

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

- a) CBRT transactions (Currencies held in CBRT and reserve requirements)
- b) Securities (Fair value through other comprehensive income and financial assets measured at amortised cost)
- c) Treasury Loans (Transactions with Treasury Republic of Turkey)
- d) Loans guaranteed by Treasury of Republic of Turkey

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

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

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2.

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

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

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

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

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Group.

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

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

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

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

As of 1 April 2015, the Group adopted the revaluation method for buildings in tangible assets in accordance with Turkish Accounting Standard No: 16 “Property, Plant and Equipment” (TAS 16). Expertise values determined by independent appraisal companies are reflected to the financial statements. Revaluation differences are recorded in “Accumulated Other Comprehensive Income or Loss Not Reclassified through Profit or Loss” under the shareholders’ equity.

Ordinary maintenance and repair expenses of property and equipment items are recognized as expenses.

Estimated useful lives of property, plant and equipment are as follows:

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

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

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

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

*Classification of Investment Properties:*

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

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

**XIV. EXPLANATIONS ON INVESTMENT PROPERTIES**

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

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

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

**XV. EXPLANATIONS ON LEASING TRANSACTIONS**

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

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

According to “IFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease was removed and the lease transactions were started to be recognised under “Property and Equipment” as an asset (tenure) and under “Liabilities from Leasing” as a liability.

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

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

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

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

At the commencement date, the Group measures the right-of-use real estates considered as the cost of right-of-use asset being the right-of-use asset in accordance with 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 Group takes into account the accumulated depreciation and impairment losses for the subsequent period measurement of the existence of right-of-use. The Group applies the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating real assets considered as right-of-use asset.

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

***The Lease Obligations:***

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

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

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the book value to reflect the lease payments made,

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

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

*The Lease Obligations (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 Group re-measures its lease liability by using the current borrowing rate. The Group reflects the remeasured leasing liability and the right-of-use in the financial statements. On the other hand, changes such as the shortening of the lease term, the termination of the contract and the decreases in the scope of the underlying asset, the gains or losses are recognized in profit or loss.

**XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE**

Insurance premium income is recognised subsequent to the share of reinsurers in policy income is deducted.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding claims are offset in these provisions.

**XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS**

According to the current insurance regulation, insurance companies should recognize provisions for unearned premium claims, unexpired risk reserves, provision for outstanding claims and life-mathematical provisions.

The unearned premiums consist of the gross portion of accrued premiums for insurance contracts that are overlapping to other period or periods on a daily basis without deducting a commission or any other discount. In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount calculated by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer. In accordance with the circular numbered 2016/37 issued on 11 November 2016, URR computation method is revised. Based on the new method, motor vehicles, compulsory traffic, third party liability and general liability branches' multiplier will be used as 95% for 2016, 90% for 2017 and 85% for 2018.

Outstanding claims reserves comprise incurred and accrued but not yet paid claims in the current or prior periods or incurred but not reported claims. Insurance companies may discount net cash outflows from outstanding claims reserves with respect to related insurance legislation, as per the Undersecretariat of Treasury's "Circular on Outstanding Claims Reserves Arising from Discounting of the Net Cash Flow" No. 2016/22 dated 10 June 2016.

Mathematical provision is recognized in order to meet the requirements of policyholders and beneficiaries for long-time life, health and personal accident insurance contracts on an actuarial basis.

Effective from 1 January 2005, the insurance entities comply with TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts are fully addressed. TFRS 4 requires that all contracts issued by insurance companies are classified as either insurance contracts or investment contracts.

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

**XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS (continued)**

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. A change in accounting policy is adopted only in case of presentation of more reliable results. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TFRS 9.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with earning of premium.

In accordance with TFRS 4, at each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related Deferred Acquisition Costs (DAC) and premiums receivable. Investment income from the assets matching the liabilities is taken into account in calculating the provision. The deficit, if any, is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests. Any DAC written off as a result of this test cannot subsequently be reversed.

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

Provision and contingent liabilities are accounted in conformity with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

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

**XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES**

Employee benefits liabilities are recognized in accordance with the TAS 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 Group provides provision by estimating the present value of the future retirement pay liability.

The retirement pay provision of the Parent Bank has been determined by the actuarial report of an independent actuary firm. As of 1 January 2013, actuarial gains and losses are recorded under the shareholders’ equity according to the revised TAS 19.

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

**XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)**

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

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

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

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

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

**XX. EXPLANATIONS ON TAXATION**

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

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

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

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

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority on each consolidated entity's non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

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

***Turkish Republic of Northern Cyprus (TRNC)***

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. On the other hand, withholding tax is paid over interest income in TRNC. The relevant withholding tax payments are deducted from the corporate taxes paid.

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

***Bahrain***

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



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

**XX. EXPLANATIONS ON TAXATION (continued)**

**Tax practices of the consolidated subsidiaries:**

Halk Gayrimenkul Yatırım Ortaklığı AŞ

Income from the operations related with the investment properties of the Parent Bank's subsidiary, Halk Gayrimenkul Yatırım Ortaklığı AŞ established in 2010, is exempt from corporate tax in accordance with the Article 5/1(d) (4) of the Corporate Tax Law No: 5520. This exemption is also applied for the advanced tax periods.

Halk Banka A.D. Skopje

The Parent Bank's subsidiary, acquired in 2011, Halk Banka A.D., Skopje is subject to tax regulations in the Republic of Macedonia. The income tax computation base had been shifted from the profit before taxes to the income "distribution" concept in the Republic of Macedonia.

"Distributions" are split into two components:

- Tax on any dividend distribution – i.e. the tax base is the dividend paid,
- Tax on non deductible items – i.e. the tax base is the non deductible items specified in the tax rulebook less any allowable tax credits. The tax on non deductible items is paid each month in monthly advance installments based on the previous fiscal year computation of such non deductible differences. At year end a final tax computation is prepared with a final tax settlement.

As such, the new income tax regime provokes certain implications on the presentation of the tax in the financial statements which are summarized below:

*Recognition of tax provisions:*

In case of tax contingencies, provisions are made in line with TAS 37 adopted in the Republic of Macedonia.

Such provisions are not presented as deferred tax assets or deferred tax liabilities, but as other assets or other liabilities.

Recognition/reversal of such tax provisions (that is not income taxes) is presented within the other expenses/other income.

Halk Bank A.D. Beograd

The Parent Bank's subsidiary, acquired in 2015, Halk Bank AD, Beograd is subject to tax regulations in the Republic of Serbia. The annual corporate income tax is payable at the rate of 15% on profit before tax, adjusted for temporary differences.

The Law on Corporate Income Tax in the Republic of Serbia does not allow any tax losses of the current period to be used to recover taxes paid in previous periods. However, any current year losses disclosed in the tax balance up to 2009 may be used to reduce tax base for future periods, but only for a period not longer than ten years. Tax losses carried forward after 2010 may be used for reduction of tax base for the following accounting periods for a maximum 5 years. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

**XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS**

The Group borrows funds from domestic and foreign institutions and issues marketable securities when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments.

Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

**XXII. EXPLANATIONS ON SHARES ISSUED**

Share issuances related to costs are recognized as expenses. Dividends related with the equity shares are determined by the General Assembly of the Parent Bank.

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

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

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

Halk GYO has applied to the CMB on 29 August 2012 to increase its issued capital from TRY 477.000 to TRY 662.500 within TRY 1.500.000 registered capital ceiling, by public offering of the corresponding B group bearer shares of TRY 185.500. Application was approved in accordance with the decision promulgated by the CMB's decision numbered 4/97 dated 8 February 2013. As at 15 February 2013 the public offering of B group bearer shares of TRY 185.500 was made by restricting the preemptive rights of the existing shareholders. After completing the investors' book building, Halk GYO's shares started to be traded on Borsa İstanbul AŞ on 22 February 2013.

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

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

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

**XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES**

There are no government incentives utilized by the Parent Bank in the current and prior period.

**XXV. EXPLANATIONS ON SEGMENT REPORTING**

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

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

**XXVI. EXPLANATIONS ON OTHER MATTERS**

None.

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

**I. EXPLANATIONS ON THE CONSOLIDATED EQUITY**

Equity amount and capital adequacy standard ratio calculation is made within the framework of “Regulation on Equities of the Banks” and “Regulation on Measurement and Evaluation of Banks’ Capital Adequacy” and in accordance with the amendments announced by the BRSA in the 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 30 June 2020, the capital adequacy ratio and the capital amount of the Parent Bank were realized as 15,07% (31 December 2019: 13,65%) and TRY 58.659.221 (31 December 2019: TRY 46.276.327) which were calculated within the scope of the above-mentioned regulation amendments.

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

**I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)**

1. Information About Total Consolidated Capital Items:

<b>Current Period</b>	<b>Amount</b>	<b>Amounts related to treatment before 1/1/2014<sup>(*)</sup></b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	3.694.227	
Share Premium	5.815.863	
Reserves	25.738.928	
Other Comprehensive Income according to TAS	3.415.746	
Profit	3.693.511	
Current Period Profit	2.558.411	
Prior Period Profit	1.135.100	
Bonus Shares from Associates, Affiliates and		
Joint-Ventures not Accounted in Current Period's Profit	18.228	
Minority Interest	1.761	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>42.378.264</b>	
<b>Deductions From Common Equity Tier I 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 (-)	219.290	
Leasehold Improvements on Operational Leases (-)	107.239	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	202.688	202.688
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 I Capital</b>	<b>813.368</b>	
<b>Total Common Equity Tier I Capital</b>	<b>41.564.896</b>	

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

**I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)**

1. Information About Total Consolidated Capital Items (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	6.873.660
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Shares of Third Parties in Additional Tier I Capital	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-
<b>Additional Tier I Capital before Deductions</b>	<b>6.873.660</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>6.873.660</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>48.438.556</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)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	4.295.436
<b>Tier II Capital Before Deductions</b>	<b>10.225.231</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 (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>10.225.231</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>58.663.787</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 (-)	4.566

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**MANAGEMENT OF THE GROUP (continued)**

**I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)**

1. Information About Total Consolidated Capital Items (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)	58.659.221
Total Risk Weighted Assets	389.324.997
<b>Capital Adequacy Ratios</b>	
CET1 Capital Ratio (%)	10,68
Tier I Capital Ratio (%)	12,44
Capital Adequacy Ratio (%)	15,07
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio (a+b+c)	3,555
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%) **	0,055
c) Systemic significant bank buffer ratio (%)	1,000
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	6,18
<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	169.887
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	572.696
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	2.318.140
<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)	5.210.297
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.295.436
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
<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.

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**I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)**

1. Information About Total Consolidated Capital Items (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	39.773	
Reserves	24.052.179	
Other Comprehensive Income according to TAS	3.098.579	
Profit	2.687.180	
Current Period Profit	2.267.608	
Prior Period Profit	419.572	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.022	
Minority Interest	1.903	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>32.358.087</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 (-)	183.665	
Leasehold Improvements on Operational Leases (-)	98.564	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	213.176	213.176
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	262.384	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>757.789</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>31.600.298</b>	



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**MANAGEMENT OF THE GROUP (continued)**

**I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)**

**1. Information About Total Consolidated Capital Items (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)	-
Third parties' share in the Tier I Capital	-
Third parties' share in the Tier I Capital (Temporary Article 3)	-
<b>Additional Tier I Capital before Deductions</b>	<b>5.958.900</b>
<b>Deductions from Additional Tier I Capital</b>	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>5.958.900</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>37.559.198</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)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.798.666
<b>Tier II Capital Before Deductions</b>	<b>8.728.461</b>
<b>Deductions From Tier II Capital</b>	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>8.728.461</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>46.287.659</b>
<b>Total Tier I and Tier II Capital (Total Equity)</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be defined by the BRSA (-)	11.332

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**I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)**

1. Information About Total Consolidated Capital Items (continued):

<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>TOTAL CAPITAL</b>	
Total Capital (Total of Tier I Capital and Tier II Capital)	46.276.327
Total Risk Weighted Assets	338.978.832
<b>Capital Adequacy Ratios</b>	
CET1 Capital Ratio (%)	9,32
Tier I Capital Ratio (%)	11,08
Capital Adequacy Ratio (%)	13,65
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio (a+b+c)	3,564
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,064
c) Systemic significant bank buffer ratio (%) **	1,000
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,82
<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	148.443
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	3.073.680
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.412.301
<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)	2.798.666
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.798.666
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>	
(effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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

**I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (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>				
Transitional Basel III rules	No	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond	Public Sector Bond	Public Sector Bond	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980	6.874
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	-	-	-	-

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**I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)**

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

Write-down feature				
If write-down, write-down trigger(s)	-	-	-	Decrease in core capital adequacy ratio below 5,125%
If write-down, full or partial	-	-	-	Fully or partially
If write-down, permanent or temporary	-	-	-	Permanent or temporary
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After borrowing, before Additional Tier I Capital	After borrowing, before Additional Tier I Capital	After borrowing, before Additional Tier I Capital	After borrowings and Additional Tier II Capital
In compliance with article number 7 and 8 of "Own fund regulation"	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 7.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 8.

**II. EXPLANATIONS ON THE CONSOLIDATED 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. In addition, the value at risk limit determined by the Board of Directors of the Parent Bank for the value at risk including foreign currency risk is monitored daily and reported to the key management personnel. As a foreign currency risk management policy, the Parent Bank is not exposed to foreign exchange risk significantly and positions related to foreign currency risk are balanced with derivative transactions when necessary.

The Parent Bank oversees the Turkish currency or foreign currency risks that may occur in domestic and international markets and follows up the transactions that create these risks, and manages these risks at optimum levels within the framework of market expectations and within the scope of its strategies by considering the balance with other financial risks. However, as of the end of June, the Parent Bank's foreign currency net general position / equity standard ratio calculated within the scope of the "Regulation on Calculation and Application of Foreign Currency Net General Position / Equity Standard Ratio by Banks on a Consolidated and Unconsolidated Basis" has exceeded 20% and it exceeded the legal limit in the subsequent weeks. The Parent Bank works on the necessary actions to manage the excess. The Bank made a statement explaining the reasons for the excess to the BRSA within the period of sending the notification schedule to the BRSA. Considering the Parent Bank's asset-liability structure, capital development and sustainable profitability, the relevant excess is at a level that the Parent Bank can overcome. Sensitivity analysis regarding the currency risk that the Parent Bank is exposed to is explained in the note "Exposure to Currency Risk".

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**MANAGEMENT OF THE GROUP (continued)**

**II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (continued)**

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

	<b>23.06.2020</b>	<b>24.06.2020</b>	<b>25.06.2020</b>	<b>26.06.2020</b>	<b>29.06.2020</b>	<b>30.06.2020</b>
USD	6,8300000	6,8200000	6,8300000	6,8200000	6,8300000	6,8100000
CHF	7,2343000	7,1879000	7,1931000	7,1772000	7,1757000	7,1607000
GBP	8,5390000	8,4802000	8,4654000	8,4012000	8,3706000	8,3889000
JPY	0,0641649	0,0635857	0,0635511	0,0634551	0,0631474	0,0629917
EUR	7,7480000	7,6827000	7,6694000	7,6435000	7,6735000	7,6374000

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

	<b>Monthly Average Buying Rate of Exchange</b>
USD	6,7940909
CHF	7,1292500
GBP	8,4968636
JPY	0,0629677
EUR	7,6519045

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

**II. EXPLANATIONS ON THE CONSOLIDATED 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	10.757.680	9.228.946	4.560.012	24.546.638
Banks	648.553	448.473	1.570.088	2.667.114
Financial assets at fair value through profit and loss	81	46	7.448	7.575
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income <sup>(5)</sup>	8.052.368	221.775	2.504.485	10.778.628
Loans <sup>(2)</sup>	50.695.757	40.284.752	5.567.680	96.548.189
Subsidiaries, associates and entities under common control	555.937	-	-	555.937
Financial assets measured at amortized cost <sup>(6)</sup>	7.252.192	13.967.758	3.409.221	24.629.171
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	279.921	279.921
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	1.940.739	2.580.420	128.842	4.650.001
<b>Total assets</b>	<b>79.903.307</b>	<b>66.732.170</b>	<b>18.027.697</b>	<b>164.663.174</b>
<b>Liabilities</b>				
Bank deposits	10.073.935	2.952.689	301.732	13.328.356
Foreign currency deposits	61.732.529	68.559.295	20.937.511	151.229.335
Money market balances	-	685.006	-	685.006
Funds provided from other financial institutions	8.521.173	4.569.765	15.969	13.106.907
Bonds issued	-	6.949.054	-	6.949.054
Sundry creditors	240.183	397.510	213	637.906
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	7.842.648	940.945	405.443	9.189.036
<b>Total liabilities</b>	<b>88.410.468</b>	<b>85.054.264</b>	<b>21.660.868</b>	<b>195.125.600</b>
<b>Net balance sheet position</b>	<b>(8.507.161)</b>	<b>(18.322.094)</b>	<b>(3.633.171)</b>	<b>(30.462.426)</b>
<b>Net off-balance sheet position</b>				
Financial derivative assets <sup>(4)</sup>	8.225.793	8.820.770	6.801.699	23.848.262
Financial derivative liabilities <sup>(4)</sup>	1.023.692	3.367.810	2.055.730	6.447.232
Non-cash loans <sup>(1)</sup>	32.993.784	18.539.039	3.527.266	55.060.089
<b>Prior period</b>				
Total assets	78.211.250	67.817.323	10.818.729	156.847.302
Total liabilities	87.073.343	71.815.898	12.898.168	171.787.409
<b>Net balance sheet position</b>	<b>(8.862.093)</b>	<b>(3.998.575)</b>	<b>(2.079.439)</b>	<b>(14.940.107)</b>
<b>Net off-balance sheet position</b>				
Financial derivative assets	9.662.721	8.011.214	4.032.321	21.706.256
Financial derivative liabilities	1.430.716	8.075.665	899.753	10.406.134
Non-cash loans <sup>(1)</sup>	29.073.296	18.430.536	3.095.932	50.599.764

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

<sup>(2)</sup> Includes TRY 144.063 of foreign currency indexed loans and their accruals (31 December 2019: TRY 233.440).

