

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

12 November 2020

*This report contains “Review Report” comprising 2
pages and; “Consolidated Interim Financial
Statements and Related Disclosures and Footnotes”
comprising 106 pages.*

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 September 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 nine-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 requirements. The government bonds reclassified into financial assets measured at amortised cost amounted to TRY 18.664.297 thousand as at 30 September 2020. If such classification were not made, total assets and shareholders’ equity, excluding tax effect, would have been lower by TRY 1.851.739 thousand as at 30 September 2020.

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 September 2020, and of the results of its operations and its cash flows for the nine-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 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.

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 unconsolidated financial statements related to these matters. Our conclusion 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. 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**

Müjde Aslan
Partner

Istanbul, 12 November 2020

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

The consolidated nine-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:

Subsidiaries	Associates
1. Halk Yatırım Menkul Değerler AŞ	1. Demir-Halk Bank N.V.
2. Halk Gayrimenkul Yatırım Ortaklığı AŞ	2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3. Halk Finansal Kiralama AŞ	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 nine-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, 12 November 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 SEPTEMBER 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 September 2020 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30 September 2020	%	31 December 2019	%
Türkiye Varlık Fonu ⁽¹⁾	1.862.602	75,29	638.276	51,06
Public shares ⁽¹⁾	611.093	24,70	611.643	48,93
Other shareholders ⁽²⁾	81	0,01	81	0,01
Total	2.473.776	100,00	1.250.000	100,00

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

⁽²⁾ TRY 81 of the shares included in the “Other Shareholders” group belong to shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized in their own accounts.)

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
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(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
Serdar SÜRER	Executive Vice President, Treasury Management and International Banking
Hasan TUNCAY	Executive Vice President, Retail Banking
Celal CANDAN	Executive Vice President (P.P), Credit Policies, Monitoring and Legal Follow-up

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 Board of Directors	Kerem ALKİN	12 June 2020
Member of the Board of Directors	Ebubekir ŞAHİN	12 June 2020
Member of the Board of Directors	Celal CANDAN	25 September 2020

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

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

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

Except for 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 SEPTEMBER 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. 13th Department of Council of State with its decision numbered 2006/4258 dated 29 November 2006 to cease the execution of the High Council of Privatization’s decision numbered 2006/69 dated 11 August 2006. Thereupon, as per the decision of the Higher Council of Privatization numbered 2007/8 dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the 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
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(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 September 2020, the Parent Bank operates with a total of 1011 branches consisting of 1005 domestic and 6 foreign branches that are 5 in Turkish Republic of Northern Cyprus and 1 in Bahrain. Domestic branches include 34 satellite branches. The Parent Bank has also 3 representative office in England, Singapore and Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

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

are consolidated "line by line" in the accompanying consolidated financial statements.

The Parent Bank's associates;

- Demir-Halk Bank N.V.
- Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş.
- 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 SEPTEMBER 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 SEPTEMBER 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 SEPTEMBER 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 STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 30 SEPTEMBER 2020

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

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS

OFF-BALANCE SHEET	Note	Reviewed			Audited		
		Current Period			Prior Period		
		30 September 2020	31 December 2019	TOTAL	30 September 2020	31 December 2019	TOTAL
		TRY	FC	TOTAL	TRY	FC	TOTAL
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		98.821.097	136.512.607	235.333.704	83.750.565	113.362.625	197.113.190
I. GUARANTEES AND WARRANTIES	(1)	48.390.219	60.681.423	109.071.642	40.418.066	50.599.764	91.017.830
1.1 Letters of guarantee		44.129.501	52.049.186	96.178.687	37.770.126	39.576.362	77.346.488
1.1.1 Guarantees subject to public procurement law		2.345.540	13.344.692	15.690.232	2.075.214	11.132.077	13.207.291
1.1.2 Guarantees given for foreign trade operations		-	69.285	69.285	-	91.930	91.930
1.1.3 Other letters of guarantee		41.783.961	38.635.209	80.419.170	35.694.912	28.352.355	64.047.267
1.2 Bank loans		182.512	6.186.258	6.368.770	8.260	6.953.738	6.961.998
1.2.1 Import acceptances		-	195.145	195.145	-	27.704	27.704
1.2.2 Other bank acceptances		182.512	5.991.113	6.173.625	8.260	6.926.034	6.934.294
1.3 Letters of credit		25.361	2.316.042	2.341.403	16.891	3.884.760	3.901.651
1.3.1 Documentary letters of credit		25.361	2.224.911	2.250.272	16.891	3.884.760	3.901.651
1.3.2 Other letters of credit		-	91.131	91.131	-	-	-
1.4 Guaranteed refinancing		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		4.052.845	129.937	4.182.782	2.622.789	184.904	2.807.693
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		40.985.419	10.331.593	51.317.012	28.057.633	4.628.061	32.685.694
2.1 Irrevocable commitments	(1)	40.503.070	5.761.188	46.264.258	27.742.136	2.136.154	29.878.290
2.1.1 Forward asset purchase commitments		-	4.498.434	4.498.434	967.531	1.265.092	2.232.623
2.1.2 Forward deposit purchase and sale commitments		85.000	-	85.000	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		3.445.720	794.010	4.239.730	2.564.640	573.699	3.138.339
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for Cheques		4.010.307	-	4.010.307	3.219.679	-	3.219.679
2.1.8 Tax and fund liabilities from export commitments		116.157	-	116.157	83.156	-	83.156
2.1.9 Commitments for credit card expenditure limits		27.951.228	86.992	28.038.220	16.709.743	63.100	16.772.843
2.1.10 Commitments for credit cards and banking services promotions		22.878	-	22.878	24.943	-	24.943
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		4.871.780	381.752	5.253.532	4.172.444	234.263	4.406.707
2.2 Revocable commitments		482.349	4.570.405	5.052.754	315.497	2.491.907	2.807.404
2.2.1 Revocable loan granting commitments		-	2.040.476	2.040.476	-	1.347.727	1.347.727
2.2.2 Other revocable commitments		482.349	2.529.929	3.012.278	315.497	1.144.180	1.459.677
III. DERIVATIVE FINANCIAL INSTRUMENTS		9.445.459	65.499.591	74.945.050	15.274.866	58.134.800	73.409.666
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		9.445.459	65.499.591	74.945.050	15.274.866	58.134.800	73.409.666
3.2.1 Forward foreign currency buy/sell transactions		610.157	3.076.227	3.686.384	1.508.922	3.824.584	5.333.506
3.2.1.1 Forward foreign currency transactions-buy		276.074	2.503.367	2.779.441	779.407	1.490.061	2.269.468
3.2.1.2 Forward foreign currency transactions-sell		334.083	572.860	906.943	729.515	2.334.523	3.064.038
3.2.2 Currency and interest rate swaps		8.835.302	47.509.403	56.344.705	12.849.494	48.469.357	61.318.851
3.2.2.1 Currency swap-buy		-	10.121.151	10.121.151	432.526	15.653.590	16.086.116
3.2.2.2 Currency swap-sell		6.845.302	11.086.220	17.931.522	11.996.968	5.528.265	17.525.233
3.2.2.3 Interest rate swap-buy		995.000	13.151.016	14.146.016	210.000	13.643.751	13.853.751
3.2.2.4 Interest Rate swap-sell		995.000	13.151.016	14.146.016	210.000	13.643.751	13.853.751
3.2.3 Currency, interest rate and marketable securities options		-	3.102.625	3.102.625	916.450	2.604.064	3.520.514
3.2.3.1 Currency call options		-	1.550.754	1.550.754	457.977	1.302.273	1.760.250
3.2.3.2 Currency put options		-	1.551.871	1.551.871	458.473	1.301.791	1.760.264
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	11.811.336	11.811.336	-	3.236.795	3.236.795
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		1.533.042.797	516.927.453	2.049.970.250	1.210.945.097	362.728.818	1.573.673.915
IV. CUSTODIES		678.945.444	63.054.926	742.000.370	571.163.381	50.656.660	621.820.041
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		153.506.942	2.862.963	156.369.905	207.557.418	1.420.996	208.978.414
4.3 Cheques in collection process		18.720.248	46.659.929	65.380.177	15.793.262	31.771.413	47.564.675
4.4 Commercial notes in collection process		452.056.150	9.345.973	461.402.123	289.702.098	7.018.616	296.720.714
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		3.761.168	1.352.427	5.113.595	4.005.746	810.205	4.815.951
4.8 Custodians		50.900.936	2.833.634	53.734.570	54.104.857	9.635.430	63.740.287
V. PLEDGED ASSETS		854.097.353	453.872.527	1.307.969.880	639.781.716	312.072.158	951.853.874
5.1 Marketable securities		6.731.947	1.461.679	8.193.626	5.805.905	1.236.225	7.042.130
5.2 Collateral notes		6.844.054	1.686.363	8.530.417	7.208.610	1.344.753	8.553.363
5.3 Commodity		25.813	-	25.813	25.813	-	25.813
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		636.657.021	345.261.127	981.918.148	500.970.141	253.826.850	754.796.991
5.6 Other pledged assets		170.974.612	62.266.931	233.241.543	120.641.178	42.752.230	163.393.408
5.7 Pledges		32.863.906	43.196.427	76.060.333	5.130.069	12.912.100	18.042.169
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1.631.863.894	653.440.060	2.285.303.954	1.294.695.662	476.091.443	1.770.787.105

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

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

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Reviewed Current Period	Reviewed Prior Period	Reviewed Current Period	Reviewed Prior Period
		1 January- 30 September 2020	1 January- 30 September 2019	1 July- 30 September 2020	1 July- 30 September 2019
	INCOME AND EXPENSES	Note			
I.	INTEREST INCOME	(1)	38.929.727	36.121.613	14.481.062
1.1	Interest on Loans		27.944.752	27.552.798	10.118.593
1.2	Interest on Reserve Requirements		1.053	96.587	273
1.3	Interest on Banks		145.987	344.148	78.373
1.4	Interest on Money Market Transactions		18.432	21.904	7.731
1.5	Interest on Marketable Securities Portfolio		10.252.387	7.531.959	4.086.323
1.5.1	Fair Value Through Profit or Loss		18.038	13.882	9.971
1.5.2	Fair Value Through Other Comprehensive Income		3.056.952	1.137.153	1.397.182
1.5.3	Measured at Amortized Cost		7.177.397	6.380.924	2.679.170
1.6	Financial Lease Interest Income		274.904	239.294	104.872
1.7	Other Interest Income		292.212	334.923	84.897
II.	INTEREST EXPENSE (-)	(2)	22.087.179	28.563.099	8.698.738
2.1	Interest on Deposits		14.260.130	18.203.239	5.469.616
2.2	Interest on Funds Borrowed		337.830	418.216	115.729
2.3	Interest Expense on Money Market Transactions		5.082.022	7.698.720	2.288.527
2.4	Interest on Securities Issued		1.874.552	1.967.771	660.489
2.5	Interest on Leases		59.297	73.397	18.139
2.6	Other Interest Expenses		473.348	201.756	146.238
III.	NET INTEREST INCOME (I - II)		16.842.548	7.558.514	5.782.324
IV.	NET FEES AND COMMISSIONS INCOME		2.124.988	1.997.578	791.810
4.1	Fees and Commissions Received		2.812.870	2.869.894	1.072.082
4.1.1	Non – cash Loans		685.937	702.557	279.663
4.1.2	Other	(11)	2.126.933	2.167.337	792.419
4.2	Fees and Commissions Paid (-)		687.882	872.316	280.272
4.2.1	Non – cash Loans		1.973	3.623	566
4.2.2	Other	(11)	685.909	868.693	279.706
V.	DIVIDEND INCOME		4.593	14.254	271
VI.	TRADING INCOME / LOSS (Net)	(3)	(5.555.510)	(2.661.586)	(3.169.329)
6.1	Trading Gains / (Losses) on Securities		89.482	193.207	9.322
6.2	Gains / (Losses) on Derivate Financial Transactions		3.491.776	(2.211.523)	1.784.434
6.3	Foreign Exchange Gains / (Losses)		(9.136.768)	(643.270)	(4.963.085)
VII.	OTHER OPERATING INCOME	(4)	1.374.128	2.218.639	441.928
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII)		14.790.747	9.127.399	3.847.004
IX.	EXPECTED LOSS PROVISIONS (-)	(5)	5.904.220	3.299.264	1.580.497
X.	OTHER PROVISION EXPENSES (-)	(5)	26.555	21.748	(205.265)
XI.	PERSONNEL EXPENSE (-)		2.869.001	2.224.993	888.037
XII.	OTHER OPERATING EXPENSES (-)	(6)	3.345.187	2.577.788	1.160.740
XIII.	NET OPERATING INCOME /LOSS (VIII-IX-X-XI-XII)		2.645.784	1.003.606	422.995
XIV.	INCOME AFTER MERGER		-	-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		14.424	25.004	9.346
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-	-
XVII.	PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(7)	2.660.208	1.028.610	432.341
XVIII.	TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(8)	(566.361)	33.506	35.031
18.1	Current Tax Provision		294.774	37.797	(877.545)
18.2	Deferred Tax Income Effect (+)		1.119.938	685.705	732.683
18.3	Deferred Tax Expense Effect (-)		848.351	757.008	(109.831)
XIX.	CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(9)	2.093.847	1.062.116	467.372
XX.	INCOME FROM DISCONTINUED OPERATIONS		1.481.462	1.602.370	-
20.1	Income from non- Current Assets Held for Sale		613.933	1.602.370	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		867.529	-	-
20.3	Income from Other Discontinued Operations		-	-	-
XXI.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		494.089	1.246.469	-
21.1	Expenses for Non-current Assets Held for Sale		494.089	1.246.469	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-
21.3	Expenses for Other Discontinued Operations		-	-	-
XXII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)	(7)	987.373	355.901	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(8)	(48.603)	(221.588)	-
23.1	Current Tax Provision		48.981	227.028	-
23.2	Deferred Tax Expense Effect (+)		-	-	-
23.3	Deferred Tax Income Effect (-)		378	5.440	-
XXIV.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XXII±XXIII)	(9)	938.770	134.313	-
XXV.	NET PROFIT/(LOSS) (XIX+XXIV)	(10)	3.032.617	1.196.429	467.372
25.1	Profit / (Loss) of Group		3.026.738	1.178.486	468.327
25.2	Profit / (Loss) of Minority Shares (-)		5.879	17.943	(955)
	Profit / (Loss) Per Share		1,6453631	0,9427888	0,1893167

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 SEPTEMBER 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 September 2020	1 January - 30 September 2019
I. CURRENT PERIOD INCOME/LOSS	3.032.617	1.196.429
II. OTHER COMPREHENSIVE INCOME	(434.088)	281.049
2.1 Not Reclassified Through Profit or Loss	(2.838)	-
2.1.1 Property and Equipment Revaluation Increase/Decrease	(8.616)	-
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	3.910	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	767	-
2.2 Reclassified Through Profit or Loss	(431.250)	281.049
2.2.1 Foreign Currency Translation Differences	9.363	(3.383)
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(500.147)	303.469
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	59.534	(19.037)
III. TOTAL COMPREHENSIVE INCOME (I+II)	2.598.529	1.477.478

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 SEPTEMBER 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	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)			
Reviewed (1 January – 30 September 2019)																
I. Prior Period End Balance	1.250.000	39.740	-	1.228.055	2.459.595	8.624	18.272	(1.454)	(192.778)	-	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	18.272	(1.454)	(192.778)	-	20.820.054	1.007.844	2.656.647	29.294.599	246.641	29.541.240
IV. Total Comprehensive Income	-	-	-	-	-	-	-	(3.383)	284.432	-	-	-	1.178.486	1.459.535	17.943	1.477.478
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	-	-	-	(253.858)	4.010	-	-	-	-	-	(116.436)	2.721.370	(2.656.647)	(301.561)	13.531	(288.030)
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+X+XI)	1.250.000	39.740	-	974.197	2.463.605	8.624	18.272	(4.837)	91.654	-	24.012.155	419.275	1.178.486	30.451.171	279.517	30.730.688
Reviewed (1 January – 30 September 2020)																
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	-	-	-	-	(7.754)	1.006	3.910	9.363	(440.613)	-	-	-	3.026.738	2.592.650	5.879	2.598.529
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)	-	253	-	-	-	-	-	-	20.751	2.475.472	(2.267.608)	228.734	(32.524)	196.210
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	1.775.476	(1.776.880)	-	(1.404)	1.404	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(1.404)	-	(1.404)	1.404	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	1.775.476	(1.775.476)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+X+XI)	2.473.776	5.815.863	-	975.870	2.657.881	(60.012)	51.193	3.517	(181.281)	-	25.848.406	1.118.164	3.026.738	41.730.115	262.012	41.992.127