<sup>(3)</sup> In accordance with the provisions of "Regulation on Calculation and Implementation of Foreign Currency Net General Position / Equity Standard Ratio by Banks on Consolidated and Unconsolidated Basis"; foreign currency intangible assets TRY 46.840, prepaid expenses TRY 517, and in equity in liabilities TRY 699.647 were not taken into account in foreign currency risk calculation.

<sup>(4)</sup> Financial derivative assets include forward precious metal purchase transactions amounting to TRY 12.099 and swap precious metal purchase transactions amounting to TRY 5.883.008; financial derivative liabilities include forward precious metal sale transactions amounting to TRY 1.049.570. In addition, derivative transactions within the scope of forward foreign exchange purchase and sale are included.

<sup>(5)</sup> Includes gold indexed bonds amounting to TRY 1.103.069. (31 December 2019: TRY 1.099.243)

<sup>(6)</sup> Includes gold indexed bonds amounting to TRY 3.272.706 (31 December 2019: TRY 136.186).

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**MANAGEMENT OF THE GROUP (continued)**

**II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (continued)**

**Exposure to currency risk**

10% depreciation of the TRY against US Dollar, EUR and Other Currencies as at and for the period ended 30 June 2020 and 30 June 2019 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

	Current Period		Prior Period	
	Profit or loss	Equity*	Profit or loss	Equity
USD	(1.286.913)	(1.303.092)	(49.125)	(63.626)
EUR	(130.506)	(130.819)	(109.164)	(108.567)
Other Currencies	111.280	160.946	52.507	91.320
<b>Total (Net)</b>	<b>(1.306.139)</b>	<b>(1.272.965)</b>	<b>(105.782)</b>	<b>(80.873)</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of 10% devaluation of TRY against related currencies.

10% appreciation of the TRY against US Dollar, EUR and Other Currencies as at and for the period 30 June 2020 and 30 June 2019 would have effect on equity and profit or loss (without tax effects) by the amounts shown below.

	Current Period		Prior Period	
	Profit or loss	Equity*	Profit or loss	Equity
USD	1.286.913	1.303.092	49.125	63.626
EUR	130.506	130.819	109.164	108.567
Other Currencies	(111.280)	(160.946)	(52.507)	(91.320)
<b>Total (Net)</b>	<b>1.306.139</b>	<b>1.272.965</b>	<b>105.782</b>	<b>80.873</b>

<sup>(\*)</sup>Equity effect also includes profit or loss effect of 10% revaluation of TRY against related currencies.

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**MANAGEMENT OF THE GROUP (continued)**

**III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK**

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

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

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
<b>Assets</b>							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	2.273.093	-	-	-	-	25.846.687	28.119.780
Banks	502.453	97.694	19.920	559	-	2.260.579	2.881.205
Financial assets at fair value through profit and loss	374.388	268	40.840	126	-	16.257.132	16.672.754
Money market placements	2.171	-	-	-	-	119.695	121.866
Financial assets at fair value through other comprehensive income	2.893.117	11.070.637	17.200.635	9.671.292	1.214.527	196.126	42.246.334
Loans <sup>(4)</sup>	62.744.740	60.218.814	132.580.403	124.157.242	21.649.481	27.826.207	429.176.887
Financial assets measured at amortised cost <sup>(4)</sup>	579.581	27.183.933	6.005.644	16.674.719	29.433.986	-	79.877.863
Other assets <sup>(1) (4)</sup>	2.914.403	866.107	1.278.231	1.842.466	695.592	3.697.682	11.294.481
<b>Total assets</b>	<b>72.283.946</b>	<b>99.437.453</b>	<b>157.125.673</b>	<b>152.346.404</b>	<b>52.993.586</b>	<b>76.204.108</b>	<b>610.391.170</b>
<b>Liabilities</b>							
Bank deposits	13.664.305	8.627.749	6.671	-	-	7.713.454	30.012.179
Other deposits	218.112.671	65.068.117	10.571.371	1.844.260	22.438	82.079.695	377.698.552
Money market balances	59.739.936	18.245.573	-	-	-	281.866	78.267.375
Sundry creditors	4.186.817	40.046	-	-	-	3.422.625	7.649.488
Bonds issued	2.240.738	4.783.103	4.386.946	4.403.458	-	175.137	15.989.382
Funds provided from other financial institutions <sup>(3)</sup>	867.722	6.196.871	3.982.877	2.468.996	717.232	74.889	14.308.587
Other liabilities <sup>(1)(2)</sup>	1.001.572	3.122	16.113.029	6.873.660	4.929.795	57.544.429	86.465.607
<b>Total liabilities</b>	<b>299.813.761</b>	<b>102.964.581</b>	<b>35.060.894</b>	<b>15.590.374</b>	<b>5.669.465</b>	<b>151.292.095</b>	<b>610.391.170</b>
Balance sheet long position	-	-	122.064.779	136.756.030	47.324.121	-	306.144.930
Balance sheet short position	(227.529.815)	(3.527.128)	-	-	-	(75.087.987)	(306.144.930)
Off-balance sheet long position	8.787.876	10.897.923	10.999.252	250.800	5.372.023	60.203	36.368.077
Off-balance sheet short position	(8.223.897)	(9.466.616)	(11.444.159)	(925.870)	(5.372.023)	(60.329)	(35.492.894)
<b>Total position</b>	<b>(226.965.836)</b>	<b>(2.095.821)</b>	<b>121.619.872</b>	<b>136.080.960</b>	<b>47.324.121</b>	<b>(75.088.113)</b>	<b>875.183</b>

<sup>(1)</sup> TRY 322.795 of deferred tax asset is disclosed under the non-bearing interest column in other liabilities and TRY 2.152 of deferred tax liability is disclosed under the non-bearing interest column in other assets.

<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> Accruals and provisions are presented within non-bearing interest column.



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**III. EXPLANATIONS ON THE CONSOLIDATED 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, money in transit, cheques purchased) and balances with the CBRT	1.211.251	-	-	-	-	34.102.736	35.313.987
Banks	1.703.123	75.925	26.233	25	-	2.358.667	4.163.973
Financial assets at fair value through profit and loss	967	2.131	43.028	64	-	16.259.573	16.305.763
Money market placements	87.138	-	-	-	-	-	87.138
Financial assets at fair value through other comprehensive income	6.287	3.064.929	4.705.821	6.210.378	1.152.228	155.047	15.294.690
Loans <sup>(4)</sup>	79.286.442	47.433.244	82.557.824	68.879.279	12.361.233	22.876.655	313.394.677
Financial assets measured at amortised cost <sup>(4)</sup>	1.093.097	23.928.321	7.588.857	17.565.511	22.295.336	-	72.471.122
Other assets <sup>(1) (4)</sup>	2.463.410	1.051.857	1.714.880	1.828.684	187.799	4.353.847	11.600.477
<b>Total assets</b>	<b>85.851.715</b>	<b>75.556.407</b>	<b>96.636.643</b>	<b>94.483.941</b>	<b>35.996.596</b>	<b>80.106.525</b>	<b>468.631.827</b>
<b>Liabilities</b>							
Bank deposits	13.223.458	8.494.169	6.062	-	-	5.981.240	27.704.929
Other deposits	155.025.988	47.071.325	17.657.100	1.957.470	16.198	51.254.541	272.982.622
Money market balances	52.715.358	590.314	-	-	-	33.669	53.339.341
Sundry creditors	3.189.863	34	-	-	-	3.190.908	6.380.805
Bonds issued	2.050.069	8.708.287	1.371.317	6.895.630	-	268.829	19.294.132
Funds provided from other financial institutions <sup>(3)</sup>	1.852.476	5.131.640	4.388.711	2.241.874	478.803	74.366	14.167.870
Other liabilities <sup>(1)(2)</sup>	1.114.772	65.474	18.330.452	95.511	10.888.695	44.267.224	74.762.128
<b>Total liabilities</b>	<b>229.171.984</b>	<b>70.061.243</b>	<b>41.753.642</b>	<b>11.190.485</b>	<b>11.383.696</b>	<b>105.070.777</b>	<b>468.631.827</b>
Balance sheet long position	-	5.495.164	54.883.001	83.293.456	24.612.900	-	168.284.521
Balance sheet short position	(143.320.269)	-	-	-	-	(24.964.252)	(168.284.521)
Off-balance sheet long position	16.523.967	4.712.199	10.147.950	90.946	5.546.352	52.368	37.073.782
Off-balance sheet short position	(15.946.471)	(3.457.074)	(10.281.891)	(1.051.815)	(5.546.352)	(52.281)	(36.335.884)
<b>Total position</b>	<b>(142.742.773)</b>	<b>6.750.289</b>	<b>54.749.060</b>	<b>82.332.587</b>	<b>24.612.900</b>	<b>(24.964.165)</b>	<b>737.898</b>

<sup>(1)</sup> TRY 52.340 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 317.460 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

<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> Accruals and provisions are presented within non-bearing interest column.

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

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

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

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
Banks <sup>(1)</sup>	0,05	0,17	-	8,02
Financial assets at fair value through profit and loss <sup>(6)</sup>	1,50	5,61	-	9,65
Money market placements	-	-	-	8,78
Financial assets at fair value through other comprehensive income	2,33	2,20	-	11,63
Loans <sup>(2)</sup>	5,08	6,64	3,10	10,52
Financial assets measured at amortised cost	4,93	5,77	-	11,81
<b>Liabilities</b>				
Bank deposits <sup>(4)</sup>	0,24	1,66	-	7,44
Other deposits <sup>(4)</sup>	0,47	1,26	-	6,99
Money market borrowings	-	6,61	-	7,60
Sundry creditors <sup>(3)</sup>	-	-	-	3,50
Bonds issued	-	4,75	-	12,42
Funds provided from other financial institutions <sup>(4)</sup>	1,44	2,41	3,10	9,09

<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 deposits interest rate with a maturity of 12 months as of 30 June 2020.

<sup>(4)</sup> Demand deposit amounts are considered in the average interest rate calculation.

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

<sup>(6)</sup> Borrowed securities are not included in the average interest rate calculation.

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
Banks <sup>(1)</sup>	0,18	1,09	-	10,06
Financial assets at fair value through profit and loss	-	4,76	-	11,80
Money market placements	-	-	-	11,37
Financial assets at fair value through other comprehensive income	2,78	5,15	-	18,15
Loans <sup>(2)</sup>	5,21	7,04	3,10	13,93
Financial assets measured at amortised cost	4,77	5,93	-	19,62
<b>Liabilities</b>				
Bank deposits <sup>(4)</sup>	0,35	2,49	-	9,12
Other deposits <sup>(4)</sup>	0,45	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 <sup>(4)</sup>	1,21	3,26	3,10	11,99

<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 deposits interest rate with a maturity of 12 months as of 31 December 2019.

<sup>(4)</sup> Demand deposit amounts are considered in the average interest rate calculation.

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

<sup>(6)</sup> Borrowed securities are not included in the average interest rate calculation.

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

**IV. EXPLANATIONS ON THE CONSOLIDATED POSITION RISK OF SHARES**

Information on the carrying value, fair value, market value and capital requirement amounts of equity investments resulting from banking accounts:

<b>Equities</b>	<b>Comparison</b>			<b>The Amount of Capital Requirement</b>
	<b>Balance Sheet Value</b>	<b>Fair Value Change</b>	<b>Market Value</b>	
Stock investment excluding A,B,C,D group	609.991 <sup>(*)</sup>	556.766 <sup>(**)</sup>	-	116.779

<sup>(\*)</sup> Includes TRY 31.563 of unconsolidated subsidiary, TRY 578.428 of associates accounted for under the equity method.

<sup>(\*\*)</sup> It represents the fair value of Demirhalk Bank N.V. It is taken from the valuation report of Demirhalk Bank N.V. prepared as of 30 June 2020.

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

<b>Portfolio</b>	<b>Realized gains (losses) in the current period</b>	<b>Revaluation surplus in the fair value</b>		<b>Unrealized gains and losses</b>	
		<b>Total</b>	<b>Included in supplementary capital</b>	<b>Total</b>	<b>Included in total core capital</b>
1. Private equity investments	-	-	-	-	-
2. Share certificates quoted on a stock exchange	-	-	-	-	-
3. Other share certificates	-	18.163	18.163	-	-
<b>Total</b>	-	<b>18.163</b>	<b>18.163</b>	-	-

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MANAGEMENT OF THE GROUP (continued)**

**V. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY  
COVERAGE RATIO**

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

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

Liquidity risk analyzes (GAP analysis, core deposit reports, etc.) are conducted on a daily basis and shared with the Bank's top management and related departments. Periodical stress tests are performed in line with the Parent 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 Parent Bank, alternative funding resources are evaluated in parallel with the close monitoring of price/cost movements in international capital markets and with convenient conditions.

The reduction of liquidity risk is provided by effective collateral management structure. The Parent Bank participates in the organized markets (CBRT, BIST and TAKASBANK). Debt upper limits and balance sheet size are determined under certain criteria by the relevant authorities. Existing limits available to use are continuously monitored with the cooperation of Treasury Management Middle Office and Treasury Operations Department though the Parent Bank's projected and instant liquidity needs under the condition that depositing and/or withdrawing additional collateral.

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**V. EXPLANATIONS ON THE CONSOLIDATED 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.

Consolidated high quality liquid assets are composed of 30,44% accounts held by the CBRT and the Central Banks of the foreign branches, 64,84% securities considered as high quality liquid assets and 4,72% cash and cash equivalents.

The consolidated main funding source of the Parent 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 723.433 thousand.

There are no operational or legal restrictions on liquidity transfer to subsidiaries or foreign branches of the Parent Bank. Each of the consolidated subsidiaries manage their own liquidity risk and liquidity adequacy is ensured on a consolidated basis.

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 Parent Bank are calculated on a daily basis and the changes in these ratios are reported to the Parent Bank's Audit Committee, Asset-Liability Committee and related business units regularly.