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 SEPTEMBER 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 September 2020	1 January- 30 September 2019
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	(4.843.100)	(3.637.554)
1.1.1 Interest received	31.999.522	31.675.999
1.1.2 Interest paid	(22.092.191)	(28.499.523)
1.1.3 Dividend received	4.593	14.393
1.1.4 Fees and commissions received	2.812.870	2.962.517
1.1.5 Other income	778.799	2.559.528
1.1.6 Collections from previously written off loans	1.271.342	1.122.968
1.1.7 Cash payments to personnel and service suppliers	(2.903.691)	(2.329.801)
1.1.8 Taxes paid	(1.033.140)	(458.949)
1.1.9 Other	(15.681.204)	(10.684.686)
1.2 Changes in Assets and Liabilities Subject to Banking Operations	52.002.288	6.332.340
1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss	(363.362)	79.076
1.2.2 Net (increase) / decrease in due from banks	-	(47.681)
1.2.3 Net (increase) / decrease in loans	(147.037.246)	(44.911.173)
1.2.4 Net (increase) / decrease in other assets	(5.487.761)	(5.731.641)
1.2.5 Net increase / (decrease) in bank deposits	8.768.415	(6.307.867)
1.2.6 Net increase / (decrease) in other deposits	141.332.359	41.617.721
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	519.545	(1.306.753)
1.2.9 Net increase / (decrease) in matured payables	-	-
1.2.10 Net increase / (decrease) in other liabilities	54.270.338	22.940.658
I. Net cash provided from banking operations	47.159.188	2.694.786
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/ (used in) investing activities	(50.412.282)	(19.059.163)
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	(582.168)	(276.766)
2.4 Fixed assets sales	1.303.126	319.326
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income	(58.483.802)	(14.731.110)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income	10.103.365	7.856.304
2.7 Cash paid for purchase of investment securities	(17.937.808)	(16.775.673)
2.8 Cash obtained from sale of investment securities	15.836.091	4.615.276
2.9 Other	(502.580)	3.425
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	1.256.398	7.263.435
3.1 Cash obtained from loans borrowed and securities issued	13.587.998	12.152.914
3.2 Cash used for repayment of loans borrowed and securities issued	(19.163.966)	(4.471.938)
3.3 Bonds issued	7.000.000	-
3.4 Dividends paid	-	-
3.5 Payments for leases	(167.634)	(155.157)
3.6 Other	-	(262.384)
IV. Effect of change in foreign exchange rate on cash and cash equivalents	5.965.099	1.160.296
V. Net increase / (decrease) in cash and cash equivalents	3.968.403	(7.940.646)
VI. Cash and cash equivalents at beginning of the period	24.297.689	23.448.586
VII. Cash and cash equivalents at end of the period	28.266.092	15.507.940

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 SEPTEMBER 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.

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

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

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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
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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):

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.

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

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

Accounting for business combinations

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

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

Acquisitions 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.

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

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

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

Explanations related to credit derivatives and its risk exposures:

The Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic’s credit risk. As of 30 September 2020, the Parent 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.

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

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

Assessment of Business Model

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

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

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

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

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.

TÜRKİYE HALK BANKASI AŞ
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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 announced by the T.R Ministry of Treasury and Finance. The Parent Bank determines the estimated inflation rate accordingly. The inflation rate estimated by taking into consideration the expectations of the T.R. Central Bank and the Parent Bank's expectations is updated during the year when deemed necessary.

1. Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Measurement Categories of Financial Assets and Liabilities (continued)

3. Financial Assets Measured at Fair Value through Profit or Loss

According to TFRS 9, the financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the 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 Parent 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:

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

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

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 Parent Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees who resigns subsequent to her marriage within one year. The Group provides provision by estimating the present value of the future retirement pay liability.

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

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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 is accrued and paid in August, third period advance corporate tax return for the period 1 July 2020 - 30 September 2020 will be accrued and paid in November and fourth period advance corporate tax return for the period 1 October 2020 - 31 December 2020 will be issued in February 2021, and paid following its assessment date.

Bahrain

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

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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 September 2020, the capital adequacy ratio and the capital amount of the Group were realized as 14,88% (31 December 2019: 13,65%) and TRY 59.541.008 (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 Equity Items:

Current Period	Amount	Amounts related to treatment before 1/1/2014^(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	3.694.227	
Share Premium	5.815.863	
Reserves	25.848.406	
Other Comprehensive Income according to TAS	2.803.262	
Profit	4.144.902	
Current Period Profit	3.026.738	
Prior Period Profit	1.118.164	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	104.115	
Minority Interest	2.211	
Common Equity Tier I Capital Before Deductions	42.412.986	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	275.043	
Leasehold Improvements on Operational Leases (-)	119.269	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	621.974	621.974
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	351.767	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions From Common Equity Tier I Capital	1.368.053	
Total Common Equity Tier I Capital	41.044.933	

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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 Equity Items (continued):

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	8.147.880
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Shares of Third Parties in Additional Tier I Capital	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-
Additional Tier I Capital before Deductions	8.147.880
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
Items to be Deducted from Tier I Capital During the Transition Period	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	8.147.880
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	49.192.813
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	4.422.613
Tier II Capital Before Deductions	10.352.408
Deductions From Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	10.352.408
Total Capital (The sum of Tier I Capital and Tier II Capital)	59.545.221
Total Tier I Capital and Tier II Capital (Total Equity)	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be Defined by the BRSA (-)	4.213

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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 Equity Items (continued):

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	59.541.008
Total Risk Weighted Assets	400.253.997
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	10,25
Tier I Capital Ratio (%)	12,29
Capital Adequacy Ratio (%)	14,88
BUFFERS	
Bank-specific total CET1 Capital Ratio (a+b+c)	3,553
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%) **	0,053
c) Systemic significant bank buffer ratio (%)	1,000
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,75
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	136.524
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	675.908
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	2.072.798
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5.873.996
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.422.613
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

Prior Period	Amount	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	39.773	
Reserves	24.052.179	
Other Comprehensive Income according to TAS	3.098.579	
Profit	2.687.180	
Current Period Profit	2.267.608	
Prior Period Profit	419.572	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.022	
Minority Interest	1.903	
Common Equity Tier 1 Capital Before Deductions	32.358.087	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	183.665	
Leasehold Improvements on Operational Leases (-)	98.564	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	213.176	213.176
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	262.384	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	757.789	
Total Common Equity Tier I Capital	31.600.298	

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I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.958.900
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier I Capital	-
Third parties' share in the Tier I Capital (Temporary Article 3)	-
Additional Tier I Capital before Deductions	5.958.900
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
Items to be Deducted from Tier I Capital during the Transition Period	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions From Additional Tier I Capital	-
Total Additional Tier I Capital	5.958.900
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	37.559.198
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.798.666
Tier II Capital Before Deductions	8.728.461
Deductions From Tier II Capital	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	8.728.461
Total Equity (Total Tier I and Tier II Capital)	46.287.659
Total Tier I and Tier II Capital (Total Equity)	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be defined by the BRSA (-)	11.332

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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 Equity Items (continued):

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

Details on Subordinated Liabilities:				
Issuer	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	Türkiye Varlık Fonu
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHALE2716	TRSTHAL62811	TRSTHAL92826	-
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA Legislation
Regulatory treatment				
Transitional Basel III rules	No	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond	Public Sector Bond	Public Sector Bond	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980	8.148
Par value of instrument	1.000	1.950	2.980	-
Accounting classification	346.011	346.011	346.011	347.0001
Original date of issuance	20.10.2017	03.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	03.07.2018	26.09.2018	24.04.2019
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon	No Coupon Payment
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %	5 years 25,38%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	-	-	-	-
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-

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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 (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 Group 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.

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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)

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:

	23.09.2020	24.09.2020	25.09.2020	28.09.2020	29.09.2020	30.09.2020
USD	7,6700000	7,6000000	7,6100000	7,7400000	7,8100000	7,7200000
CHF	8,2965000	8,1871000	8,1815000	8,3591000	8,4727000	8,3669000
GBP	9,7577000	9,6519000	9,6582000	9,9298000	10,0333000	9,9508000
JPY	0,0726416	0,0718694	0,0718108	0,0732028	0,0737399	0,0728488
EUR	8,9509000	8,8449000	8,8466000	9,0217000	9,1635000	9,0532000

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

	Monthly Average Buying Rate of Exchange
USD	7,5222727
CHF	8,2089136
GBP	9,7317455
JPY	0,0710372
EUR	8,8676773