The Group'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	25.05.2020	171,73	15.06.2020	111,28
	31.05.2020		21.06.2020	
Minimum	06.04.2020	107,18	27.04.2020	81,18
	12.04.2020		03.05.2020	

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

Current Period	Total Unweighted Value <sup>(1)</sup>		Total Weighted Value <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			79.091.040	36.655.719
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	179.995.260	76.356.290	15.964.399	7.635.629
Stable Deposits	40.702.540	-	2.035.127	-
Less Stable Deposits	139.292.720	76.356.290	13.929.272	7.635.629
Unsecured wholesale funding , of which;	159.792.349	60.495.043	70.450.654	26.080.260
Operational Deposits	35.422.200	11.591.380	8.855.550	2.897.845
Non-operational Deposits	116.955.603	46.629.507	55.617.945	21.121.895
Other Unsecured Funding	7.414.546	2.274.156	5.977.159	2.060.520
Secured Funding			-	-
Other cash outflows, of which;	9.894.839	6.115.749	5.075.129	3.432.077
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	945.299	1.208.757	945.299	1.208.757
Obligations related to structured financial products	90.903	-	90.903	-
Commitments related to debts to financial markets and other off-balance sheet obligations	8.858.637	4.906.992	4.038.927	2.223.320
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	126.355.997	50.145.092	9.870.621	4.254.730
<b>Total Cash Outflows</b>			<b>101.360.803</b>	<b>41.402.696</b>
<b>Cash Inflows</b>				
Secured Lending	-	-	-	-
Unsecured Lending	25.824.972	9.649.468	17.265.624	7.070.824
Other Cash Inflows	240.530	7.132.199	240.530	7.132.199
<b>Total Cash Inflows</b>	<b>26.065.502</b>	<b>16.781.667</b>	<b>17.506.154</b>	<b>14.203.023</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>79.091.040</b>	<b>36.655.719</b>
<b>Total Net Cash Outflows</b>			<b>83.854.649</b>	<b>27.199.673</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>%94,43</b>	<b>%135,69</b>

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

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

Prior Period	Total Unweighted Value <sup>(1)</sup>		Total Weighted Value <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			72.824.781	39.251.981
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	144.569.260	64.357.830	12.699.612	6.435.783
Stable Deposits	35.146.280	-	1.757.314	-
Less Stable Deposits	109.422.980	64.357.830	10.942.298	6.435.783
Unsecured wholesale funding , of which;	109.040.551	52.961.355	50.872.366	21.964.452
Operational Deposits	22.628.120	7.762.180	5.657.030	1.940.545
Non-operational Deposits	81.274.523	43.547.291	40.810.706	18.426.433
Other Unsecured Funding	5.137.908	1.651.884	4.404.630	1.597.474
Secured Funding			-	-
Other cash outflows, of which;	9.198.620	6.220.014	4.794.794	3.890.018
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	978.601	1.958.389	978.601	1.958.389
Obligations related to structured financial products	121.539	-	121.539	-
Commitments related to debts to financial markets and other off- balance sheet obligations	8.098.480	4.261.625	3.694.654	1.931.629
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	106.603.993	44.754.049	8.453.339	3.650.641
<b>Total Cash Outflows</b>			<b>76.820.111</b>	<b>35.940.894</b>
<b>Cash Inflows</b>				
Secured Lending	-	-	-	-
Unsecured Lending	25.588.872	8.662.940	16.768.143	6.946.360
Other Cash Inflows	187.398	20.159.549	187.398	20.159.549
<b>Total Cash Inflows</b>	<b>25.776.270</b>	<b>28.822.489</b>	<b>16.955.541</b>	<b>27.105.909</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>72.824.781</b>	<b>39.251.981</b>
<b>Total Net Cash Outflows</b>			<b>59.864.570</b>	<b>10.168.128</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>121,78%</b>	<b>394,75%</b>

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

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**MANAGEMENT OF THE GROUP (continued)**

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

Presentation of assets and liabilities according to their remaining maturities:

The Parent Bank follows up and measures the consistency of payments comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
<b>Assets</b>								
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	4.570.325	23.361.799	-	187.656	-	-	-	28.119.780
Banks	2.413.401	352.122	82.669	21.500	559	10.954	-	2.881.205
Financial assets at fair value through profit and loss	6.238	-	366	16.144.921	374.418	-	146.811	16.672.754
Receivables from Money market	-	121.866	-	-	-	-	-	121.866
Financial assets at fair value through other comprehensive income	-	13.824	765.827	16.244.791	19.555.284	5.470.482	196.126	42.246.334
Loans	18.824.951	22.384.085	20.905.353	105.441.711	215.019.034	46.601.753	-	429.176.887
Financial assets measured at amortised cost	-	402.904	1.494.312	7.365.074	31.541.569	39.074.004	-	79.877.863
Other assets <sup>(2)</sup>	245.702	2.874.329	1.613.012	2.062.215	1.919.822	992.801	1.586.600	11.294.481
<b>Total assets</b>	<b>26.060.617</b>	<b>49.510.929</b>	<b>24.861.539</b>	<b>147.467.868</b>	<b>268.410.686</b>	<b>92.149.994</b>	<b>1.929.537</b>	<b>610.391.170</b>
<b>Liabilities</b>								
Bank deposits	7.692.720	13.663.742	8.649.047	6.670	-	-	-	30.012.179
Other deposits	79.173.876	220.449.595	61.080.809	15.049.419	1.918.031	26.822	-	377.698.552
Funds provided from other financial institutions <sup>(3)</sup>	21	349.046	1.925.070	3.962.076	4.985.871	3.086.503	-	14.308.587
Money market balances	-	59.917.453	17.668.923	-	-	680.999	-	78.267.375
Bonds issued	-	1.792.712	4.009.266	4.748.946	5.438.458	-	-	15.989.382
Sundry creditors	5.658	3.246.407	193.253	1.053.550	2.533.770	84.259	532.591	7.649.488
Other liabilities <sup>(1)</sup>	1.265.411	6.986.363	248.336	17.999.520	9.096.133	7.526.049	43.343.795	86.465.607
<b>Total liabilities</b>	<b>88.137.686</b>	<b>306.405.318</b>	<b>93.774.704</b>	<b>42.820.181</b>	<b>23.972.263</b>	<b>11.404.632</b>	<b>43.876.386</b>	<b>610.391.170</b>
<b>Liquidity gap</b>	<b>(62.077.069)</b>	<b>(256.894.389)</b>	<b>(68.913.165)</b>	<b>104.647.687</b>	<b>244.438.423</b>	<b>80.745.362</b>	<b>(41.946.849)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>(137.350)</b>	<b>21.411</b>	<b>576.592</b>	<b>414.530</b>	<b>-</b>	<b>-</b>	<b>875.183</b>
Derivative financial assets	-	8.036.876	8.952.527	7.043.429	1.591.200	10.744.045	-	36.368.077
Derivative financial liabilities	-	(8.174.226)	(8.931.116)	(6.466.837)	(1.176.670)	(10.744.045)	-	(35.492.894)
<b>Non-cash loans</b>	<b>29.712.964</b>	<b>2.737.262</b>	<b>11.846.032</b>	<b>33.802.885</b>	<b>18.841.699</b>	<b>2.067.350</b>	<b>26.543</b>	<b>99.034.735</b>
<b>Prior Period</b>								
Total Assets	25.662.442	56.004.329	19.498.071	106.151.712	188.549.119	69.513.417	3.252.737	468.631.827
Total Liabilities	56.003.364	231.970.921	62.610.524	47.310.777	19.124.912	17.183.284	34.428.045	468.631.827
<b>Liquidity Gap</b>	<b>(30.340.922)</b>	<b>(175.966.592)</b>	<b>(43.112.453)</b>	<b>58.840.935</b>	<b>169.424.207</b>	<b>52.330.133</b>	<b>(31.175.308)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>(12.504)</b>	<b>16.212</b>	<b>161.060</b>	<b>573.130</b>	<b>-</b>	<b>-</b>	<b>737.898</b>
Derivative financial assets	-	15.933.967	3.170.567	5.162.933	1.713.612	11.092.703	-	37.073.782
Derivative financial liabilities	-	(15.946.471)	(3.154.355)	(5.001.873)	(1.140.482)	(11.092.703)	-	(36.335.884)
<b>Non-cash loans</b>	<b>27.943.882</b>	<b>3.072.636</b>	<b>9.160.038</b>	<b>31.876.345</b>	<b>16.382.132</b>	<b>2.582.797</b>	<b>-</b>	<b>91.017.830</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, associates and subsidiaries, office supply inventory, prepaid expenses, deferred tax assets are disclosed in other assets under the undistributed column.

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



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**VI. EXPLANATIONS ON THE CONSOLIDATED LEVERAGE RATIO**

Summary comparison table between total assets and total risk in the consolidated financial statements prepared in accordance with TAS:

	<b>Current period</b>	<b>Prior period</b>
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS <sup>(1)</sup>	468.570.592	389.129.989
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>	(61.235)	908.313
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments <sup>(2)</sup>	37.319.123	42.549.277
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments <sup>(2)</sup>	34.868.771	43.399.965
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items <sup>(2)</sup>	3.105.905	2.342.071
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-	-
<b>Total Risk Amount</b>	<b>734.470.488</b>	<b>585.384.107</b>

<sup>(1)</sup> The amounts are represented in the table as of 31 December 2019 and 31 December 2018.

<sup>(2)</sup> The amounts in the table represent three-month averages.

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**VI. EXPLANATIONS ON THE CONSOLIDATED LEVERAGE RATIO (continued)**

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)	589.823.202	461.101.142
2. Assets that are deducted from core capital	(310.402)	(303.124)
3. Total on balance sheet exposures	589.512.800	460.798.018
<b>Derivative exposures and credit derivatives</b>		
4. Replacement cost associated with derivative financial instruments and credit derivatives	2.026.608	1.129.984
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	492.086	552.868
6. The total amount of risk on derivative financial instruments and credit derivatives	2.518.694	1.682.852
<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)	2.044.225	4.415.652
8. Risk amount of exchange brokerage operations	-	-
9. Total risks related with securities or commodity financing transactions	2.044.225	4.415.652
<b>Off -Balance Sheet Items</b>		
10. Gross notional amount of off-balance sheet items	143.500.674	120.829.656
11. Adjustments for conversion to credit equivalent amounts	(3.105.905)	(2.342.071)
12. The total risk of off-balance sheet items	140.394.769	118.487.585
<b>Capital and Total Exposures</b>		
13. Tier 1 Capital	45.786.878	37.047.239
14. Total Exposures	734.470.488	585.384.107
<b>Leverage Ratio</b>		
15. Leverage Ratio	6,23	6,33

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

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**VII. EXPLANATIONS RELATED TO THE CONSOLIDATED BUSINESS SEGMENTATION**

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

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

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

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

Individual customers are real persons without having any commercial or professional purposes other than their individual demands in the Parent Bank's application.

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the afore-mentioned classification.

The following are the services provided by the Parent Bank to all of its customers:

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money market transactions,
- Rendering insurance agency transactions and individual pension services,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement organised by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments in the secondary market for the purpose of performing intermediary services,
- Acting as an operator in order to provide risk management systems related to technical support and consulting services,
- Providing technical support and consulting services to Bank's subsidiaries,
- Acting as a custodian in order to keep client's assets related to individual portfolio management of portfolio management companies,
- Acting as a portfolio management agency.

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**VII. EXPLANATIONS RELATED TO THE CONSOLIDATED 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 30 June 2020 are presented in the table below.

<b>Current Period (1 January – 30 June 2020)</b>	<b>Corporate/ Commercial</b>	<b>Integrated</b>	<b>Treasury/ Investment<sup>(1)</sup></b>	<b>Other<sup>(1)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>					
<b>Interest income</b>	<b>6.055.231</b>	<b>11.505.839</b>	<b>6.554.840</b>	<b>332.755</b>	<b>24.448.665</b>
<i>Interest on loans</i>	6.031.299	11.455.184	339.676	-	17.826.159
<i>Interest income on marketable securities</i>	-	36.218	6.129.846	-	6.166.064
<i>Interest received from banks</i>	-	-	67.559	55	67.614
<i>Other interest income</i>	23.932	14.437	17.759	332.700	388.828
<b>Interest expense</b>	<b>3.650.996</b>	<b>4.878.061</b>	<b>4.770.014</b>	<b>89.370</b>	<b>13.388.441</b>
<i>Interest on deposits</i>	3.558.359	4.666.935	565.220	-	8.790.514
<i>Interest on borrowings</i>	22.194	38.396	88.273	73.238	222.101
<i>Interest on money market borrowings</i>	-	21.161	2.767.920	4.414	2.793.495
<i>Interest on marketable bonds issued</i>	-	-	1.203.539	10.524	1.214.063
<i>Other interest expense</i>	70.443	151.569	145.062	1.194	368.268
<b>Net interest income</b>	<b>2.404.235</b>	<b>6.627.778</b>	<b>1.784.826</b>	<b>243.385</b>	<b>11.060.224</b>
Net fees and commissions income / (expenses)	456.250	700.718	247.682	(71.472)	1.333.178
Net trading profit / (loss) (Net)	4.835	921.584	(3.319.030)	6.430	(2.386.181)
Dividend income	-	-	3.558	764	4.322
Other income	151.097	370.121	386.902	1.510.620	2.418.740
Loans and other receivables' impairment loss	824.451	984.361	2.464.439	50.472	4.323.723
Other expenses	87.021	1.516.010	2.833.992	454.297	4.891.320
<b>Income before taxes</b>	<b>2.104.945</b>	<b>6.119.830</b>	<b>(6.194.493)</b>	<b>1.184.958</b>	<b>3.215.240</b>
Income tax provision	-	-	(564.685)	(85.310)	(649.995)
<b>Net profit for the period</b>	<b>2.104.945</b>	<b>6.119.830</b>	<b>(6.759.178)</b>	<b>1.099.648</b>	<b>2.565.245</b>

**SEGMENT ASSETS**

**(30 June 2020)**

Marketable securities <sup>(2)</sup>	-	1.339.421	137.445.349	1.818	138.786.588
Derivative financial assets	-	475.694	1.474.470	-	1.950.164
Banks and money market receivables	-	955	2.989.529	12.205	3.002.689
Associates and subsidiaries (net)	-	-	609.991	-	609.991
Loans <sup>(2)</sup>	138.949.278	266.557.088	8.423.495	-	413.929.861
Other assets <sup>(2)</sup>	3.690.151	4.629.846	36.277.830	7.514.050	52.111.877
<b>TOTAL ASSETS</b>	<b>142.639.429</b>	<b>273.003.004</b>	<b>187.220.664</b>	<b>7.528.073</b>	<b>610.391.170</b>

**SEGMENT LIABILITIES**

**(30 June 2020)**

Deposits	158.721.288	221.538.522	27.450.921	-	407.710.731
Derivative financial liabilities	-	356.050	317.088	-	673.138
Money market balances	-	685.006	77.255.841	326.528	78.267.375
Loans	929.428	1.199.194	10.192.631	1.987.334	14.308.587
Marketable Securities issued	-	-	14.409.577	1.579.805	15.989.382
Other liabilities	1.772.593	10.193.363	34.132.984	198.873	46.297.813
Provisions and tax payable	236.691	246.433	4.505.748	35.989	5.024.861
Shareholders' equity	2.080.803	6.112.411	33.472.520	453.549	42.119.283
<b>TOTAL LIABILITIES</b>	<b>163.740.803</b>	<b>240.330.979</b>	<b>201.737.310</b>	<b>4.582.078</b>	<b>610.391.170</b>

**OFF BALANCE SHEET ITEMS**

**(30 June 2020)**

Guarantees and surety ships	52.443.939	29.954.834	16.635.962	-	99.034.735
Commitments	778.785	10.734.096	33.984.190	2.335	45.499.406
Derivative financial instruments	-	14.167.111	57.693.860	-	71.860.971

<sup>(1)</sup> Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ., Halk Gayrimenkul Yatırım Ortaklığı AŞ., Halk Banka A.D. Beograd, and Halk Banka A.D., Skopje transactions are presented under the Treasury / Investment column, Halk Finansal Kiralama AŞ., Halk Faktoring AŞ and Halk Varlık Kiralama AŞ activities presented under the Other column.

<sup>(2)</sup> TFRS 9 Expected Loss Provisions presented in related lines.

<sup>(3)</sup> Halk Hayat ve Emeklilik AŞ. and Halk Sigorta A.Ş.'s balances are presented under the Other column in the Operating Income / Expenses table.