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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:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	6.230.669	23.992.928	6.598.113	36.821.710
Banks	572.567	357.613	2.929.573	3.859.753
Financial assets at fair value through profit and loss	100	53	9.592	9.745
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income ⁽⁵⁾	9.551.139	11.865.325	2.833.330	24.249.794
Loans ⁽²⁾	60.717.905	42.860.927	5.492.009	109.070.841
Subsidiaries, associates and entities under common control	668.487	-	-	668.487
Financial assets measured at amortized cost ⁽⁶⁾	8.695.031	15.754.655	3.640.011	28.089.697
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	341.452	341.452
Intangible assets	-	-	-	-
Other assets ⁽³⁾	2.882.753	2.973.045	134.511	5.990.309
Total assets	89.318.651	97.804.546	21.978.591	209.101.788
Liabilities				
Bank deposits	10.190.272	4.663.650	392.675	15.246.597
Foreign currency deposits	66.466.477	82.637.986	29.556.421	178.660.884
Money market balances	-	776.378	-	776.378
Funds provided from other financial institutions	9.468.116	4.548.881	6.590	14.023.587
Bonds issued	-	7.784.429	-	7.784.429
Sundry creditors	313.248	196.416	72.031	581.695
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	9.300.216	914.067	379.161	10.593.444
Total liabilities	95.738.329	101.521.807	30.406.878	227.667.014
Net balance sheet position	(6.419.678)	(3.717.261)	(8.428.287)	(18.565.226)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	8.372.830	6.874.057	11.096.349	26.343.236
Financial derivative liabilities ⁽⁴⁾	2.199.769	12.153.935	2.999.053	17.352.757
Non-cash loans ⁽¹⁾	37.146.694	19.472.047	4.062.682	60.681.423
Prior period				
Total assets	78.211.250	67.817.323	10.818.729	156.847.302
Total liabilities	87.073.343	71.815.898	12.898.168	171.787.409
Net balance sheet position	(8.862.093)	(3.998.575)	(2.079.439)	(14.940.107)
Net off-balance sheet position				
Financial derivative assets	9.662.721	8.011.214	4.032.321	21.706.256
Financial derivative liabilities	1.430.716	8.075.665	899.753	10.406.134
Non-cash loans ⁽¹⁾	29.073.296	18.430.536	3.095.932	50.599.764

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

⁽²⁾ Includes TRY 60.778 of foreign currency indexed loans and their accruals (31 December 2019: TRY 233.440).

⁽³⁾ In accordance with the provisions of "Regulation on Calculation and Implementation of Foreign Currency Net General Position / Equity Standard Ratio by Banks on Consolidated and Unconsolidated Basis"; foreign currency intangible assets TRY 54.172, prepaid expenses TRY 726, and in equity in liabilities TRY 848.051 were not taken into account in foreign currency risk calculation.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounting to TRY 46.569 and swap precious metal purchase transactions amounting to TRY 9.872.628; financial derivative liabilities include forward precious metal sale transactions amounting to TRY 1.892.139. In addition, derivative transactions within the scope of forward foreign exchange purchase and sale are included.

⁽⁵⁾ Includes gold indexed bonds amounting to TRY 1.104.752. (31 December 2019: TRY 1.099.243)

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

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK 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
Assets							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	4.231.662	-	-	-	-	38.454.685	42.686.347
Banks	498.729	4.873	10.026	663	-	3.638.903	4.153.194
Financial assets at fair value through profit and loss	366.868	19.728	22.734	153	8	16.259.275	16.668.766
Money market placements	43.833	-	-	-	-	133.695	177.528
Financial assets at fair value through other comprehensive income	5.629.146	14.548.671	21.567.241	17.161.299	1.581.763	224.383	60.712.503
Loans	72.228.526	86.271.598	124.539.017	119.503.040	29.842.027	28.457.251	460.841.459
Financial assets measured at amortised cost	439.065	28.725.896	6.194.677	16.818.285	30.553.049	-	82.730.972
Other assets ⁽¹⁾⁽⁴⁾	1.352.832	1.023.720	1.652.696	2.103.358	605.049	5.367.008	12.104.663
Total assets	84.790.661	130.594.486	153.986.391	155.586.798	62.581.896	92.535.200	680.075.432
Liabilities							
Bank deposits							
Other deposits	20.400.008	7.557.612	199.077	32.978	-	8.324.088	36.513.763
Money market balances	245.764.899	67.213.693	12.862.216	2.465.529	28.582	85.715.017	414.049.936
Sundry creditors	102.459.701	781.445	-	-	-	328.796	103.569.942
Bonds issued	4.323.027	-	-	-	-	4.550.424	8.873.451
Funds provided from other financial institutions ⁽³⁾	976.422	4.254.621	8.933.362	1.000.000	-	112.700	15.277.105
Other liabilities ⁽¹⁾⁽²⁾	1.203.224	2.914.385	6.856.713	3.127.463	868.637	68.768	15.039.190
Total liabilities	1.000.001	16.104.082	-	8.147.880	4.929.795	56.570.287	86.752.045
	376.127.282	98.825.838	28.851.368	14.773.850	5.827.014	155.670.080	680.075.432
Balance sheet long position	-	31.768.648	125.135.023	140.812.948	56.754.882	-	354.471.501
Balance sheet short position	(291.336.621)	-	-	-	-	(63.134.880)	(354.471.501)
Off-balance sheet long position	15.716.452	11.760.970	4.508.693	252.933	6.141.718	135.793	38.516.559
Off-balance sheet short position	(14.830.716)	(3.959.561)	(4.147.918)	(1.070.937)	(12.283.435)	(135.924)	(36.428.491)
Total position	(290.450.885)	39.570.057	125.495.798	139.994.944	50.613.165	(63.135.011)	2.088.068

⁽¹⁾ TRY 53.524 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 529.930 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

⁽⁴⁾ Provisions are presented within non-bearing interest column.

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

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

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

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

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

⁽⁴⁾ Provisions are presented within non-bearing interest column.

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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
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	-	-	7,00
Banks ⁽¹⁾	-	0,60	-	10,88
Financial assets at fair value through profit and loss ⁽⁶⁾	1,57	5,83	-	9,58
Money market placements	-	-	-	11,85
Financial assets at fair value through other comprehensive income	2,33	2,95	-	10,70
Loans ⁽²⁾	5,01	6,35	-	10,55
Financial assets measured at amortised cost	4,90	5,80	-	11,65
Liabilities				
Bank deposits ⁽⁴⁾	0,29	2,00	0,06	11,64
Other deposits ⁽⁴⁾	0,65	1,89	0,01	9,73
Money market borrowings	-	6,61	-	11,44
Sundry creditors ⁽³⁾	-	-	-	3,50
Bonds issued	-	4,75	-	12,99
Funds provided from other financial institutions	1,42	2,04	-	11,08

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

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

⁽³⁾ Declared maximum deposits interest rate with a maturity of 12 months as of 30 September 2020.

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

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

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

Prior Period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	-	-	10,00
Banks ⁽¹⁾	0,18	1,09	-	10,06
Financial assets at fair value through profit and loss ⁽⁶⁾	-	4,76	-	11,80
Money market placements	-	-	-	11,37
Financial assets at fair value through other comprehensive income	2,78	5,15	-	18,15
Loans ⁽²⁾	5,21	7,04	3,10	13,93
Financial assets measured at amortised cost	4,77	5,93	-	19,62
Liabilities				
Bank deposits ⁽⁴⁾	0,35	2,49	-	9,12
Other deposits ⁽⁴⁾	0,45	1,86	0,25	9,87
Money market borrowings	2,21	6,61	-	11,37
Sundry creditors ⁽³⁾	-	-	-	4,50
Bonds issued	-	4,38	-	14,45
Funds provided from other financial institutions	1,21	3,26	3,10	11,99

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

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

⁽³⁾ Declared maximum deposits interest rate with a maturity of 12 months as of 31 December 2019.

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

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

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

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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:

Equities	Comparison			The Amount of Capital Requirement
	Balance Sheet Value	Fair Value Change	Market Value	
Stock investment excluding A,B,C,D group	724.028 ^(*)	659.978 ^(**)	-	137.707

^(*) Includes TRY 31.563 of unconsolidated subsidiary, TRY 692.465 of associates accounted for under the equity method.

^(**) It represents the fair value of Demirhalk Bank N.V. It is taken from the valuation report of Demirhalk Bank N.V. prepared as of 30 September 2020.

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

Portfolio	Realized gains (losses) in the current period	Revaluation surplus in the fair value		Unrealized gains and losses	
		Total	Included in supplementary capital	Total	Included in total core capital
1. Private equity investments	-	-	-	-	-
2. Share certificates quoted on a stock exchange	-	-	-	-	-
3. Other share certificates	-	19.255	19.255	-	-
Total	-	19.255	19.255	-	-

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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 Parent 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 Parent Bank, the development of new products encouraging savings and the protection of core deposit levels have been implemented as a strategic objective. Limits have been determined for issuing bonds based on Turkish Lira to provide long term funding resource for the purposes of extending maturity structure of liabilities besides deposits.