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

**VII. EXPLANATIONS RELATED TO THE CONSOLIDATED BUSINESS SEGMENTATION**  
**(continued)**

<b>Current Period</b> <b>(1 January – 30 June 2019)</b>	<b>Corporate /</b> <b>Commercial</b>	<b>Integrated</b>	<b>Treasury /</b> <b>Investment<sup>(1)</sup></b>	<b>Other<sup>(3)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>					
<b>Interest income</b>	<b>5.905.548</b>	<b>12.016.236</b>	<b>5.122.729</b>	<b>327.439</b>	<b>23.371.952</b>
<i>Interest on loans</i>	<i>5.903.714</i>	<i>11.765.089</i>	<i>147.006</i>	<i>-</i>	<i>17.815.809</i>
<i>Interest income on marketable securities</i>	<i>-</i>	<i>237.208</i>	<i>4.588.117</i>	<i>-</i>	<i>4.825.325</i>
<i>Interest received from banks</i>	<i>-</i>	<i>-</i>	<i>259.752</i>	<i>2.349</i>	<i>262.101</i>
<i>Other interest income</i>	<i>1.834</i>	<i>13.939</i>	<i>127.854</i>	<i>325.090</i>	<i>468.717</i>
<b>Interest expense</b>	<b>3.794.653</b>	<b>7.805.993</b>	<b>7.077.780</b>	<b>197.803</b>	<b>18.876.229</b>
<i>Interest on deposits</i>	<i>3.775.759</i>	<i>7.558.721</i>	<i>808.036</i>	<i>-</i>	<i>12.142.516</i>
<i>Interest on borrowings</i>	<i>11.028</i>	<i>34.188</i>	<i>114.417</i>	<i>107.150</i>	<i>266.783</i>
<i>Interest on money market borrowings</i>	<i>-</i>	<i>114.503</i>	<i>4.914.530</i>	<i>44.455</i>	<i>5.073.488</i>
<i>Interest on marketable bonds issued</i>	<i>-</i>	<i>-</i>	<i>1.158.487</i>	<i>43.538</i>	<i>1.202.025</i>
<i>Other interest expense</i>	<i>7.866</i>	<i>98.581</i>	<i>82.310</i>	<i>2.660</i>	<i>191.417</i>
<b>Net interest income / (loss)</b>	<b>2.110.895</b>	<b>4.210.243</b>	<b>(1.955.051)</b>	<b>129.636</b>	<b>4.495.723</b>
Net fees and commissions income	553.341	621.815	229.133	(103.054)	1.301.235
Net trading profit / (loss)	13.610	368.522	(2.204.072)	2.367	(1.819.573)
Dividend income	-	-	13.495	416	13.911
Other income	808.738	342.491	811.401	995.768	2.958.398
Expected credit loss	1.242.903	836.636	437.018	74.662	2.591.219
Other expenses	74.392	1.227.403	1.772.493	806.231	3.880.519
<b>Income before taxes</b>	<b>2.169.289</b>	<b>3.479.032</b>	<b>(5.314.605)</b>	<b>144.240</b>	<b>477.956</b>
Income tax provision	-	-	218.492	(96.072)	122.420
<b>Net profit for the period</b>	<b>2.169.289</b>	<b>3.479.032</b>	<b>(5.096.113)</b>	<b>48.168</b>	<b>600.376</b>
<b>SEGMENT ASSETS</b> <b>(31 December 2019)</b>					
Marketable securities <sup>(2)</sup>	-	4.833.999	99.226.017	1.818	104.061.834
Derivative financial assets	-	211.149	940.843	-	1.151.992
Banks and money market receivables	-	570	4.247.494	2.592	4.250.656
Associates and subsidiaries (net)	-	-	593.234	-	593.234
Loans <sup>(2)</sup>	112.937.819	179.703.613	9.261.100	-	301.902.532
Other assets <sup>(2)</sup>	3.903.011	3.381.194	41.856.754	7.530.620	56.671.579
<b>TOTAL ASSETS</b>	<b>116.840.830</b>	<b>188.130.525</b>	<b>156.125.442</b>	<b>7.535.030</b>	<b>468.631.827</b>
<b>SEGMENT LIABILITIES</b> <b>(31 December 2019)</b>					
Deposits	101.179.185	174.651.324	24.857.042	-	300.687.551
Derivative financial liabilities	-	148.937	204.781	-	353.718
Money market balances	-	2.951.294	50.276.129	111.918	53.339.341
Loans	1.028.956	1.150.633	10.053.720	1.934.561	14.167.870
Marketable Securities issued	-	-	17.321.413	1.972.719	19.294.132
Other liabilities	1.667.559	8.660.217	31.669.750	3.193.209	45.190.735
Provisions and tax payable	229.542	288.258	2.864.624	18.668	3.401.092
Shareholders' equity	4.053.543	7.964.223	18.210.535	1.969.087	32.197.388
<b>TOTAL LIABILITIES</b>	<b>108.158.785</b>	<b>195.814.886</b>	<b>155.457.994</b>	<b>9.200.162</b>	<b>468.631.827</b>
<b>OFF-BALANCE SHEET ITEMS</b> <b>(31 December 2019)</b>					
Guarantees and sureties	47.403.374	27.348.373	16.266.083	-	91.017.830
Commitments	645.977	9.433.236	22.586.752	19.729	32.685.694
Derivative financial instruments	-	17.613.566	55.796.100	-	73.409.666

<sup>(1)</sup> Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ., Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Banka A.D. Beograd and Halk Banka A.D., Skopje transactions are presented under the Treasury / Investment column, Halk Hayat ve Emeklilik AŞ., Halk Sigorta AŞ., Halk Finansal Kiralama AŞ., Halk Faktoring AŞ and Halk Varlık Kiralama AŞ activities presented under the Other column.

<sup>(2)</sup> TFRS 9 Expected Loss Provisions presented in related lines.

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

**VIII. EXPLANATIONS ON THE CONSOLIDATED RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS**

**Explanations Related To Risk Management**

The Parent Bank's business model creates a comprehensive risk profile that includes all units of the Bank. Credit risk is a key component of the risk profile. The Parent Bank effectively implements risk management policies and procedures for loan and other risks which is determined within the framework of risk capacity and appetite and approved by board of directors. Risk appetite and capacity, which are directly related to the Parent Bank's strategic objectives, are limited by legal rates therefore the Bank associated with them.

Regarding the risk management structure; The Internal Audit Department, Internal Control Department and Risk Management Department, which are units within the scope of internal systems, carry out their activities in accordance with the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process published in the Official Gazette No. 29057 dated 11 June 2014 and subject to the Board of Directors through the Audit Committee.

The structure of the internal systems determines the level of risk by identifying the risks that the bank is exposed to. The Department of Compliance, another unit within the scope of internal systems, performs the compliance function of the Parent Bank's activities regarding MASAK and Anti-Money Laundering and Prevention of Terrorist Financing. In this direction, the relevant units are responsible for monitoring, controlling and reporting risks, limited to their areas of responsibility. Outside of internal systems, Top Management is directly responsible to the Board of Directors for the risks to which the Parent Bank is exposed in relation to its duties.

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

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

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

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

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

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

**VIII. EXPLANATIONS ON THE CONSOLIDATED RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

**Overview of RWA<sup>(\*)</sup> :**

		Risk Weighted Amounts		Minimum Capital Requirements	
		Current Period	Prior Period	Current Period	Prior Period
1	Credit risk (excluding counterparty credit risk) (CCR) <sup>(**)</sup>	338.585.404	297.590.914	27.086.833	23.807.273
2	Standardized approach (SA)	338.585.404	297.590.914	27.086.833	23.807.273
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk <sup>(**)</sup>	3.802.979	5.804.936	304.238	464.395
5	Standardized approach for counterparty credit risk (SA-CCR)	3.802.979	5.804.936	304.238	464.395
6	Internal model method (IMM)	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-	-
10	Investments made in collective investment companies - % 1250 weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization positions in banking accounts	-	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-	-
16	Market risk	23.246.750	12.630.875	1.859.740	1.010.470
17	Standardized approach (SA)	23.246.750	12.630.875	1.859.740	1.010.470
18	Internal model approaches (IMM)	-	-	-	-
19	Operational Risk	22.443.361	21.710.397	1.795.469	1.736.832
20	Basic Indicator Approach	22.443.361	21.710.397	1.795.469	1.736.832
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.246.503	1.241.710	99.720	99.337
24	Floor adjustment	-	-	-	-
25	<b>Total ( 1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>389.324.997</b>	<b>338.978.832</b>	<b>31.146.000</b>	<b>27.118.307</b>

(\*) Credit risk standard approach also includes the amounts which below discount threshold.

(\*\*) 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.

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**VIII. EXPLANATIONS ON THE CONSOLIDATED RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

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

	Replacement cost	Potential Future exposure	EEPE*	Alpha used for computing regulatory EAD	EAD post-CRM	Risk Weighted Amount
Standardised Approach - CCR (for derivatives)	1.696.680	403.193		1,4	2.099.873	1.351.755
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					2.061.280	1.727.308
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>Total</b>					<b>4.161.153</b>	<b>3.079.063</b>

\*Expected effective positive risk amount

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

	EAD post-CRM	Risk weighted amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	2.099.873	708.657
Total subject to the CVA capital obligation	2.099.873	708.657



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**VIII. EXPLANATIONS ON THE CONSOLIDATED RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

**Standardised Approach - Counterparty Risk Per Risk Classification And Risk Weighted Amounts:**

<b>Risk weights / Risk Classifications</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>2%</b>	<b>Other%</b>	<b>Total Credit Risk</b>
Claims on sovereigns and Central Banks	533.148	-	-	-	-	-	-	-	533.148
Claims on regional governments or local authorities	-	-	-	98	-	-	-	-	98
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	43	-	-	43
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	414.529	428.846	-	610.476	-	-	1.453.851
Claims on corporates	-	-	-	-	-	2.871.284	-	-	2.871.284
Claims included in the regulatory retail portfolios	-	-	-	-	11.387	-	-	-	11.387
Claims secured by residential property	-	-	-	-	-	-	-	-	-
Overdue loans	-	-	-	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other Assets*	-	-	-	-	15.565	3.407	8.882	-	27.854
<b>Toplam</b>	<b>533.148</b>	<b>-</b>	<b>414.529</b>	<b>428.944</b>	<b>26.952</b>	<b>3.485.210</b>	<b>8.882</b>	<b>-</b>	<b>4.897.665</b>

\*Includes the amounts that are not included in the assessment of the counterparty credit risk according to the measurement methods shown in the table "Central counterparty risks".

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**VIII. EXPLANATIONS ON THE CONSOLIDATED RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

**Collaterals for Counterparty Credit Risk:**

	Collateral for derivative transactions				Collateral for other transactions	
	Received Collaterals		Given Collaterals		Received Collaterals	Given Collaterals
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	3.360	-	-	-	-
Cash-foreign currency	-	422.090	-	160.717	75.890	293.817
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	<b>425.450</b>	-	<b>160.717</b>	<b>75.890</b>	<b>293.817</b>

**Counterparty Credit Risk-Credit Derivatives:**

None.

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

	Exposure at default (post-CRM)	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)		15.259
Exposures for trades at QCCPs (excluding initial margin and default	27.821	15.225
(i) OTC Derivatives	7.806	156
(ii) Exchange-traded Derivatives	20.015	15.069
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	44	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	1.223	34
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which )	-	-
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

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**VIII. EXPLANATIONS ON THE CONSOLIDATED RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

**Credit Quality of Assets:**

		Gross carrying value as per TAS		Allowances/amortisation and impairments <sup>(2)</sup>	Net values
		Defaulted <sup>(1)</sup>	Non-defaulted		
1	Loans	16.701.221	412.475.666	15.247.026	413.929.861
2	Debt Securities <sup>(3)</sup>	-	122.713.914	31.408	122.682.506
3	Off-balance sheet exposures	-	144.534.141	357.843	144.176.298
<b>4</b>	<b>Total</b>	<b>16.701.221</b>	<b>679.723.721</b>	<b>15.636.277</b>	<b>680.788.665</b>

<sup>(1)</sup> In accordance with The Regulation on procedures and principles for classification of Loans and Provisions, the amounts in the table represent receivables defined as non-performing loans.

<sup>(2)</sup> In accordance with The Regulation on procedures and principles for classification of Loans and Provisions, the amounts in the table represent provisions.

<sup>(3)</sup> As of 30 June 2020, TRY 16.104.082 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

**Changes in Stock of Default Loans and Debt Securities:**

1	Defaulted loans and debt securities at end of the previous reporting period	16.077.247
2	Loans and debt securities defaulted since the last reporting period	2.574.562
3	Receivables back to performing status	(133.236)
4	Amounts written off	(32.140)
5	Other changes	(1.785.212)
<b>6</b>	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)</b>	<b>16.701.221</b>

**Credit Risk Mitigation Techniques- Overview:**

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1	Loans <sup>(**)</sup>	185.838.267	228.091.594	139.561.843	63.517.972	50.721.415	-	-
2	Debt Instruments <sup>(*)</sup>	122.682.506	-	-	-	-	-	-
3	Total	308.520.773	228.091.594	139.561.843	63.517.972	50.721.415	-	-
4	Of which defaulted	3.371.005	2.953.007	2.362.801	860.766	781.665	-	-

<sup>(\*)</sup> The amount TRY 16.104.082 borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

<sup>(\*\*)</sup> Based on the BRSA's decision dated 23 March 2020 and numbered 24049440-045.01-E.3397 expressing the amounts calculated without taking into account.

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

**VIII. EXPLANATIONS ON THE CONSOLIDATED RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

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

Risk Classification	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns and Central Banks	104.463.462	441.951	154.884.566	920.332	154.201	-
Claims on regional governments or local authorities	2.878.943	95.481	2.873.006	38.767	1.455.886	0,50
Claims on administrative bodies and other non-commercial undertakings	655.055	402.333	639.589	168.654	808.243	1,00
Claims on multilateral development banks	-	-	33.420	1.205	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	5.248.670	2.257.286	5.248.509	1.421.087	4.189.521	0,63
Claims on corporates	159.346.196	74.029.609	138.624.821	47.044.998	184.946.934	1,00
Claims included in the regulatory retail portfolios	159.820.882	48.504.532	122.984.748	7.141.613	97.594.771	0,75
Claims secured by residential property	50.482.450	2.799.692	50.482.450	1.251.939	18.107.036	0,35
Claims secured by commercial property	28.058.037	5.051.435	28.058.037	3.357.424	15.707.731	0,50
Overdue loans	6.424.990	1.272.207	5.637.166	576.482	5.176.632	0,83
Higher risk categories decided by the Board	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	24.652.328	1.559.068	24.652.262	9.669	13.942.053	0,57
Equity share investments	803.976	-	803.976	-	1.551.878	1,93
<b>Total</b>	<b>542.834.989</b>	<b>136.413.594</b>	<b>534.922.550</b>	<b>61.932.170</b>	<b>343.634.886</b>	<b>0,58</b>

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**VIII. EXPLANATIONS ON THE CONSOLIDATED RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)**

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

<b>Risk Classification</b>	<b>%0</b>	<b>%10</b>	<b>%20</b>	<b>%35*</b>	<b>%50</b>	<b>%75</b>	<b>%100</b>	<b>%150</b>	<b>%250</b>	<b>%2</b>	<b>Total risk amount (pt-CCF and CRM)</b>
Claims on sovereigns and Central Banks	155.650.697	-	-	-	-	-	154.201	-	-	-	155.804.898
Claims on regional governments or local authorities	-	-	-	-	2.911.773	-	-	-	-	-	2.911.773
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	808.243	-	-	-	808.243
Claims on multilateral development banks	34.625	-	-	-	-	-	-	-	-	-	34.625
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	2.397.010	-	1.107.525	-	3.156.179	-	-	8.882	6.669.596
Claims on corporates	-	-	594.938	-	493.869	-	184.581.012	-	-	-	185.669.819
Claims included in the regulatory retail portfolios	-	-	-	-	-	130.126.361	-	-	-	-	130.126.361
Claims secured by residential property	-	-	-	51.734.389	-	-	-	-	-	-	51.734.389
Claims secured by commercial property	-	-	-	-	31.415.461	-	-	-	-	-	31.415.461
Overdue loans	-	-	-	-	2.501.129	-	3.285.423	427.096	-	-	6.213.648
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	305.375	-	498.601	-	803.976
Other receivables	9.265.369	-	1.692.027	-	-	403.545	13.300.990	-	-	-	24.661.931
<b>Total</b>	<b>164.950.691</b>	<b>-</b>	<b>4.683.975</b>	<b>51.734.389</b>	<b>38.429.757</b>	<b>130.529.906</b>	<b>205.591.423</b>	<b>427.096</b>	<b>498.601</b>	<b>8.882</b>	<b>596.854.720</b>

**Market Risk: Standardised approach**

	<b>RWA</b>
<b>Outright products</b>	
Interest rate risk (general and specific)	5.818.613
Equity risk (general and specific)	300.900
Foreign exchange risk	17.081.087
Commodity risk	-
<b>Options</b>	
Simplified approach	-
Delta-plus method	46.150
Scenario approach	-
Securitization	-
<b>Total</b>	<b>23.246.750</b>

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

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

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

a) Information on balances with the CBRT:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.392.931	2.623.833	1.370.369	2.490.953
CBRT	2.180.211	21.182.245	1.102.242	29.720.567
Other <sup>(1)</sup>	-	740.560	-	629.856
<b>Total</b>	<b>3.573.142</b>	<b>24.546.638</b>	<b>2.472.611</b>	<b>32.841.376</b>

<sup>(1)</sup> As of 30 June 2020, TRY 219.311 includes the reserve requirement held by the Central Bank of Macedonia and TRY 521.249 of the Central Bank of Serbia (31 December 2019: includes the required reserve amounting to TRY 175.723 held by Central Bank of Macedonia, TRY 454.128 held by the Central Bank of Serbia).

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Demand unrestricted amount <sup>(1)</sup>	2.116.298	12.529.784	1.049.181	15.456.782
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	200.627
Other <sup>(2)</sup>	63.913	8.652.461	53.061	14.063.158
<b>Total</b>	<b>2.180.211</b>	<b>21.182.245</b>	<b>1.102.242</b>	<b>29.720.567</b>

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

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

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks operating in Turkey keep reserve deposits for their TRY liabilities held at TRY, US Dollar, Euro and/or standard gold and/or scrap gold with reserve deposit rates between 1%-7% varied according to their maturity compositions, for their FC liabilities at TRY, US Dollar, Euro and/or standard gold with reserve deposit rates between 5%-21% varied according to their maturity compositions. 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).

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

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

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

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

With the decision No.1072 dated 27 December 2019 of the Central Bank of the TRNC, reserve requirement ratio is applied between 5% to 8% for the Turkish currency and foreign currency liabilities as of 15 April 2020.

With the Board of Directors decision No. 126/11 dated 2011 of the Central Bank of Macedonia, reserve requirement ratio is 8% for MKD currency liabilities, 15% for foreign currency liabilities and 50% for foreign indexed liabilities.

According to the Official Gazette of Serbia No. 76/2018 of the Central Bank of Serbia, banks maintain reserve requirement of 5% for short term liabilities with maturities less than two years and 0% for long term liabilities with maturities more than two years, 20% for short term foreign currency liabilities with maturities less than two years and 13% for long term foreign liabilities with maturities more than two years and 100% for foreign currency index liabilities.

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	-	-	2.167.331	-
<b>Total</b>	-	-	<b>2.167.331</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	15.989.048	-	13.561.277	-
<b>Total</b>	<b>15.989.048</b>	-	<b>13.561.277</b>	-

c) Financial assets at fair value through profit and loss:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	51.388	-	53.516
Swap transactions	99.289	1.799.422	3.695	1.091.646
Futures transactions	-	-	-	-
Options	9	56	1	3.134
Other	-	-	-	-
<b>Total</b>	<b>99.298</b>	<b>1.850.866</b>	<b>3.696</b>	<b>1.148.296</b>

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	170.709	184.345	302.916	1.117.127
Foreign banks	43.382	2.482.769	205.105	2.538.825
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>214.091</b>	<b>2.667.114</b>	<b>508.021</b>	<b>3.655.952</b>

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

a) Financial assets at fair value through other comprehensive income subject to repurchase agreements or blocked/given as collateral

a.1. Information on financial assets at fair value through other comprehensive income and blocked/given as collateral:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	4.567.988	7.759.971	-	1.999.958
<b>Total</b>	<b>4.567.988</b>	<b>7.759.971</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	678.563	-	810.717	-
<b>Total</b>	<b>678.563</b>	<b>-</b>	<b>810.717</b>	<b>-</b>

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

	Current Period	Prior Period
Debt securities	42.053.972	15.139.662
<i>Quoted on a stock exchange</i>	41.226.261	14.614.159
<i>Not quoted</i>	827.711	525.503
Share certificates	213.407	172.328
<i>Quoted on a stock exchange</i>	149.242	129.381
<i>Not quoted</i>	64.165	42.947
Impairment provision(-)	21.045	17.300
<b>Total</b>	<b>42.246.334</b>	<b>15.294.690</b>



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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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 Group:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	521.967	-	449.555	-
<b>Total</b>	<b>521.967</b>	<b>-</b>	<b>449.555</b>	<b>-</b>

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

Cash Loans	Standard Loans	Loans under close monitoring		
		Loans Not Subject Not Subject to restructuring	Restructured Loans and Receivables	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	303.097.812	15.669.452	92.873	13.425.606
<i>Corporation loans</i>	187.572.264	10.716.947	48.424	13.411.387
<i>Export loans</i>	12.755.210	246.534	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	1.586.768	1.702.500	-	-
<i>Consumer loans<sup>(1)</sup></i>	65.968.285	1.474.665	42.951	5.341
<i>Credit cards<sup>(2)</sup></i>	8.880.921	499.222	1.498	-
<i>Other</i>	26.334.364	1.029.584	-	8.878
Specialized lending	70.898.172	1.690.977	-	203
Other receivables	-	-	-	-
Accruals	5.735.385	1.188.528	3.225	673.433
<b>Total</b>	<b>379.731.369</b>	<b>18.548.957</b>	<b>96.098</b>	<b>14.099.242</b>

<sup>(1)</sup> Includes TRY 421.416 personnel loans.

<sup>(2)</sup> Includes TRY 100.551 personnel credit cards.

	Standard Loans		Loans under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months expected loss provision	2.017.241	1.313.994	-	-
Significant Increase in Credit Risk	-	-	2.852.576	1.224.292

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.

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**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	611.234	62.659.435	63.270.669
<i>Real estate loans</i>	4.222	37.178.070	37.182.292
<i>Automobile loans</i>	4.752	427.805	432.557
<i>Consumer loans</i>	602.260	25.053.560	25.655.820
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	4.188	356.399	360.587
<i>Real estate loans</i>	-	312.979	312.979
<i>Automobile loans</i>	-	8.878	8.878
<i>Consumer loans</i>	4.188	34.542	38.730
<i>Other</i>	-	-	-
Consumer loans- FC	20.105	2.317.310	2.337.415
<i>Real estate loans</i>	295	585.870	586.165
<i>Automobile loans</i>	61	5.037	5.098
<i>Consumer loans</i>	18.204	1.665.683	1.683.887
<i>Other</i>	1.545	60.720	62.265
Individual credit cards-TRY	3.640.005	1.436	3.641.441
<i>Installment</i>	1.582.285	1.436	1.583.721
<i>Non-installment</i>	2.057.720	-	2.057.720
Individual credit cards-FC	603	101.168	101.771
<i>Installment</i>	5	101.168	101.173
<i>Non-installment</i>	598	-	598
Personnel loans-TRY	20.739	321.580	342.319
<i>Real estate loans</i>	-	158	158
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	20.739	321.422	342.161
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	24.071	24.071
<i>Real estate loans</i>	-	21.714	21.714
<i>Automobile loans</i>	-	94	94
<i>Consumer loans</i>	-	2.263	2.263
<i>Other</i>	-	-	-
Personnel loans-FC	389	43.405	43.794
<i>Real estate loans</i>	132	30.805	30.937
<i>Automobile loans</i>	15	-	15
<i>Consumer loans</i>	237	12.426	12.663
<i>Other</i>	5	174	179
Personnel credit cards-TRY	98.764	-	98.764
<i>Installment</i>	45.061	-	45.061
<i>Non-installment</i>	53.703	-	53.703
Personnel credit cards-FC	45	1.742	1.787
<i>Installment</i>	-	1.742	1.742
<i>Non-installment</i>	45	-	45
Overdraft accounts-TRY (Retail customers) <sup>(**)</sup>	1.018.503	-	1.018.503
Overdraft accounts-FC (Retail customers) <sup>(***)</sup>	85.589	8.295	93.884
<b>Total</b>	<b>5.500.164</b>	<b>65.834.841</b>	<b>71.335.005</b>

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

<sup>(\*\*)</sup> TRY 10.803 of the overdraft account consists of loans given to personnel.

<sup>(\*\*\*)</sup> TRY 429 of the overdraft account consists of loans given to personnel.

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**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> (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	496	655.813	656.309
<i>Real estate loans</i>	-	252.686	252.686
<i>Automobile loans</i>	-	7.072	7.072
<i>Consumer loans</i>	496	396.055	396.551
<i>Other</i>	-	-	-
Consumer loans- FC	12.109	1.505.308	1.517.417
<i>Real estate loans</i>	86	452.434	452.520
<i>Automobile loans</i>	52	4.782	4.834
<i>Consumer loans</i>	11.001	984.604	995.605
<i>Other</i>	970	63.488	64.458
Individual credit cards-TRY	3.672.274	540	3.672.814
<i>Installment</i>	1.373.015	540	1.373.555
<i>Non-installment</i>	2.299.259	-	2.299.259
Individual credit cards-FC	536	90.336	90.872
<i>Installment</i>	5	90.336	90.341
<i>Non-installment</i>	531	-	531
Personnel loans-TRY	21.068	239.546	260.614
<i>Real estate loans</i>	-	238	238
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	21.068	239.308	260.376
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	21.152	21.152
<i>Real estate loans</i>	-	19.108	19.108
<i>Automobile loans</i>	-	98	98
<i>Consumer loans</i>	-	1.946	1.946
<i>Other</i>	-	-	-
Personnel loans-FC	356	35.459	35.815
<i>Real estate loans</i>	38	24.832	24.870
<i>Automobile loans</i>	-	19	19
<i>Consumer loans</i>	315	10.521	10.836
<i>Other</i>	3	87	90
Personnel credit cards-TRY	105.407	-	105.407
<i>Installment</i>	36.764	-	36.764
<i>Non-installment</i>	68.643	-	68.643
Personnel credit cards-FC	87	2.001	2.088
<i>Installment</i>	-	2.001	2.001
<i>Non-installment</i>	87	-	87
Overdraft accounts-TRY (Retail customers) <sup>(**)</sup>	1.159.618	-	1.159.618
Overdraft accounts-FC (Retail customers) <sup>(***)</sup>	71.340	7.514	78.854
<b>Total</b>	<b>5.591.416</b>	<b>47.074.700</b>	<b>52.666.116</b>

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

<sup>(\*\*)</sup> TRY 23.696 of the overdraft account consists of loans given to personnel.

<sup>(\*\*\*)</sup> TRY 783 of the overdraft account consists of loans given to personnel.

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

(5) Information on loans (continued):

d) Information on commercial installments loans and corporate credit cards\*):

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Commercial installment loans-TRY	886.635	41.339.965	42.226.600
<i>Business premises loans</i>	21	753.830	753.851
<i>Automobile loans</i>	44.097	992.820	1.036.917
<i>Consumer loans</i>	842.517	39.593.315	40.435.832
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	178.453	1.394.910	1.573.363
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	9	9
<i>Consumer loans</i>	-	25.288	25.288
<i>Other</i>	178.453	1.369.613	1.548.066
Commercial installment loans - FC	1.039.278	25.478.862	26.518.140
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	99.534	23.015.109	23.114.643
<i>Other</i>	939.744	2.463.753	3.403.497
Corporate credit cards-TRY	5.534.546	-	5.534.546
<i>Installment</i>	2.539.761	-	2.539.761
<i>Non-installment</i>	2.994.785	-	2.994.785
Corporate credit cards-FC	175	3.157	3.332
<i>Installment</i>	-	3.157	3.157
<i>Non-installment</i>	175	-	175
Overdraft accounts-TRY (Commercial customers)	1.894.570	-	1.894.570
Overdraft accounts-FC (Commercial customers)	14.846	-	14.846
<b>Total</b>	<b>9.548.503</b>	<b>68.216.894</b>	<b>77.765.397</b>

(\*) Interest income accruals are not included in the 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	164.263	1.141.395	1.305.658
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	135	135
<i>Consumer loans</i>	-	42.947	42.947
<i>Other</i>	164.263	1.098.313	1.262.576
Commercial installment loans - FC	774.910	20.026.406	20.801.316
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	115.130	18.022.986	18.138.116
<i>Other</i>	659.780	2.003.420	2.663.200
Corporate credit cards-TRY	2.728.827	-	2.728.827
<i>Installment</i>	1.035.348	-	1.035.348
<i>Non-installment</i>	1.693.479	-	1.693.479
Corporate credit cards-FC	191	3.475	3.666
<i>Installment</i>	-	3.475	3.475
<i>Non-installment</i>	191	-	191
Overdraft accounts-TRY (Commercial customers)	2.227.970	-	2.227.970
Overdraft accounts-FC (Commercial customers)	17.349	-	17.349
<b>Total</b>	<b>6.941.757</b>	<b>58.408.753</b>	<b>65.350.510</b>

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

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

(5) Information on loans (continued):

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

	<b>Current Period</b>	<b>Prior Period</b>
Domestic loans	401.458.954	288.462.207
Foreign loans	11.016.712	8.855.223
<b>Total</b>	<b>412.475.666</b>	<b>297.317.430</b>

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

f) Loans granted to subsidiaries and associates:

None.

g) Credit-impaired losses (Stage III):

	<b>Current Period</b>	<b>Prior Period</b>
Loans and receivables with limited collectability	531.197	1.052.167
Loans and receivables with doubtful collectability	974.658	2.010.708
Uncollectible loans and receivables	8.871.354	5.890.984
<b>Total</b>	<b>10.377.209</b>	<b>8.953.859</b>

The reasons of increase in the expected loss provision for the Parent Bank's Stage 3 loans are additions to non-performing loan portfolio and increasing loss given default ratio after initial transferring date to non-performing loan portfolio.

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

h.1. Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:

	<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>			
Gross amounts before the specific provisions	338.910	135.466	1.661.055
Rescheduled loans and other receivables	338.910	135.466	1.661.055
<b>Priod Period</b>			
Gross amounts before the specific provisions	157.114	102.114	1.429.276
Rescheduled loans and other receivables	157.114	102.114	1.429.276

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

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

(5) Information on loans (continued):

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

**Current Period:**

	<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>
Current period end balance	2.837.569	4.525.448	8.714.230
Additions (+)	1.180.219	120.798	1.273.545
Transfers from other categories of loans under follow-up (+)	-	1.729.816	3.828.464
Transfers to other categories of loans under follow-up (-)	2.166.468	3.391.812	-
Collections (-)	549.054	903.973	465.421
Write-offs (-)	9.900	153	35
Sold (-)	-	-	22.052
Corporate and Commercial Loans	-	-	22.052
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current period end balance</b>	<b>1.292.366</b>	<b>2.080.124</b>	<b>13.328.731</b>
Provision (-)	531.197	974.658	8.871.354
<b>Net balance on balance sheet</b>	<b>761.169</b>	<b>1.105.466</b>	<b>4.457.377</b>

**Prior Period:**

	<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>
Prior period end balance	1.807.751	1.259.139	6.216.108
Additions (+)	7.485.713	884.101	882.012
Transfers from other categories of loans under follow-up (+)	-	5.559.746	2.753.513
Transfers to other categories of loans under follow-up (-)	5.729.924	2.583.335	-
Collections (-)	716.027	594.026	1.121.887
Write-offs (-)	9.944	177	15.516
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Current period end balance</b>	<b>2.837.569</b>	<b>4.525.448</b>	<b>8.714.230</b>
Provision (-)	1.052.167	2.010.708	5.890.984
<b>Net balance on balance sheet</b>	<b>1.785.402</b>	<b>2.514.740</b>	<b>2.823.246</b>

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

(5) Information on loans (continued):

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and 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	337.533	418.515	4.109.564
Provisions(-)	153.023	212.970	2.664.428
<b>Net balance in the balance sheet</b>	<b>184.510</b>	<b>205.545</b>	<b>1.445.136</b>
<b>Prior period</b>			
Balance at the end of the period	558.373	1.421.655	2.685.298
Provisions(-)	227.564	847.589	1.510.744
<b>Net balance in the balance sheet</b>	<b>330.809</b>	<b>574.066</b>	<b>1.174.554</b>

(\*) Accruals are not included in the table.

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>			
Loans to granted real persons and legal entities (Gross)	1.292.366	2.080.124	13.328.731
Provisions (-)	531.197	974.658	8.871.354
<b>Loans to granted real persons and legal entities (Net)</b>	<b>761.169</b>	<b>1.105.466</b>	<b>4.457.377</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>Prior Period (Net)</b>			
Loans to granted real persons and legal entities (Gross)	2.837.569	4.525.448	8.714.230
Provisions (-)	1.052.167	2.010.708	5.890.984
<b>Loans to granted real persons and legal entities (Net)</b>	<b>1.785.402</b>	<b>2.514.740</b>	<b>2.823.246</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>

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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>21.501</b>	<b>141.764</b>	<b>689.428</b>
Interest Accruals and Valuation Differences	47.686	303.075	1.922.816
Provision (-)	26.185	161.311	1.233.388
<b>Prior Period (Net)</b>	<b>178.457</b>	<b>480.977</b>	<b>276.827</b>
Interest Accruals and Valuation Differences	297.411	919.761	770.306
Provision (-)	118.954	438.784	493.479

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

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

k) Explanations on write-off policy:

As per the provisions of TFRS 9 Financial Instruments Standard and the Provisions Communiqué of the BRSA dated 27 November 2019, banks are allowed to derecognize the unexpected portion of the loans under follow-up in loan Group 5.