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

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

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

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 Parent Bank is required to have the ability to cover net cash outflows with high quality liquid assets and its related ratios should be in compliance with the legal limits. 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 in TRY+FC are composed of 39,46% accounts held by the CBRT and the Central Banks of the foreign branches, 55,03% securities considered as high quality liquid assets and 5,51% 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 658.799 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 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	28.09.2020	146,20	29.06.2020	103,60
	04.10.2020		05.07.2020	
Minimum	27.07.2020	92,06	24.08.2020	73,34
	02.08.2020		30.08.2020	

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

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

Current Period	Total Unweighted Value ⁽¹⁾		Total Weighted Value ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			83.736.208	43.298.320
Cash Outflows				
Retail and Small Business Customers, of which;	198.715.990	91.595.600	17.795.331	9.159.560
Stable Deposits	41.525.360	-	2.076.268	-
Less Stable Deposits	157.190.630	91.595.600	15.719.063	9.159.560
Unsecured wholesale funding , of which;	183.548.511	69.018.097	81.504.349	30.191.443
Operational Deposits	33.658.612	8.423.372	8.414.653	2.105.843
Non-operational Deposits	143.205.348	58.022.822	67.347.495	25.599.102
Other Unsecured Funding	6.684.551	2.571.903	5.742.201	2.486.498
Secured Funding			-	-
Other cash outflows, of which;	10.491.963	6.249.441	5.282.075	3.333.035
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	845.030	918.796	845.030	918.796
Obligations related to structured financial products	73.295	-	73.295	-
Commitments related to debts to financial markets and other off-balance sheet obligations	9.573.638	5.330.645	4.363.750	2.414.239
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	133.508.494	51.641.247	10.372.427	4.322.994
Total Cash Outflows			114.954.182	47.007.032
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	28.313.959	8.899.022	18.539.751	6.883.470
Other Cash Inflows	436.368	1.933.291	436.368	1.933.291
Total Cash Inflows	28.750.327	10.832.313	18.976.119	8.816.761
			Total Adjusted Value	
Total HQLA Stock			83.736.208	43.298.320
Total Net Cash Outflows			95.978.063	38.190.271
Liquidity Coverage Ratio (%)			87,47%	113,58%

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

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

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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
Assets								
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	6.686.576	35.765.833	-	233.938	-	-	-	42.686.347
Banks	3.824.532	298.261	4.872	12.344	663	12.522	-	4.153.194
Financial assets at fair value through profit and loss	8.164	357	16.123.724	22.734	366.750	8	147.029	16.668.766
Receivables from Money market	-	177.528	-	-	-	-	-	177.528
Financial assets at fair value through other comprehensive income	-	1.437.670	1.440.775	21.687.883	29.479.005	6.442.787	224.383	60.712.503
Loans	19.115.553	24.545.307	33.360.974	109.924.738	215.474.472	58.420.415	-	460.841.459
Financial assets measured at amortised cost	-	149.092	1.114.160	9.986.218	31.369.999	40.111.503	-	82.730.972
Other assets ⁽²⁾	257.753	1.615.256	1.911.626	2.456.316	2.158.069	1.620.084	2.085.559	12.104.663
Total assets	29.892.578	63.989.304	53.956.131	144.324.171	278.848.958	106.607.319	2.456.971	680.075.432
Liabilities								
Bank deposits	8.292.478	20.392.750	7.594.271	201.286	32.978	-	-	36.513.763
Other deposits	82.274.808	248.570.199	63.024.812	17.582.732	2.557.591	39.794	-	414.049.936
Funds provided from other financial institutions ⁽³⁾	24	398.814	1.825.956	3.655.787	5.658.888	3.499.721	-	15.039.190
Money market balances	-	102.784.118	13.825	-	-	771.999	-	103.569.942
Bonds issued	-	927.169	3.163.801	9.151.135	2.035.000	-	-	15.277.105
Sundry creditors	116.105	4.152.416	173.501	1.239.030	2.552.123	10.500	629.776	8.873.451
Other liabilities ⁽¹⁾	1.321.334	6.554.519	16.806.865	331.785	10.557.469	7.679.354	43.500.719	86.752.045
Total liabilities	92.004.749	383.779.985	92.603.031	32.161.755	23.394.049	12.001.368	44.130.495	680.075.432
Liquidity gap	(62.112.171)	(319.790.681)	(38.646.900)	112.162.416	255.454.909	94.605.951	(41.673.524)	-
Net off balance sheet position	-	133.605	274.492	1.119.841	560.130	-	-	2.088.068
Derivative financial assets	-	15.000.245	4.159.053	5.332.759	1.741.067	12.283.435	-	38.516.559
Derivative financial liabilities	-	(14.866.640)	(3.884.561)	(4.212.918)	(1.180.937)	(12.283.435)	-	(36.428.491)
Non-cash loans	32.498.513	2.958.783	8.063.914	38.112.710	24.876.353	2.490.982	70.387	109.071.642
Prior Period								
Total Assets	25.662.442	56.004.329	19.498.071	106.151.712	188.549.119	69.513.417	3.252.737	468.631.827
Total Liabilities	56.003.364	231.970.921	62.610.524	47.310.777	19.124.912	17.183.284	34.428.045	468.631.827
Liquidity Gap	(30.340.922)	(175.966.592)	(43.112.453)	58.840.935	169.424.207	52.330.133	(31.175.308)	-
Net off balance sheet position	-	(12.504)	16.212	161.060	573.130	-	-	737.898
Derivative financial assets	-	15.933.967	3.170.567	5.162.933	1.713.612	11.092.703	-	37.073.782
Derivative financial liabilities	-	(15.946.471)	(3.154.355)	(5.001.873)	(1.140.482)	(11.092.703)	-	(36.335.884)
Non-cash loans	27.943.882	3.072.636	9.160.038	31.876.345	16.382.132	2.582.797	-	91.017.830

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

⁽²⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, associates and subsidiaries, office supply inventory, prepaid expenses, deferred tax assets are disclosed in other assets under the undistributed column.

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

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

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:

	Current period	Prior period
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS ⁽¹⁾	610.376.487	468.570.592
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽¹⁾	(14.683)	(61.235)
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments ⁽²⁾	34.841.006	42.549.277
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments ⁽²⁾	51.102.462	43.399.965
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items ⁽²⁾	4.193.830	2.342.071
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-	-
Total Risk Amount	818.308.285	585.384.107

⁽¹⁾ The amounts are represented in the table as of 30 June 2020 and 31 December 2019.

⁽²⁾ The amounts in the table represent three-month averages.

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

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 ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance Sheet Items		
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	662.594.804	461.101.142
2. Assets that are deducted from core capital	(746.029)	(303.124)
3. Total on balance sheet exposures	661.848.775	460.798.018
Derivative exposures and credit derivatives		
4. Replacement cost associated with derivative financial instruments and credit derivatives	3.081.097	1.129.984
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	503.316	552.868
6. The total amount of risk on derivative financial instruments and credit derivatives	3.584.413	1.682.852
Investment securities or commodity collateral financing transactions		
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	2.971.493	4.415.652
8. Risk amount of exchange brokerage operations	-	-
9. Total risks related with securities or commodity financing transactions	2.971.493	4.415.652
Off -Balance Sheet Items		
10. Gross notional amount of off-balance sheet items	154.097.434	120.829.656
11. Adjustments for conversion to credit equivalent amounts	(4.193.830)	(2.342.071)
12. The total risk of off-balance sheet items	149.903.604	118.487.585
Capital and Total Exposures		
13. Tier 1 Capital	48.876.852	37.047.239
14. Total Exposures	818.308.285	585.384.107
Leverage Ratio		
15. Leverage Ratio	5,97	6,33

⁽¹⁾The amounts in the table represent three-month averages.

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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

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

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

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

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

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

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

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

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

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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)

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 September 2020 are presented in the table below.

Current Period (1 January – 30 September 2020)	Corporate/ Commercial	Integrated	Treasury/ Investment⁽¹⁾	Other⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	9.218.771	18.450.226	10.751.782	508.948	38.929.727
Interest on loans	9.186.217	18.377.487	381.048	-	27.944.752
Interest income on marketable securities	-	56.641	10.195.746	-	10.252.387
Interest received from banks	-	-	145.579	408	145.987
Other interest income	32.554	16.098	29.409	508.540	586.601
Interest expense	6.299.567	7.480.632	8.173.985	132.995	22.087.179
Interest on deposits	6.181.958	7.194.097	884.075	-	14.260.130
Interest on borrowings	33.112	54.277	145.369	105.072	337.830
Interest on money market borrowings	-	29.810	5.039.164	13.048	5.082.022
Interest on marketable bonds issued	-	-	1.861.859	12.693	1.874.552
Other interest expense	84.497	202.448	243.518	2.182	532.645
Net interest income	2.919.204	10.969.594	2.577.797	375.953	16.842.548
Net fees and commissions income / (expenses)	712.618	1.115.774	365.448	(68.852)	2.124.988
Net trading profit / (loss) (Net)	7.031	1.933.771	(7.511.294)	14.982	(5.555.510)
Dividend income	-	-	3.829	764	4.593
Other income	262.926	508.701	573.926	1.524.461	2.870.014
Loans and other receivables' impairment loss	1.635.481	1.029.206	3.182.870	56.663	5.904.220
Other expenses	354.671	2.593.832	3.313.918	472.411	6.734.832
Income before taxes	1.911.627	10.904.802	(10.487.082)	1.318.234	3.647.581
Income tax provision	-	-	(507.213)	(107.751)	(614.964)
Net profit for the period	1.911.627	10.904.802	(10.994.295)	1.210.483	3.032.617