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

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

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

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Bills	-	-	-	-
Government bonds and similar securities	26.662.681	19.386.153	3.044.934	9.849.904
Other	-	-	-	-
<b>Total</b>	<b>26.662.681</b>	<b>19.386.153</b>	<b>3.044.934</b>	<b>9.849.904</b>



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

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	20.540.680	1.339.421	35.754.611	4.806.422
<b>Total</b>	<b>20.540.680</b>	<b>1.339.421</b>	<b>35.754.611</b>	<b>4.806.422</b>

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

	Current Period	Prior Period
Government bonds	78.985.222	72.004.446
Treasury bills	136.515	262.767
Other public sector debt securities	705.625	153.396
<b>Total</b>	<b>79.827.362</b>	<b>72.420.609</b>

c) Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Debt securities	79.877.863	72.471.122
<i>Quoted on a stock exchange</i>	79.741.348	72.208.355
<i>Not quoted</i>	136.515	262.767
Impairment provision (-)	-	-
<b>Total</b>	<b>79.877.863</b>	<b>72.471.122</b>

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

	Current Period	Prior Period
Beginning balance	72.471.122	56.331.345
Foreign currency differences on monetary assets	2.827.512	1.484.018
Purchases during the year <sup>(1)</sup>	9.638.171	22.126.905
Disposals through sales and redemptions	(5.058.942)	(7.471.146)
Impairment provision (-)	-	-
<b>Balance at the end of the period</b>	<b>79.877.863</b>	<b>72.471.122</b>

<sup>(1)</sup> Interest income accrual differences between 30 June 2020 amounting to TRY 10.525.843 and 31 December 2019 amounting to TRY 9.632.018 has been included in purchases row.

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

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

(7) Information on associates (Net):

a) The reasons behind unconsolidated associates being out of consolidation scope:

The non-financial investments in associates are accounted for under cost method of accounting since reliable fair values cannot be determined.

b) Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Kredi Kayıt Bürosu A.Ş. <sup>(1)</sup>	İstanbul	18,18	18,18
2. Platform Ortak Kartlı Sistemler A.Ş.	İstanbul	20,00	20,00
3. Bileşim Alternatif Dağ. Kan. A.Ş. <sup>(1)</sup>	İstanbul	33,33	33,33

Information related to the associates as sorted above:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	332.199	204.594	198.512	1.993	-	32.344	14.616	-
2.	5.250	5.250	-	-	-	-	-	-
3.	75.417	47.200	18.254	1.069	-	112	8.538	27.997

<sup>(1)</sup> The financial data is obtained from 30 June 2020 unreviewed financial statements.

c) Information on consolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demir-Halk Bank NV	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Ankara	31,47	33,12
3. Türk P ve I Sigorta A.Ş.	Istanbul	16,67	16,67

Information related to the associates as sorted above<sup>(1)</sup>:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value <sup>(2)</sup>
1.	11.752.668	1.853.131	30.901	158.907	2.466	18.867	50.730	556.766
2.	53.995	53.124	22	1.524	-	(23)	1.346	-
3.	138.732	34.631	1.446	495	-	8.353	3.627	-

<sup>(1)</sup> The financial data is obtained from 30 June 2020 financial statements used in consolidation.

<sup>(2)</sup> Financial information on the fair value of Demir Halkbank NV has been obtained from valuation report as of 30 June 2020.

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**FINANCIAL STATEMENTS (continued)**

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

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

Movement of associates:

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the beginning of the period	509.234	458.722
Movements during the period	100.757	50.512
<i>Purchases</i>	-	1.750
<i>Bonus shares obtained profit from current year's share</i>	12.709	875
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	(700)	-
<i>Transfers<sup>(1)(2)</sup></i>	10.369	-
<i>Revaluation decrease (-) / increase</i>	78.379	47.887
<i>Impairment Provisions (-) / Reversals</i>	-	-
<b>Balance at the end of the period</b>	<b>609.991</b>	<b>509.234</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> The Bank has classified the remaining shares of Bileşim Alternatif Dağıtım Kanalları A.Ş. the amount TL 27.997 after the sale in the current period as an associate, which were classified as a subsidiary in the previous period.

<sup>(2)</sup> Due to change of share percentage, the Bank has classified the shares of Bankalararası Kart Merkezi A.Ş. to the financial assets at fair value through other comprehensive income in the current period, which were classified as associates in the prior period.

d) Sectorial information and related carrying amounts of associates:

	<b>Current Period</b>	<b>Prior Period</b>
Banks	555.937	476.980
Insurance companies	5.773	4.427
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	16.718	16.725
Other non-financial investments	31.563	11.102

e) Associates quoted to a stock exchange:

None.

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

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

(8) Information on subsidiaries (Net):

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

	Halk Yatırım Menkul Değerler AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ	Halk Bank AD, Beograd	Halk Varlık Kiralama AŞ	Halk Osiguru vanje AD, Skopje
<b>CORE CAPITAL</b>								
Paid in Capital	104.000	928.000	323.000	600.732	96.000	213.395	100	62.369
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share premium	-	49.945	-	11.633	-	99.004	-	-
Reserves	54.881	66.857	15.417	414.324	24.413	400.765	1.692	99.562
Other Comprehensive Income according to TAS	16.752	858.140	-	6.962	10	27.653	-	-
<b>Profit / Loss</b>	<b>72.902</b>	<b>83.021</b>	<b>(46.556)</b>	<b>689</b>	<b>39.309</b>	<b>40.493</b>	<b>259</b>	<b>(30.250)</b>
<i>Net Profit</i>	<i>72.902</i>	<i>32.444</i>	<i>28.142</i>	<i>20.055</i>	<i>45.256</i>	<i>16.293</i>	<i>259</i>	<i>1.465</i>
<i>Prior Period Profit/Loss</i>	<i>-</i>	<i>50.577</i>	<i>(74.698)</i>	<i>(19.366)</i>	<i>(5.947)</i>	<i>24.200</i>	<i>-</i>	<i>(31.715)</i>
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 (-)	-	24	95	613	-	-	-	-
Leasehold Improvements (-)	-	2.847	-	12.135	-	7.637	-	-
Intangible Assets (-)	1.743	284	1.819	12.485	1.589	19.174	3	-
<b>Total Core Capital</b>	<b>246.792</b>	<b>1.982.808</b>	<b>289.947</b>	<b>1.009.107</b>	<b>158.143</b>	<b>754.499</b>	<b>2.048</b>	<b>131.681</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>44.638</b>	<b>20.990</b>	<b>45.334</b>	<b>9.355</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>246.792</b>	<b>1.982.808</b>	<b>334.585</b>	<b>1.030.097</b>	<b>203.477</b>	<b>763.854</b>	<b>2.048</b>	<b>131.681</b>
<b>NET AVAILABLE CAPITAL</b>	<b>246.792</b>	<b>1.982.808</b>	<b>334.585</b>	<b>1.030.097</b>	<b>203.477</b>	<b>763.854</b>	<b>2.048</b>	<b>131.681</b>

<sup>(1)</sup>The financial data is obtained from 30 June 2020 financial statements used in consolidation.

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

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

Paid in capital (international) has been indicated as local currency in articles of incorporation and registered in trade registry.

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

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

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

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

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

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

b) Unconsolidated subsidiaries, reasons for not consolidating if any and information on total needed shareholder's equity that is subjected to minimum capital requirements:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" and non-financial subsidiary is not included in the consolidation.

c) Information on unconsolidated subsidiaries:

None.

d) Information on consolidated subsidiaries (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler A.Ş. Halk Gayrimenkul Yatırım Ortaklığı	İstanbul	99,96	99,97
2. A.Ş. <sup>(2,3)</sup>	İstanbul	79,33	79,36
3. Halk Finansal Kiralama A.Ş.	İstanbul	100,00	100,00
4. Halk Banka A.D., Skopje	Makedonya	99,40	99,40
5. Halk Faktoring A.Ş.	İstanbul	97,50	99,99
6. Halk Banka A.D. Beograd	Sırbistan	100,00	100,00
7. Halk Varlık Kiralama A.Ş.	İstanbul	100,00	100,00
8. Halk Osiguruvanje A.D., Skopje	Makedonya	-	99,40

Information related to the subsidiaries as sorted above <sup>(1)</sup>:

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
1. 884.972	248.535	8.083	30.314	7.146	72.902	32.845	294.882
2. 2.421.636	1.959.777	1.617.747	1.320	-	32.444	21.050	1.522.691
3. 3.970.343	291.766	4.265	170.254	-	28.142	564	385.000
4. 7.396.426	1.033.727	201.369	113.618	6.686	20.055	24.161	1.098.099
5. 2.430.427	159.732	3.689	162.721	-	45.256	3.822	231.075
6. 5.039.951	781.310	103.583	77.737	12.031	16.293	12.694	704.729
7. 1.524.171	2.051	3	-	-	259	474	2.900
8. 133.940	131.681	15.089	235	69	(30.250)	(5.954)	37.189

<sup>(1)</sup> The financial data is obtained from 30 June 2020 financial statements used in consolidation.

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

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

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

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

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

d) Information on consolidated subsidiaries (Net) (continued):

Movement of the subsidiaries:

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the beginning of the period (before elimination)	3.261.227	4.332.481
Movements during the period	997.495	(1.071.254)
<i>Purchases<sup>(4)</sup></i>	148.506	109.320
<i>Bonus shares obtained profit from current year's share</i>	-	171.789
<i>Dividends from current year income</i>	-	-
<i>Sales<sup>(2)</sup></i>	(56.003)	-
<i>Transfer<sup>(1)(3)</sup></i>	(27.997)	(2.576.996)
<i>Revaluation increase</i>	932.989	1.039.402
<i>Provisions for impairment (-) / Reversals</i>	-	185.231
Share capital elimination of subsidiaries	(4.258.722)	(3.177.227)
<b>Balance at the end of the period</b>	<b>-</b>	<b>84.000</b>

Capital commitments

- -

Share percentage at the end of the period (%)

- -

- (1) The Parent Bank classified the shares of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ as non-current assets held for sale in the prior period.
- (2) The Parent Bank has sold the shares of Bileşim Alternatif Dağıtım Kanalları A.Ş. which were held for sale.
- (3) The Parent Bank has classified the remaining shares of Bileşim Alternatif Dağıtım Kanalları A.Ş. after the sale in the current period as an associate, which were classified as a subsidiary in the previous period.
- (4) The Parent Bank increased its share in Halk Banka AD, Skopje in Macedonia to 99,40% by purchasing 0,11% of the shares of HalkBank AD, Skopje for a price of TRY 148.506 in the period between 1 January - 30 June 2020.

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

	<b>Current Period</b>	<b>Prior Period</b>
Banks	1.802.828	1.429.212
Insurance companies	-	-
Factoring companies	231.075	231.075
Leasing companies	385.000	385.000
Financing companies	-	-
Other financial subsidiaries	1.820.473	1.112.594
Other non-financial subsidiaries	-	84.000

f) Subsidiaries quoted in the stock exchange:

	<b>Current Period</b>	<b>Prior Period</b>
Quoted to domestic stock <sup>(1)</sup>	1.522.691	814.812
Quoted foreign stock exchange	-	-

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

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

None.

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

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

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

a) Maturity structure of investments on financial lease:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.345.053	1.037.147	1.289.704	1.053.283
Between 1-4 years	2.209.675	1.625.051	1.748.564	1.413.713
More than 4 years	1.128.934	873.836	415.070	349.495
<b>Total</b>	<b>4.683.662</b>	<b>3.536.034</b>	<b>3.453.338</b>	<b>2.816.491</b>

b) Information on gross investments of financial lease:

	Current Period	Prior Period
Gross financial lease investment	4.683.662	3.453.338
Unearned revenues from financial lease	(1.147.628)	(636.847)
<b>Total</b>	<b>3.536.034</b>	<b>2.816.491</b>

c) Information on receivables from non- performing loans of financial lease:

	Current Period	Prior Period
Financial lease receivables with limited collectability	-	7.866
Financial lease receivables with doubtful collectability	10.580	2.517
Uncollectible financial lease receivables	567.121	563.940
Provisions	(450.561)	(429.208)
<b>Total</b>	<b>127.140</b>	<b>145.115</b>

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

None.

(12) Information on investment property:

	Current Period	Priod Period
<b>Cost</b>		
<b>Opening Balance</b>	<b>1.194.428</b>	<b>1.057.058</b>
Acquisitions	39.343	86.070
Transfer	-	51.300
Disposals	1.312	-
Impairment Provisions	-	-
<b>Ending Balance</b>	<b>1.232.459</b>	<b>1.194.428</b>
<b>Accumulated Depreciation (-)</b>		
<b>Opening Balance</b>	<b>89.965</b>	<b>83.657</b>
Additions	3.182	5.874
Disposals (-)	43	-
Impairment Provisions (-)	-	-
Transfer	-	434
<b>Total Accumulated Depreciation (-)</b>	<b>93.104</b>	<b>89.965</b>
<b>Net Book Value</b>	<b>1.139.355</b>	<b>1.104.463</b>

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

(13) Information on tax assets:

	Current Period	Prior Period
<b>Deferred Tax Asset / (Liability)</b>		
Provisions <sup>(1)</sup>	1.420.668	879.633
Revaluation of Financial Assets	(699.747)	(735.286)
Other	(400.278)	(409.467)
<b>Deferred Tax Asset / Liability<sup>(2)</sup>:</b>	<b>320.643</b>	<b>(265.120)</b>
<b>Deferred tax accounted in shareholders' equity</b>	<b>(120.042)</b>	<b>(134.878)</b>
Fair value differences for financial assets at through other comprehensive income	15.951	1.698
Actuarial gains and losses	14.965	15.060
Property Revaluation	(150.958)	(151.636)

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

<sup>(2)</sup> Net deferred tax liability amounting to TRY 320.643 consists of deferred tax assets which amounting to TRY 322.795 and deferred tax liabilities amounting to TRY 2.152.

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

	Current Period	Prior Period
Cost	1.463	1.076.418
Accumulated Depreciation (-)	-	-
<b>Net book value</b>	<b>1.463</b>	<b>1.076.418</b>
<b>Opening Balance</b>		
Acquisition	<b>1.076.418</b>	<b>9.593</b>
Transfer (Net)	-	145.599
Disposals (Net)	-	929.156
Revaluation Increase	(1.074.955)	(7.930)
Impairment (-) / Reversal	-	-
Depreciation (-)	-	-
<b>Closing net book value</b>	<b>-</b>	<b>-</b>
Cost	<b>1.463</b>	<b>1.076.418</b>

Share purchase agreement was signed by and between the Parent Bank and Halk Yatırım Menkul Değerler A.Ş., as seller and Türkiye Varlık Fonu Finansal Yatırımlar A.Ş., as purchaser on 22 April 2020, for the transfer of the shares in Halk Sigorta A.Ş. representing 89,18% of its share capital held by the Parent Bank, and representing 6,14% of its share capital held by Halk Yatırım Menkul Değerler A.Ş., and the mentioned transfer of shares was completed at the same date. Share purchase agreement was signed by and between the Parent Bank, as seller and Türkiye Varlık Fonu Finansal Yatırımlar A.Ş., as purchaser on 22 April 2020, for the transfer of the shares in Halk Hayat ve Emeklilik A.Ş. representing 100% of its share capital held by the Parent Bank, and the mentioned transfer of shares was completed at the same date.

For the total shares held by the Parent Bank in Halk Sigorta A.Ş. representing 89,18% of its share capital, the price per share to be paid to the Parent Bank is determined as TRY 0,0186 (full TRY) and the total sale price is TRY 578.905.

For the total shares held by the Parent Bank in Halk Hayat ve Emeklilik A.Ş. representing 100% of its share capital, the price per share to be paid to the Parent Bank is determined as TRY 4,1149 (full TRY) and the total sale price is TRY 1.695.339. In addition, TRY 306.994 of dividend income has been obtained from the company in the current period.



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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED**  
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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

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

Due to aforementioned sales transaction, TRY 867.529 of consolidated net sales profit has been presented under Profit from Sales of Associates, Subsidiaries and Joint Ventures in the Income from Discontinued Operations. Income and expenses derived from the consolidation of these companies subject to sale until the date of sale are presented in the Income/Expense from non-Current Assets Held for Sale.

(15) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 7.036.250 and does not exceed 10% of the balance sheet total (31 December 2019: TRY 4.574.989).