SEGMENT ASSETS

(30 September 2020)

Marketable securities ⁽²⁾	-	1.514.674	158.585.131	1.818	160.101.623
Derivative financial assets	-	532.083	2.492.657	-	3.024.740
Banks and money market receivables	-	386	4.310.802	19.154	4.330.342
Associates and subsidiaries (net)	-	-	724.028	-	724.028
Loans ⁽²⁾	146.301.750	287.636.723	10.902.572	-	444.841.045
Other assets ⁽²⁾	3.918.285	4.735.717	51.743.633	6.656.019	67.053.654
TOTAL ASSETS	150.220.035	294.419.583	228.758.823	6.676.991	680.075.432

SEGMENT LIABILITIES

(30 September 2020)

Deposits	172.650.476	241.594.609	36.318.614	-	450.563.699
Derivative financial liabilities	-	415.866	241.563	-	657.429
Money market balances	-	776.378	102.420.462	373.102	103.569.942
Loans	1.044.928	1.113.376	11.058.385	1.822.501	15.039.190
Marketable Securities issued	-	-	14.172.056	1.105.049	15.277.105
Other liabilities	2.195.949	11.327.133	35.765.751	150.832	49.439.665
Provisions and tax payable	289.287	275.189	2,934.575	37.224	3,536.275
Shareholders' equity	2,773.356	11,086.407	27,627.858	504.506	41,992.127
TOTAL LIABILITIES	178.953.996	266.588.958	230.539.264	3.993.214	680.075.432

OFF BALANCE SHEET ITEMS

(30 September 2020)

Guarantees and surety ships	57.241.867	33.476.460	18.353.315	-	109.071.642
Commitments	826.921	11.656.914	38.833.060	117	51.317.012
Derivative financial instruments	-	15.966.003	58.979.047	-	74.945.050

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

⁽²⁾ TFRS 9 Expected Loss Provisions presented in related lines.

⁽³⁾ 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)

Prion Period (1 January – 30 September 2019)	Corporate / Commercial	Integrated	Treasury / Investment⁽¹⁾	Other⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	9.159.391	18.496.125	7.958.979	507.118	36.121.613
Interest on loans	9.157.188	18.135.732	259.878	-	27.552.798
Interest income on marketable securities	-	344.083	7.187.876	-	7.531.959
Interest received from banks	-	-	339.547	4.601	344.148
Other interest income	2.203	16.310	171.678	502.517	692.708
Interest expense	5.635.911	11.676.167	10.952.010	299.011	28.563.099
Interest on deposits	5.604.724	11.318.309	1.280.206	-	18.203.239
Interest on borrowings	22.296	54.611	163.093	178.216	418.216
Interest on money market borrowings	-	157.455	7.485.043	56.222	7.698.720
Interest on marketable bonds issued	-	-	1.906.741	61.030	1.967.771
Other interest expense	8.891	145.792	116.927	3.543	275.153
Net interest income / (loss)	3.523.480	6.819.958	(2.993.031)	208.107	7.558.514
Net fees and commissions income	834.496	951.773	367.570	(156.261)	1.997.578
Net trading profit / (loss)	21.127	300.544	(2.985.939)	2.682	(2.661.586)
Dividend income	-	-	13.838	416	14.254
Other income	852.256	444.499	895.478	1.653.780	3.846.013
Expected credit loss	1.604.662	1.190.836	415.473	88.293	3.299.264
Other expenses	111.639	1.857.255	2.895.289	1.206.815	6.070.998
Income before taxes	3.515.058	5.468.683	(8.012.846)	413.616	1.384.511
Income tax provision	-	-	49.152	(237.234)	(188.082)
Net profit for the period	3.515.058	5.468.683	(7.963.694)	176.382	1.196.429
SEGMENT ASSETS (31 December 2019)					
Marketable securities ⁽²⁾	-	4.833.999	99.226.017	1.818	104.061.834
Derivative financial assets	-	211.149	940.843	-	1.151.992
Banks and money market receivables	-	570	4.247.494	2.592	4.250.656
Associates and subsidiaries (net)	-	-	593.234	-	593.234
Loans ⁽²⁾	112.937.819	179.703.613	9.261.100	-	301.902.532
Other assets ⁽²⁾	3.903.011	3.381.194	41.856.754	7.530.620	56.671.579
TOTAL ASSETS	116.840.830	188.130.525	156.125.442	7.535.030	468.631.827
SEGMENT LIABILITIES (31 December 2019)					
Deposits	101.179.185	174.651.324	24.857.042	-	300.687.551
Derivative financial liabilities	-	148.937	204.781	-	353.718
Money market balances	-	2.951.294	50.276.129	111.918	53.339.341
Loans	1.028.956	1.150.633	10.053.720	1.934.561	14.167.870
Marketable Securities issued	-	-	17.321.413	1.972.719	19.294.132
Other liabilities	1.667.559	8.660.217	31.669.750	3.193.209	45.190.735
Provisions and tax payable	229.542	288.258	2.864.624	18.668	3.401.092
Shareholders' equity	4.053.543	7.964.223	18.210.535	1.969.087	32.197.388
TOTAL LIABILITIES	108.158.785	195.814.886	155.457.994	9.200.162	468.631.827
OFF-BALANCE SHEET ITEMS (31 December 2019)					
Guarantees and 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

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

⁽²⁾ TFRS 9 Expected Loss Provisions presented in related lines.

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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

Overview of Risk Weighted Amounts^(*) :

		Risk Weighted Amounts		Minimum Capital Requirements	
		Current Period	Prior Period	Current Period	Prior Period
1	Credit risk (excluding counterparty credit risk) (CCR) ^(**)	347.878.620	297.590.914	27.830.290	23.807.273
2	Standardized approach (SA)	347.878.620	297.590.914	27.830.290	23.807.273
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk ^(**)	4.683.925	5.804.936	374.714	464.395
5	Standardized approach for counterparty credit risk (SA-CCR)	4.683.925	5.804.936	374.714	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	24.001.588	12.630.875	1.920.127	1.010.470
17	Standardized approach (SA)	24.001.588	12.630.875	1.920.127	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	Total (1+4+7+8+9+10+11+12+16+19+23+24)	400.253.997	338.978.832	32.020.320	27.118.307

^(*) 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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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	1.591.199	4.306.700	1.370.369	2.490.953
CBRT	4.273.438	31.511.382	1.102.242	29.720.567
Other ⁽¹⁾	-	1.003.628	-	629.856
Total	5.864.637	36.821.710	2.472.611	32.841.376

⁽¹⁾ As of 30 September 2020, TRY 276.293 includes the reserve requirement held by the Central Bank of Macedonia and TRY 727.309 of the Central Bank of Serbia (31 December 2019: includes the required reserve amounting to TRY 175.723 held by Central Bank of Macedonia, TRY 454.128 held by the Central Bank of Serbia).

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	4.157.769	13.908.143	1.049.181	15.456.782
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	200.627
Other ⁽²⁾	115.669	17.603.239	53.061	14.063.158
Total	4.273.438	31.511.382	1.102.242	29.720.567

⁽¹⁾ Reserve deposits kept in CBRT.

⁽²⁾ Blocked reserve deposits kept in CBRT and Central Bank of TRNC.

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks operating in Turkey keep reserve deposits for their TRY liabilities held at TRY, US Dollar, Euro and/or standard gold and/or scrap gold with reserve deposit rates between 1%-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 8%-24% 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%-4% varied according to their maturity compositions, for their FC liabilities at TRY, US Dollar, Euro and/or standard gold with reserve deposit rates between 5%-22% varied according to their maturity compositions. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to reserves held in TRY.