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

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

(1) Information on deposit / funds collected:

a) Information on maturity structure of deposits / funds collected:

**Current period:**

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	18.156.448	-	6.264.720	52.205.164	4.419.610	616.715	2.596.995	119.406	84.379.058
Foreign currency deposits	28.655.662	-	13.784.939	77.030.270	5.740.325	3.494.862	8.414.084	11.955	137.132.097
<i>Residents in Turkey</i>	23.029.523	-	10.740.235	73.748.646	4.487.665	1.854.145	3.986.504	11.391	117.858.109
<i>Residents abroad</i>	5.626.139	-	3.044.704	3.281.624	1.252.660	1.640.717	4.427.580	564	19.273.988
Public sector deposits	4.212.397	-	5.141.374	3.554.634	687.291	355.213	2.674	-	13.953.583
Commercial inst. deposits	15.086.460	-	35.366.043	44.824.243	2.311.719	541.368	3.170.224	-	101.300.057
Other inst. deposits	1.657.301	-	2.949.717	17.757.183	1.878.372	162.591	2.431.355	-	26.836.519
Precious metals	11.405.608	-	374.645	1.964.631	184.141	64.663	103.550	-	14.097.238
Interbank deposits	7.692.720	-	9.211.002	13.000.979	102.883	4.595	-	-	30.012.179
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	142.336	-	7.019.805	8.995.054	102.811	4.595	-	-	16.264.601
<i>Foreign banks</i>	7.526.579	-	260.781	4.005.925	72	-	-	-	11.793.357
<i>Participation banks</i>	23.805	-	1.930.416	-	-	-	-	-	1.954.221
<b>Total</b>	<b>86.866.596</b>	<b>-</b>	<b>73.092.440</b>	<b>210.337.104</b>	<b>15.324.341</b>	<b>5.240.007</b>	<b>16.718.882</b>	<b>131.361</b>	<b>407.710.731</b>

**Prior period:**

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	9.219.729	-	2.990.893	46.343.141	5.295.377	765.203	3.417.350	102.285	68.133.978
Foreign currency deposits	20.888.192	-	8.074.214	70.974.435	5.708.848	3.029.771	7.712.333	10.473	116.398.266
<i>Residents in Turkey</i>	15.592.099	-	5.517.721	64.590.897	4.877.379	1.719.671	3.585.841	9.997	95.893.605
<i>Residents abroad</i>	5.296.093	-	2.556.493	6.383.538	831.469	1.310.100	4.126.492	476	20.504.661
Public sector deposits	2.909.252	-	3.985.750	3.029.023	395.542	232.072	7.988	-	10.559.627
Commercial inst. deposits	8.213.189	-	17.383.957	24.671.785	1.233.091	434.244	2.039.145	-	53.975.411
Other inst. deposits	1.046.700	-	674.832	8.370.166	2.934.724	865.690	2.681.793	-	16.573.905
Precious metals	6.004.651	-	12.691	1.032.628	185.750	41.060	64.655	-	7.341.435
Interbank deposits	6.066.738	-	8.689.990	12.676.637	265.185	6.379	-	-	27.704.929
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	102.686	-	4.869.258	8.447.885	-	6.379	-	-	13.426.208
<i>Foreign banks</i>	5.935.216	-	264.609	3.607.708	62	-	-	-	9.807.595
<i>Participation banks</i>	28.836	-	3.556.123	621.044	265.123	-	-	-	4.471.126
<b>Total</b>	<b>54.348.451</b>	<b>-</b>	<b>41.812.327</b>	<b>167.097.815</b>	<b>16.018.517</b>	<b>5.374.419</b>	<b>15.923.264</b>	<b>112.758</b>	<b>300.687.551</b>

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

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

(1) Information on deposit / funds collected (continued):

b) Information on saving deposits in the scope of Saving Deposits Insurance Fund:

b.1. Amounts exceeding insurance limit:

b.1.1. Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit:

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	44.462.602	36.907.556	39.679.215	30.985.259
Foreign currency saving deposits	24.144.160	20.906.734	48.532.043	39.681.492
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	363.037	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	210.312	225.517
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	7.155	7.073
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

(2) Information on derivative financial liabilities held for trading:

Negative differences table related to the derivative financial liabilities held-for-trading:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	88.009	-	26.906
Swap transactions	9.319	574.202	51	323.606
Future transactions	-	-	-	-
Options	30	1.578	283	2.872
Other	-	-	-	-
<b>Total</b>	<b>9.349</b>	<b>663.789</b>	<b>334</b>	<b>353.384</b>

(3) Information on funds borrowed:

a) Information on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	1.201.680	3.103.650	1.410.975	2.834.411
Foreign banks, institutions and funds	-	10.003.257	-	9.922.484
<b>Total</b>	<b>1.201.680</b>	<b>13.106.907</b>	<b>1.410.975</b>	<b>12.756.895</b>

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	1.201.366	1.543.476	1.410.645	1.677.419
Medium and long term	314	11.563.431	330	11.079.476
<b>Total</b>	<b>1.201.680</b>	<b>13.106.907</b>	<b>1.410.975</b>	<b>12.756.895</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 Group is deposits, which is composed of 20,70% of saving deposits and 33,63 % of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Group borrows loans from interbank money markets.

The Group's 44,41% of bank deposits and 40,04% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

	Current period		Prior period	
	TRY	FC	TRY	FC
Bills	5.500.897	-	4.745.320	-
Asset Back Securities	2.491.045	-	2.651.546	-
Bonds	1.048.386	6.949.054	1.384.736	10.512.530
<b>Total</b>	<b>9.040.328</b>	<b>6.949.054</b>	<b>8.781.602</b>	<b>10.512.530</b>

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**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 TAS.

b) Explanation on finance lease payables:

None (31 December 2019: None).

c) Explanations regarding operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	74.769	68.231	69.587	60.938
Between 1-4 years	189.587	162.680	213.886	176.372
More than 4 years	770.433	541.730	667.444	406.749
<b>Total</b>	<b>1.034.789</b>	<b>772.641</b>	<b>950.917</b>	<b>644.059</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 30 June 2020 the Parent Bank does not have a provision amount of the currency differences on foreign currency indexed loans and finance lease receivables (31 December 2019: None).

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

As of 30 June 2020, the Group's specific provision for unindemnified non-cash loans balance is TRY 131.907 (31 December 2019: TRY 114.712).

c) Information on other provisions:

Total other provision balance amounting to TRY 798.074 (31 December 2019: TRY 562.945) consists of TRY 131.907 for specific provisions of unindemnified (31 December 2019: TRY 114.712) and unfunded non-cash loans, TRY 225.936 for stage 1 and stage 2 expected credit loss amount of non-cash loans (31 December 2019: TRY 173.769), TRY 78.722 for legal cases filed against the Group (31 December 2019: TRY 78.634), and TRY 361.509 of other provisions (31 December 2019: TRY 195.830).

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**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 30 June 2020, after deducting the temporary taxes paid during the period from the tax provisions, remaining corporate tax liability of the Parent Bank is TRY 1.123.791 (31 December 2019: TRY 431.563).

a.2. Information on taxes payable:

	<b>Current Period</b>	<b>Prior Period</b>
Corporate tax payable	1.123.791	431.563
Income on securities tax	1.475.413	625.775
Property income tax	2.353	2.199
Banking and insurance transactions tax (BITT)	125.701	162.114
Foreign exchange transactions tax	19.275	4.360
Value added tax payable	13.741	3.830
Other	127.139	62.557
<b>Total</b>	<b>2.887.413</b>	<b>1.292.398</b>

a.3. Information on premiums:

	<b>Current Period</b>	<b>Prior Period</b>
Social insurance premiums-employee	526	261
Social insurance premiums-employer	1.509	745
Bank social aid pension fund premium-employee	41.333	14.605
Bank social aid pension fund premium-employer	62.336	21.370
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	3.017	1.078
Unemployment insurance-employer	6.076	2.167
Other	1.924	663
<b>Total</b>	<b>116.721</b>	<b>40.889</b>

b) Explanations related to tax liabilities (continued):

Section Five Explanations and Footnotes on the Asset Accounts of the Balance Sheet are explained in 13<sup>th</sup> footnote.

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

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

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

Liabilities regarding assets held for sale and discontinued operations is none. (31 December 2019: TRY 3.184.317)

(11) Explanations on the number of subordinated loans the Group used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any<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	-	7.252.193	-	6.146.988
Subordinated loans	-	7.252.193	-	6.146.988
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.034.558	-	6.037.858	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.034.558	-	6.037.858	-
<b>Total</b>	<b>6.034.558</b>	<b>7.252.193</b>	<b>6.037.858</b>	<b>6.146.988</b>

<sup>(\*)</sup> Detailed information is given in Section Four, footnote I.

(12) Information on shareholders' equity

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	2.473.776	1.250.000
Preferred stock	-	-

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

There is an application of registered capital system in the Parent Bank and registered capital ceiling amount is TRY 10.000.000.

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

In accordance with the decision of the Board of Directors of the Parent Bank dated 11 May 2020, the capital will be increased, where the total sales proceeds through the capital increase shall amount to TRY 7.000.000, by the total nominal capital amount to be calculated based on the share sale price to be determined in accordance with the Wholesale Transactions Procedure of Borsa İstanbul A.Ş. with the Decision of the Capital Markets Board dated 14 May 2020. Accordingly, the recognition of the capital increase of TRY 1.223.776 on 20 May 2020 was realized on 21 May 2020, based on the permission obtained from the BRSA. The change made to the relevant Articles of Association was registered on 10 June 2020, and it was announced in the Trade Registry Gazette dated 15 June 2020 and numbered 10097.

After the increase, TRY 1.223.776 of nominal and TRY 5.776.224 of share premium, totaling a capital increase of TRY 7.000.000, have been recognized in the financial statements. Mentioned capital increase was made by the Bank's main shareholder Türkiye Varlık Fonu.

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

- d) Information on additions from capital reserves to capital in the current period:  
None.
- e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:  
None.
- f) Information on the Parent Bank's acquired shares:  
  
Between 1 January – 30 June 2020, the Parent 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 Group's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Group's equity due to the uncertainty of these indicators:  
The Group has sustainable profitability and equity structure. There are no uncertainties that would impact the current position.
- h) Information on preferred shares:  
None.
- i) Information on marketable securities revaluation fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	15.040	3.123	45.126	2.157
Valuation differences	15.040	3.123	45.126	2.157
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	672.627	(136.465)	337.320	(83.834)
Valuation differences	672.627	(137.465)	337.320	(77.988)
Exchange rate difference	-	1.000	-	(5.846)
<b>Total</b>	<b>687.667</b>	<b>(133.342)</b>	<b>382.446</b>	<b>(81.677)</b>



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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	28.996.919	16.772.843
Payment commitments for cheques	3.550.667	3.219.679
Loan granting commitments	3.786.557	3.138.339
Two days forward foreign exchange buy/sell transactions	350.809	2.232.623
Forward deposit purchase and sale commitments	85.000	-
Commitments for credit cards and banking services promotions	22.648	24.943
Tax and fund liabilities from export commitments	107.209	83.156
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	5.070.073	4.406.707
<b>Total</b>	<b>41.969.882</b>	<b>29.878.290</b>

b) Amount and nature of probable losses and commitments from the off-balance sheet items:

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	<b>Current Period</b>	<b>Prior Period</b>
Letters of credit	2.564.243	3.901.651
Bank acceptances	7.696.053	6.961.998
Other guarantees	3.052.422	2.807.693
<b>Total</b>	<b>13.312.718</b>	<b>13.671.342</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of certain guarantees	16.241.264	16.502.447
Letters of advance guarantees	4.654.997	4.510.376
Letters of tentative guarantees	1.171.748	761.085
Letters of guarantee given to customs offices	2.277.538	1.940.202
Other letters of guarantee	61.376.470	53.632.378
<b>Total</b>	<b>85.722.017</b>	<b>77.346.488</b>

b.3. Total non-cash loans:

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans for providing cash loans	12.049.384	9.474.261
<i>Within one year or less original maturity</i>	1.842.018	2.389.105
<i>Within more than one year maturity</i>	10.207.366	7.085.156
Other non-cash loans	86.985.351	81.543.569
<b>Total</b>	<b>99.034.735</b>	<b>91.017.830</b>

c) Information on contingent liabilities and assets:

Group's commitments for the cheques given to customers are TRY 3.550.667 (31 December 2019: TRY 3.219.679).

d) Services provided on behalf of others:

None.

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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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	2.638.507	251.019	4.913.047	295.127
Medium and long term loans	11.905.445	2.689.405	9.567.014	2.711.309
Interest on non-performing loans	341.783	-	329.115	197
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>14.885.735</b>	<b>2.940.424</b>	<b>14.809.176</b>	<b>3.006.633</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	47.686	-	158.231	26.945
Domestic banks	12.386	589	45.737	2.640
Overseas banks	4.153	2.800	11.127	17.421
Head office and branches	-	-	-	-
<b>Total</b>	<b>64.225</b>	<b>3.389</b>	<b>215.095</b>	<b>47.006</b>

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets at fair value through profit or loss	8.066	1	9.355	734
Financial assets at fair value through other comprehensive income	1.581.901	77.869	660.577	78.761
Financial assets measured at amortised cost	3.926.010	572.217	3.694.777	381.121
<b>Total</b>	<b>5.515.977</b>	<b>650.087</b>	<b>4.364.709</b>	<b>460.616</b>

d) Interest income from subsidiaries and associates:

None.

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	73.395	138.200	95.844	161.303
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	73.395	46.380	85.993	47.509
<i>Overseas banks</i>	-	91.820	9.851	113.794
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	5	10.501	6	9.630
<b>Total</b>	<b>73.400</b>	<b>148.701</b>	<b>95.850</b>	<b>170.933</b>

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	4.049	9.744

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	837.551	376.512	864.249	337.776
<b>Toplam</b>	<b>837.551</b>	<b>376.512</b>	<b>864.249</b>	<b>337.776</b>

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

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

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	66	468.615	216.259	2.937	464	-	-	-	688.341
Saving deposits	30	203.116	2.320.542	276.483	38.374	289.860	5.760	-	3.134.165
Public deposits	32	258.121	121.378	17.358	17.429	504	-	-	414.822
Commercial deposits	738	1.111.008	1.582.118	63.938	21.350	310.924	-	-	3.090.076
Other deposits	-	113.883	510.926	114.456	35.875	95.327	-	-	870.467
7 days call accounts	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>866</b>	<b>2.154.743</b>	<b>4.751.223</b>	<b>475.172</b>	<b>113.492</b>	<b>696.615</b>	<b>5.760</b>	<b>-</b>	<b>8.197.871</b>
<b>Foreign currency</b>									
Deposits	811	35.740	385.897	27.164	20.872	54.237	-	-	524.721
Bank deposits	7	62.348	11	148	-	-	-	-	62.514
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	249	3.598	821	231	509	-	-	5.408
<b>Total</b>	<b>818</b>	<b>98.337</b>	<b>389.506</b>	<b>28.133</b>	<b>21.103</b>	<b>54.746</b>	<b>-</b>	<b>-</b>	<b>592.643</b>
<b>Grand total</b>	<b>1.684</b>	<b>2.253.080</b>	<b>5.140.729</b>	<b>503.305</b>	<b>134.595</b>	<b>751.361</b>	<b>5.760</b>	<b>-</b>	<b>8.790.514</b>

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	304	469.777	497.168	9.402	1.332	-	-	-	977.983
Saving deposits	26	241.269	4.226.026	410.371	205.196	89.436	6.409	-	5.178.733
Public deposits	40	206.063	343.938	96.476	44.595	1.693	-	-	692.805
Commercial deposits	13	966.510	1.331.682	122.981	146.313	43.843	-	-	2.611.342
Other deposits	2	52.117	486.579	431.300	109.192	69.234	-	-	1.148.424
7 days call accounts	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>385</b>	<b>1.935.736</b>	<b>6.885.393</b>	<b>1.070.530</b>	<b>506.628</b>	<b>204.206</b>	<b>6.409</b>	<b>-</b>	<b>10.609.287</b>
<b>Foreign currency</b>									
Deposits	589	189.220	969.730	96.892	47.697	86.978	-	-	1.391.106
Bank deposits	662	136.647	100	-	237	-	-	-	137.646
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	12	3.451	210	288	516	-	-	4.477
<b>Total</b>	<b>1.251</b>	<b>325.879</b>	<b>973.281</b>	<b>97.102</b>	<b>48.222</b>	<b>87.494</b>	<b>-</b>	<b>-</b>	<b>1.533.229</b>
<b>Grand total</b>	<b>1.636</b>	<b>2.261.615</b>	<b>7.858.674</b>	<b>1.167.632</b>	<b>554.850</b>	<b>291.700</b>	<b>6.409</b>	<b>-</b>	<b>12.142.516</b>

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

(3) Explanations on trading profit / loss (net):

	<b>Current Period</b>	<b>Prior Period</b>
<b>Profit</b>	<b>27.215.161</b>	<b>27.254.362</b>
Profit from the capital market operations	188.861	38.399
Profit on derivative financial instruments	5.301.988	5.419.756
Foreign exchange gains	21.724.312	21.796.207
<b>Loss (-)</b>	<b>29.601.342</b>	<b>29.073.935</b>
Loss from the capital market operations	108.701	6.448
Loss on derivative financial instruments	3.594.646	5.450.880
Foreign exchange losses	25.897.995	23.616.607

(4) Information on other operating income:

	<b>Current period</b>	<b>Prior Period</b>
Adjustments for prior period expenses	616.607	1.784.729
Insurance technical income	29.024	118
Income from the asset sale	122.769	44.058
Rent income	35.007	33.328
Other income	128.793	126.318
<b>Total</b>	<b>932.200</b>	<b>1.988.551</b>

(5) Impairment losses on loans and other receivables:

Expected Credit Losses:

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Loss	4.323.723	2.591.219
<i>12 Month Expected Credit Loss (Stage 1)</i>	800.260	289.628
<i>Significant Increase in Credit Risk (Stage 2)</i>	1.652.006	180.422
<i>Non – Performing Loans (Stage 3)</i>	1.871.457	2.121.169
Marketable Securities Impairment Expense	-	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-	-
<i>Financial Assets at Fair Value through Other Comprehensive</i> <i>Income</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint Ventures</i>	-	-
Other	231.820	1.850
<b>Total</b>	<b>4.555.543</b>	<b>2.593.069</b>

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**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	78.262	54.180
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	210.639	175.425
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	28.331	24.218
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	10.347	5.315
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	1.213.943	945.206
<i>Leasing Expenses on TFRS 16 Exceptions</i>	43.423	48.901
<i>Maintenance expenses</i>	32.482	30.662
<i>Advertisement expenses</i>	85.952	103.960
<i>Other expenses</i>	1.052.086	761.683
Loss on sales of assets	197	24
Other	642.728	435.148
<b>Total</b>	<b>2.184.447</b>	<b>1.639.516</b>

(7) Information on profit/loss from continuing and discontinued operations before taxes:

The Group's income before tax is due from continued and discontinued activities.