Starting from 10 July 2020, the interest related to the reserve requirements for banks held at TRY is paid as 700 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	-
Total	-	-	2.167.331	-

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	15.974.887	-	13.561.277	-
Total	15.974.887	-	13.561.277	-

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	129.061	-	53.516
Swap transactions	27.098	2.868.507	3.695	1.091.646
Futures transactions	-	-	-	-
Options	-	74	1	3.134
Other	-	-	-	-
Total	27.098	2.997.642	3.696	1.148.296

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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	176.291	64.288	302.916	1.117.127
Foreign banks	117.150	3.795.465	205.105	2.538.825
Branches and offices abroad	-	-	-	-
Total	293.441	3.859.753	508.021	3.655.952

(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	2.785.045	20.876.541	-	1.999.958
Total	2.785.045	20.876.541	-	1.999.958

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	23.250.132	-	810.717	-
Total	23.250.132	-	810.717	-

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

	Current Period	Prior Period
Debt securities	60.606.455	15.139.662
<i>Quoted on a stock exchange</i>	59.552.960	14.614.159
<i>Not quoted</i>	1.053.495	525.503
Share certificates	241.664	172.328
<i>Quoted on a stock exchange</i>	176.082	129.381
<i>Not quoted</i>	65.582	42.947
Impairment provision(-)	135.616	17.300
Total	60.712.503	15.294.690

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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	612.989	-	449.555	-
Total	612.989	-	449.555	-

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	328.888.761	18.746.182	98.110	13.332.910
<i>Corporation loans</i>	192.965.273	13.539.138	59.016	13.321.848
<i>Export loans</i>	13.323.806	263.946	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	1.971.580	1.930.000	-	-
<i>Consumer loan^s</i>	80.715.001	791.538	38.115	4.678
<i>Credit cards</i>	12.553.396	566.309	979	-
<i>Other</i>	27.359.705	1.655.251	-	6.384
Specialized lending	73.148.847	1.731.512	-	48
Other receivables	-	-	-	-
Accruals	6.306.780	1.517.278	2.814	693.394
Total	408.344.388	21.994.972	100.924	14.026.352

	Standard Loans		Loans under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months expected loss provision	1.967.384	1.313.994	-	-
Significant Increase in Credit Risk	-	-	3.555.516	1.224.292

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

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

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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):

c) Information on consumer loans, individual credit cards, personnel loans and credit cards^(*):

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	588.161	75.611.093	76.199.254
<i>Real estate loans</i>	6.709	48.275.817	48.282.526
<i>Automobile loans</i>	3.760	549.731	553.491
<i>Consumer loans</i>	577.692	26.785.545	27.363.237
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	5.738	454.559	460.297
<i>Real estate loans</i>	-	402.269	402.269
<i>Automobile loans</i>	-	10.576	10.576
<i>Consumer loans</i>	5.738	41.714	47.452
<i>Other</i>	-	-	-
Consumer loans- FC	6.427	3.077.564	3.083.991
<i>Real estate loans</i>	528	825.928	826.456
<i>Automobile loans</i>	62	5.832	5.894
<i>Consumer loans</i>	4.516	2.178.406	2.182.922
<i>Other</i>	1.321	67.398	68.719
Individual credit cards-TRY	4.164.644	968	4.165.612
<i>Installment</i>	1.663.491	968	1.664.459
<i>Non-installment</i>	2.501.153	-	2.501.153
Individual credit cards-FC	226	123.124	123.350
<i>Installment</i>	2	123.124	123.126
<i>Non-installment</i>	224	-	224
Personnel loans-TRY	23.457	361.510	384.967
<i>Real estate loans</i>	-	108	108
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	23.457	361.402	384.859
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	29.624	29.624
<i>Real estate loans</i>	-	26.711	26.711
<i>Automobile loans</i>	-	99	99
<i>Consumer loans</i>	-	2.814	2.814
<i>Other</i>	-	-	-
Personnel loans-FC	419	52.853	53.272
<i>Real estate loans</i>	123	37.626	37.749
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	292	14.661	14.953
<i>Other</i>	4	566	570
Personnel credit cards-TRY	121.568	-	121.568
<i>Installment</i>	45.019	-	45.019
<i>Non-installment</i>	76.549	-	76.549
Personnel credit cards-FC	24	2.367	2.391
<i>Installment</i>	-	2.367	2.367
<i>Non-installment</i>	24	-	24
Overdraft accounts-TRY (Retail customers) ^(**)	1.216.929	-	1.216.929
Overdraft accounts-FC (Retail customers) ^(***)	110.089	10.909	120.998
Total	6.237.682	79.724.571	85.962.253

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

^(**) TRY 19.990 of the overdraft account consists of loans given to personnel.

^(***) TRY 1.177 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^(*) (continued):

Prior Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	548.125	44.517.031	45.065.156
<i>Real estate loans</i>	6.865	28.443.572	28.450.437
<i>Automobile loans</i>	4.954	270.544	275.498
<i>Consumer loans</i>	536.306	15.802.915	16.339.221
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	496	655.813	656.309
<i>Real estate loans</i>	-	252.686	252.686
<i>Automobile loans</i>	-	7.072	7.072
<i>Consumer loans</i>	496	396.055	396.551
<i>Other</i>	-	-	-
Consumer loans- FC	12.109	1.505.308	1.517.417
<i>Real estate loans</i>	86	452.434	452.520
<i>Automobile loans</i>	52	4.782	4.834
<i>Consumer loans</i>	11.001	984.604	995.605
<i>Other</i>	970	63.488	64.458
Individual credit cards-TRY	3.672.274	540	3.672.814
<i>Installment</i>	1.373.015	540	1.373.555
<i>Non-installment</i>	2.299.259	-	2.299.259
Individual credit cards-FC	536	90.336	90.872
<i>Installment</i>	5	90.336	90.341
<i>Non-installment</i>	531	-	531
Personnel loans-TRY	21.068	239.546	260.614
<i>Real estate loans</i>	-	238	238
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	21.068	239.308	260.376
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	21.152	21.152
<i>Real estate loans</i>	-	19.108	19.108
<i>Automobile loans</i>	-	98	98
<i>Consumer loans</i>	-	1.946	1.946
<i>Other</i>	-	-	-
Personnel loans-FC	356	35.459	35.815
<i>Real estate loans</i>	38	24.832	24.870
<i>Automobile loans</i>	-	19	19
<i>Consumer loans</i>	315	10.521	10.836
<i>Other</i>	3	87	90
Personnel credit cards-TRY	105.407	-	105.407
<i>Installment</i>	36.764	-	36.764
<i>Non-installment</i>	68.643	-	68.643
Personnel credit cards-FC	87	2.001	2.088
<i>Installment</i>	-	2.001	2.001
<i>Non-installment</i>	87	-	87
Overdraft accounts-TRY (Retail customers) ^(**)	1.159.618	-	1.159.618
Overdraft accounts-FC (Retail customers) ^(***)	71.340	7.514	78.854
Total	5.591.416	47.074.700	52.666.116

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

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

^(***) 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^(*):

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	701.651	39.120.731	39.822.382
<i>Business premises loans</i>	6.192	807.902	814.094
<i>Automobile loans</i>	40.056	993.235	1.033.291
<i>Consumer loans</i>	655.403	37.319.594	37.974.997
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	211.626	1.614.932	1.826.558
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	19.878	19.878
<i>Other</i>	211.626	1.595.054	1.806.680
Commercial installment loans - FC	1.086.525	29.898.740	30.985.265
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	82.232	26.715.540	26.797.772
<i>Other</i>	1.004.293	3.183.200	4.187.493
Corporate credit cards-TRY	8.703.680	-	8.703.680
<i>Installment</i>	5.363.439	-	5.363.439
<i>Non-installment</i>	3.340.241	-	3.340.241
Corporate credit cards-FC	331	3.752	4.083
<i>Installment</i>	-	3.752	3.752
<i>Non-installment</i>	331	-	331
Overdraft accounts-TRY (Commercial customers)	2.506.779	-	2.506.779
Overdraft accounts-FC (Commercial customers)	16.789	-	16.789
Total	13.227.381	70.638.155	83.865.536

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

Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.028.247	37.237.477	38.265.724
<i>Business premises loans</i>	2.997	624.487	627.484
<i>Automobile loans</i>	32.702	671.338	704.040
<i>Consumer loans</i>	992.548	35.941.652	36.934.200
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	164.263	1.141.395	1.305.658
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	135	135
<i>Consumer loans</i>	-	42.947	42.947
<i>Other</i>	164.263	1.098.313	1.262.576
Commercial installment loans - FC	774.910	20.026.406	20.801.316
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	115.130	18.022.986	18.138.116
<i>Other</i>	659.780	2.003.420	2.663.200
Corporate credit cards-TRY	2.728.827	-	2.728.827
<i>Installment</i>	1.035.348	-	1.035.348
<i>Non-installment</i>	1.693.479	-	1.693.479
Corporate credit cards-FC	191	3.475	3.666
<i>Installment</i>	-	3.475	3.475
<i>Non-installment</i>	191	-	191
Overdraft accounts-TRY (Commercial customers)	2.227.970	-	2.227.970
Overdraft accounts-FC (Commercial customers)	17.349	-	17.349
Total	6.941.757	58.408.753	65.350.510

^(*) 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^(*):

	Current Period	Prior Period
Domestic loans	431.174.741	288.462.207
Foreign loans	13.291.895	8.855.223
Total	444.466.636	297.317.430

^(*) Non-performing loans are not included in the table above

f) Loans granted to subsidiaries and associates:

None.

g) Credit-impaired losses (Stage III):

	Current Period	Prior Period
Loans and receivables with limited collectability	455.059	1.052.167
Loans and receivables with doubtful collectability	288.232	2.010.708
Uncollectible loans and receivables	9.734.223	5.890.984
Total	10.477.514	8.953.859