The amount of profit before tax from continued operations consists TRY 11.060.224 of net interest income (30 June 2019: TRY 4.495.723) and TRY 1.333.178 of net fees (30 June 2019: TRY 1.301.235) and commission income. The profit from continued operations before tax is amounting to TRY 2.227.867 (30 June 2019: TRY 385.377).

The profit before tax from discontinued operations of the Group is amounting to TRY 987.373. (30 June 2019: TRY 92.579)

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

For the period ended 30 June 2020, the Group's tax provision for continued operations amounting to TRY 601.392 (30 June 2019: TRY 202.893 tax benefit) consists of TRY 1.172.319 (30 June 2019: TRY 24.878) of current tax charge, TRY 387.255 (30 June 2019: TRY 533.917) of deferred tax charge and TRY 958.182 (30 June 2019: TRY 761.688) of deferred tax benefit.

For the period ended 30 June 2020, the Group's deferred tax expense from discontinued operations is amounting to TRY 48.603 (30 June 2019: TRY 80.473 tax expense) consists of TRY 48.981 (30 June 2019: TRY 64.753) of current tax charge and TRY 378 (30 June 2019: TRY 887) of deferred tax benefit.(30 June 2019 deferred tax expense: TRY 16.607)

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED**  
**FINANCIAL STATEMENTS (continued)**

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

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

As of 30 June 2020, the Group's operating income after tax is amounting to TRY 1.626.475 (30 June 2019: TRY 588.270).

As of 30 June 2020, the Group's discontinued operations income after tax is amounting to TRY 938.770 (30 June 2019: 12.106).

- (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:

None.

- (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.

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

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

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

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

**Current period:**

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	-	329	-	-	-	-
Closing balance	-	-	-	-	-	-
Interest and commissions income	-	-	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Beginning balance	50.673	42.260	-	-	-	-
Closing Balance	-	50.673	-	-	-	-
Interest expense on deposits	-	4.159	-	-	-	-

c) Forward and option contracts and similar transactions with the Parent Bank's risk group:  
None.

(2) Disclosures for risk group of the Parent Bank:

a) The relations of the Parent Bank with the entities controlled by the Parent Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Parent Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

The Bank performs brokerage on the activities of Halk Yatırım Menkul Değerler AŞ within the scope of "the Brokerage Contract for Order Submission".



**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

(2) Disclosures for risk group of the Parent Bank (continued):

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

None.

Pricing of these transactions are in accordance with the general pricing policies of the Parent Bank and are in line with market rates.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel of the Group are TRY 14.494 as of 30 June 2020 (30 June 2019: TRY 16.484).

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

None.

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED**  
**FINANCIAL STATEMENTS (continued)**

**VII. OTHER EXPLANATIONS ON THE PARENT BANK'S OPERATIONS**

An indictment was filed against the Parent 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 Parent Bank for violation of Iranian sanctions.

Initially, the Parent 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 Parent 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 Parent Bank's objection on 21 February 2020.

In the meeting held by the Parent 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 Williams & Connolly law firm with a proxy to represent the Parent Bank in the process.

At the hearing on 31 March 2020 held in the District Court; it has been decided to postpone the hearing initially to 9 June 2020 and subsequently to 30 June 2020 due to the global scale COVID-19 outbreak.

At the hearing held in the District Court on 30 June 2020; the timetable regarding the objection to the recusal motion, the requests for evidence and the submission of other requests has been determined, and it was decided that the jury hearing would be held on 1 March 2021. Accordingly, the Parent Bank filed its motions to the District Court regarding the recusal of the judge on 14 July 2020, and regarding other requests attacking the face of the the indictment on 10 August 2020.

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

The prosecution process of both the criminal lawsuit and the civil lawsuit is closely monitored by the Parent Bank through specialized US law firms.

The appeal process of the case which resulted in conviction for the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned back to Turkey, is completed and the decision related to the first proceeding is approved.

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VI: LIMITED REVIEW REPORT**

**I. EXPLANATIONS ON LIMITED REVIEW REPORT**

The Parent Bank's publicly available consolidated interim financial statements and footnotes as of 30 June 2020 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the limited review report dated 14 August 2020 is presented in front of the financial statements.

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

None.

**TÜRKİYE HALK BANKASI AŞ**  
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**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**

The COVID-19 pandemic has led all of us to reconsider our current values. As customary business practices change, we once again recognize that institutions are vital not only for their own interests but also for the sustainability of life. Investor relations have also changed during this period, which necessitates restructuring the priorities of brands and institutions operating in many industries, particularly in banking.

Investors are now turning to organizations that extend a helping hand to society in times of need, avoid risky moves arising from short-term goals, forge loyal relationships with their customers and use their strong financial infrastructure with a focus on sustainability. The fact that institutions can exist only if society exists and investors can exist only if there are institutions is forcing us to make such a decision.

In this regard, I am very proud of the solidarity and responsibility that Turkey has shown in the fight against the COVID-19 pandemic. I believe that living in a country that offers cutting-edge healthcare services to its citizens with a social state approach is a privilege for all of us. As a bank that is committed to the fundamental principles and values of this country, we act with the same awareness. We attach great importance to protecting the health of our employees and customers as well as adding value to our country and our people while creating value for our investors.

It is equally important for us that businesses of different sizes continue to operate and the course of life improves with the normalization process. Therefore, we consider the products we offer, particularly the Social Support Package, not only as profitable practices, but also as part of the corporate responsibility that I have mentioned above.

I believe that the slogan “People Before Banking” is a spot-on communication campaign. Our Bank has supported more than 2.6 million people and institutions in the past three months alone, and has once again earned the trust of the Turkish people with this slogan. With the new customers that we have started to serve, our financial transactions have gained momentum.

Esteemed Stakeholders,

We spent the first half of this year solving external problems and investing in the future by providing our customers with financial relief. I am certain that we will reap the fruits of our devoted colleagues’ efforts starting from the second half of the year. I believe that as international trade regains momentum, we will see a major boost, especially in export industries, and achieve high efficiency by mobilizing domestic resources with a particular focus on development. Once again, I would like to thank all of our stakeholders who have trusted and supported our Bank during this period in which we will continue to work diligently.

Best regards,

R. Süleyman Özdil  
Chairman

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

**TÜRKİYE HALK BANKASI AŞ**  
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**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 (continued)**

**Assessment of Chairman of the General Manager**

Esteemed Stakeholders,

The new year kicked off with very positive indicators both for our Bank and economy. Turkey became the fastest-growing G20 country in the first quarter with 4.4 percent seasonally-adjusted annual growth. The COVID-19 epidemic, which started in China in November 2019, had global effects in the second quarter of 2020 and affected our march towards our year-end targets. Commercial activities continued with specific measures and limitations during this period, in which public health was prioritized to control the epidemic. These limitations inevitably affected the global economy, real economy and the international banking industry, which is closely related to the real economy.

While the issue was global, local crisis management performance of the nations varied. Turkey was among the top in management of health services and survived the period with minimal economic damage. Our PMI score, which is an important reflector of productivity and efficiency, has also proven our success on an international level. Turkey surpassed the 50-point threshold and climbed up to 53.9, reaching its peak in the past two years.

Through our dedication in this quarter, our Bank's total assets rose by 30.3 percent compared to 2019 year-end and reached 595.7 billion Turkish lira, while total deposits reached 400 billion Turkish lira. Over the same period, our cash loans rose by 37.3 percent to 424.5 billion Turkish lira, and our total loans increased by 30.8 percent to 522 billion Turkish lira. Our commercial loan volume, including SME loans, increased by 37.7 percent to 354.8 billion Turkish lira at the end of June and we achieved a record-high 22.3 percent market share in SME banking. Compared to the same period of the previous year, our net profit increased by 188.4 percent and reached nearly 1,8 million Turkish lira at the end of the second quarter. The number of Paraf credit cards jumped to 5.1 million. The number of our POS terminals increased to 370,000 and the number of member merchants rose to 271,000. In such a critical period for our economy, our main priority was to maintain the sustainability of our economy and provide a lasting contribution to the fight against this pandemic by meeting the urgent needs of different segments of society. We yielded many positive results in this regard. Thanks to our fast and efficient solutions, we once again proved that we were there for the people before being there as a bank. We provided 90.8 billion Turkish lira in loans for 2.1 million customers under the Economic Stability Shield program. We also deferred 30.1 billion Turkish lira of loans for 732,000 customers. Thus, we provided a credit support over 120 billion Turkish lira to 3 million customers and gained 1.5 million new customers thanks to this loan package.

We offered 17.8 billion Turkish lira in working capital loans to 720,000 tradespeople through the Tradespeople Support Package and issued a credit limit of 10,2 billion Turkish lira to more than 540,000 Paraf Esnaf Card holders. In line with the President's Decree, we postponed our craftsmen and tradespeople's loan debts for three months. During the pandemic, we continued supporting Turkish companies and citizens with our new products such as the KGF-Secured Business Credit Support - Lifeline Business Credit Program, Check Payment Support Loan, Salary Payment Support Loan and Basic Needs Support Loan.

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**TÜRKİYE HALK BANKASI AŞ**  
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**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)**

With the start of the normalization process, we provided strong loan packages for housing, automobile, tourism and social needs. We issued about 12.9 billion Turkish lira in loans to 55,000 customers with the Advantageous Housing Loan, which offers the lowest housing loan interest rate in Turkish history. While our Domestic Production Auto Loan and Used Car Loan provided support for customers who want to buy a vehicle, the Social Support Package and Vacation Support Package ensured continuous financial support for our citizens.

We maintain our SME banking activities in line with our development-oriented banking perspective. This is our most important advantage and distinguishing feature. In harmony with the real economy, we will continue to provide tailor-made solutions to meet the needs of our customers of all sizes and industries.

Paraf Card will be one of our most important products in the upcoming period. We will provide all the benefits of technology to our customers through innovative applications with Paraf Card. We will provide vital benefits to Paraf Esnaf Card holders who are under the Tradespeople Support Package. We will make our customers' lives easier by combining credit and debit card features in one card: Paraf Dual Card. We continue to work at full speed in our digital/virtual credit card project in digital banking, which will enable our customers to get credit cards without going to a branch. By increasing both retail and commercial use, we aim to make Paraf Card the most widely used card in commerce.

The importance of digital banking and the value of our investment in this area have become clearer as a result of the epidemic. The world-class service we provide to our stakeholders in areas such as alternative distribution channels and digital banking gave us a great advantage. We are happy to have provided loans to more than one million customers through these channels. We will continue to increase the number of online transactions and expand our investments to accommodate this surge.

Esteemed Stakeholders,

We aim to protect our leading position in tradespeople and SME banking through flawless execution of banking strategies for the rest of the year. Having provided front-loaded loans during the first half of the year, we expect our bank's profitability to increase and its position in the industry to get stronger. We will make a strong start to 2021 thanks to the powerful and lasting collaborations we will develop in the second half of the year. In this period, the soaring success of Halkbank will once more be driven by the support of esteemed stakeholders like you. We thank you for your confidence in us and want to assure you that we are marching forward towards our goals with the power of your confidence.

Best regards,

Osman Arslan  
General Manager

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

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT**

**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>June 2020</b>	<b>December 2019</b>	<b>Change (%)</b>
Total Assets	610.391	468.632	30,2
Loans	429.177	313.395	36,9
<i>TRY</i>	332.773	222.431	49,6
<i>FC</i>	96.404	90.964	6,0
Marketable Securities	138.797	104.072	33,4
Deposit	407.711	300.688	35,6
<i>TRY</i>	243.153	163.098	49,1
<i>FC</i>	164.558	137.590	19,6
Total Equity	42.119	32.197	30,8

<b>Summary Statement of Profit or Loss (Million TRY)</b>	<b>June 2020</b>	<b>June 2019</b>	<b>Change (%)</b>
Interest Income	24.449	23.372	4,6
<i>On Loan</i>	17.826	17.816	0,1
<i>On Securities</i>	6.166	4.825	27,8
Interest Expense	13.388	18.876	(29,1)
<i>On Deposit</i>	8.791	12.143	(27,6)
Net Interest Income	11.060	4.496	146,0
Net Fee and Commission	1.333	1.301	2,5
Net Profit	2.565	600	327,5

<b>Ratio (%)</b>	<b>June 2020</b>	<b>December 2019</b>
Cash Loans/Total Asset	70,3	66,9
Non-Performing Loans/Total Cash Loans (Gross)	3,9	5,1
Demand Deposit/Total Deposit	21,3	18,1
Loan/Deposit Ratio	105,3	104,2
Average Return on Asset (ROA)	1,0	0,5
Average Return on Equity (ROE)	13,9	7,4
Capital Adequacy Ratio	15,1	13,7

(\*) Amounts and ratios in this section are disclosed in consolidated basis.

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT**

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

**2020 Second Quarter Interim Developments**

**Significant Developments**

- Our Bank has issued bonds with a par value of 6.32 billion Turkish lira to qualified investors throughout this period.
- Following a capital increase of 1.22 billion Turkish lira made through private placement without public offering on May 20, 2020, the Bank’s paid-in capital of 1.25 billion Turkish lira was increased to 2.47 billion Turkish lira.

**New Products and Campaigns**

- Under the Economic Stability Shield Program, the Bank has established a Union of Chambers and Commodity Exchanges of Turkey Breather Loan 2020 to meet the working capital needs of companies registered in Chambers of Commerce and Industry, Chambers of Commerce, Chambers of Industry, and Chambers of Shipping and Commodity Exchanges with the support of the Treasury and the backing of Credit Guarantee Fund under favorable conditions.
- As part of the fight against COVID-19, a pandemic that has affected our country, the Bank has formed a Business Continuity Support – Small Business Lifeline Working Capital Loan within the scope of the Economic Stability Shield measures to support small businesses registered in the Chambers of Industry, Chambers of Commerce, Chambers of Commerce and Industry, Commodity Exchanges and Chambers of Shipping or Trade Associations, which have a hard time getting access to credit.
- The Bank has created a Tradesmen Support Package containing Working Capital Loans and Paraf Artisans Card products to support artisans and craftsmen during the COVID-19 pandemic in support of the real economy under the Economic Stability Shield.
- As part of the Economic Stability Shield measures, the Bank issued up to a 10,000 Turkish lira Individual Basic Needs Support Loan Package to finance the basic needs, such as food, healthcare, rent, and monthly bills (electricity, water, natural gas, and so on) of its customers with a monthly income of less than 5,000 Turkish lira.
- The Bank has created an Advantageous Housing Loan, a Social Support Package, Auto Loan Support Package and Vacation Support Package to help sustain economic life as part of the normalization process after the COVID-19 pandemic.
- The Bank has also created the Consumer Loan for Healthcare Professionals and the Kredi 155 Consumer Loan for law enforcement officers.

(\*) Interim activity report information concerning amounts are consolidated and full TRY unless otherwise stated.