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:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Gross amounts before the specific provisions	289.511	99.120	1.874.042
Rescheduled loans and other receivables	289.511	99.120	1.874.042
Priod Period			
Gross amounts before the specific provisions	157.114	102.114	1.429.276
Rescheduled loans and other receivables	157.114	102.114	1.429.276

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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:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period end balance	2.837.569	4.525.448	8.714.230
Additions (+)	2.123.139	142.601	1.638.303
Transfers from other categories of loans under follow-up (+)	-	2.110.792	5.441.102
Transfers to other categories of loans under follow-up (-)	2.778.089	4.773.805	-
Collections (-)	682.628	1.296.518	998.795
Write-offs (-)	4.796	265	595.533
Sold (-)	1.796	-	26.136
<i>Corporate and Commercial Loans</i>	1.796	-	26.136
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	1.493.399	708.253	14.173.171
Provision (-)	455.059	288.232	9.734.223
Net balance on balance sheet	1.038.340	420.021	4.438.948

Prior Period:

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

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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:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	307.720	150.956	4.269.548
Provisions(-)	117.235	60.721	3.393.551
Net balance in the balance sheet	190.485	90.235	875.997
Prior period			
Balance at the end of the period	558.373	1.421.655	2.685.298
Provisions(-)	227.564	847.589	1.510.744
Net balance in the balance sheet	330.809	574.066	1.174.554

(*) Accruals are not included in the table.

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)			
Loans to granted real persons and legal entities (Gross)	1.493.399	708.253	14.173.171
Provisions (-)	455.059	288.232	9.734.223
Loans to granted real persons and legal entities (Net)	1.038.340	420.021	4.438.948
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior Period (Net)			
Loans to granted real persons and legal entities (Gross)	2.837.569	4.525.448	8.714.230
Provisions (-)	1.052.167	2.010.708	5.890.984
Loans to granted real persons and legal entities (Net)	1.785.402	2.514.740	2.823.246
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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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, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	12.851	15.271	763.354
Interest Accruals and Valuation Differences	27.538	39.400	2.159.000
Provision (-)	14.687	24.129	1.395.646
Prior Period (Net)	178.457	480.977	276.827
Interest Accruals and Valuation Differences	297.411	919.761	770.306
Provision (-)	118.954	438.784	493.479

j) Main guidelines of the liquidation policy of the Parent 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.

The Group derecognised TRY 600.594 of follow-up loans in the current period due to the lack of reasonable expectations.

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bills	-	-	-	-
Government bonds and similar securities	44.405.778	22.102.676	3.044.934	9.849.904
Other	-	-	-	-
Total	44.405.778	22.102.676	3.044.934	9.849.904

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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	11.767.326	1.514.674	35.754.611	4.806.422
Total	11.767.326	1.514.674	35.754.611	4.806.422

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

	Current Period	Prior Period
Government bonds	81.676.852	72.004.446
Treasury bills	168.837	262.767
Other public sector debt securities	834.765	153.396
Total	82.680.454	72.420.609

c) Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Debt securities	82.730.972	72.471.122
<i>Quoted on a stock exchange</i>	82.562.135	72.208.355
<i>Not quoted</i>	168.837	262.767
Impairment provision (-)	-	-
Total	82.730.972	72.471.122

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

	Current Period	Prior Period
Beginning balance	72.208.355	56.073.053
Foreign currency differences on monetary assets	6.097.162	1.290.698
Purchases during the year ⁽¹⁾	16.622.240	18.670.158
Disposals through sales and redemptions	(12.365.622)	(3.825.554)
Impairment provision (-)	-	-
Balance at the end of the period	82.562.135	72.208.355

⁽¹⁾ Interest income accrual differences between 30 September 2020 amounting to TRY 11.634.566 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. ⁽¹⁾	Istanbul	18,18	18,18
2. Platform Ortak Kartlı Sistemler A.Ş.	Istanbul	20,00	20,00
3. Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. ⁽¹⁾	Istanbul	33,33	33,33

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.	368.488	215.544	197.561	4.781	-	43.294	26.579	-
2.	5.250	5.250	-	-	-	-	-	-
3.	82.474	49.867	17.248	1.497	-	1.852	12.605	27.997

⁽¹⁾ The financial data is obtained from 30 September 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⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽²⁾
1.	13.790.839	2.228.291	34.746	245.277	7.963	45.061	77.551	659.978
2.	52.644	51.631	21	2.336	-	(1.516)	2.763	-
3.	178.667	46.367	1.758	767	-	20.113	5.205	-

⁽¹⁾ The financial data is obtained from 30 September 2020 financial statements used in consolidation.

⁽²⁾ Financial information on the fair value of Demir Halkbank NV has been obtained from valuation report as of 30 September 2020.

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

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

Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	509.234	458.722
Movements during the period	214.794	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^{(1) (2)}</i>	10.369	-
<i>Revaluation decrease (-) / increase</i>	192.416	47.887
<i>Impairment Provisions (-) / Reversals</i>	-	-
Balance at the end of the period	724.028	509.234
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ The Parent Bank has classified the remaining shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. the amount TRY 27.997 after the sale in the current period as an associate, which were classified as a subsidiary in the previous period.

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

d) Sectorial information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	668.487	476.980
Insurance companies	7.729	4.427
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	16.249	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 ⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ	Halk Bank AD, Beograd	Halk Varlık Kiralama AŞ	Halk Osiguru vanje AD, Skopje
CORE CAPITAL								
Paid in Capital	104.000	970.000	323.000	600.732	96.000	213.395	100	62.369
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share premium	-	49.945	-	11.633	-	99.004	-	-
Reserves	54.881	75.558	15.417	610.721	24.413	546.272	1.692	130.001
Other Comprehensive Income according to TAS	17.075	859.325	-	9.867	10	24.061	-	-
Profit / Loss	125.203	26.873	(25.216)	30.811	68.933	52.543	252	(29.739)
<i>Net Profit</i>	<i>125.203</i>	<i>26.873</i>	<i>49.482</i>	<i>50.177</i>	<i>74.880</i>	<i>28.343</i>	<i>252</i>	<i>1.976</i>
<i>Prior Period Profit/Loss</i>	<i>-</i>	<i>-</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 (-)	-	2.783	-	15.820	-	8.385	-	-
Intangible Assets (-)	1.782	323	1.896	17.011	1.677	21.980	2	-
Total Core Capital	299.377	1.978.571	311.210	1.230.320	187.679	904.910	2.042	162.631
SUPPLEMENTARY CAPITAL	-	-	48.176	18.621	28.524	11.083	-	-
CAPITAL	299.377	1.978.571	359.386	1.248.941	216.203	915.993	2.042	162.631
NET AVAILABLE CAPITAL	299.377	1.978.571	359.386	1.248.941	216.203	915.993	2.042	162.631

⁽¹⁾ The financial data is obtained from 30 September 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	Istanbul	99,96	99,97
2. A.Ş. ^(2,3)	Istanbul	79,33	79,36
3. Halk Finansal Kiralama A.Ş.	Istanbul	100,00	100,00
4. Halk Banka A.D., Skopje	Macedonia	99,40	99,40
5. Halk Faktoring A.Ş.	Istanbul	97,50	99,99
6. Halk Banka A.D. Beograd	Serbia	100,00	100,00
7. Halk Varlık Kiralama A.Ş.	Istanbul	100,00	100,00
8. Halk Osiguruvanje A.D., Skopje	Macedonia	-	99,40

Information related to the subsidiaries as sorted above ⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
1.	937.036	301.159	8.770	53.763	16.022	125.203	49.821	294.882
2.	2.427.818	1.954.331	1.642.301	1.985	-	26.873	40.538	1.668.301
3.	4.292.561	313.106	4.072	275.243	-	49.482	(6.721)	385.000
4.	9.073.653	1.263.151	240.280	183.650	11.830	50.177	42.479	1.303.441
5.	1.805.438	189.356	3.351	234.028	-	74.880	38.305	231.075
6.	6.133.223	935.275	133.497	126.647	18.731	28.343	20.143	835.361
7.	1.007.571	2.044	2	-	-	252	539	2.900
8.	165.220	162.631	18.782	370	106	1.976	(10.863)	37.189

⁽¹⁾ The financial data is obtained from 30 September 2020 financial statements used in consolidation.

⁽²⁾ Halk Gayrimenkul Yatırım Ortaklığı A.Ş. is valued at stock price.

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

	Current Period	Prior Period
Balance at the beginning of the period (before elimination)	3.261.227	4.332.481
Movements during the period	1.479.079	(1.071.254)
<i>Purchases⁽⁴⁾</i>	148.506	109.320
<i>Bonus shares obtained profit from current year's share</i>	30.224	171.789
<i>Dividends from current year income</i>	-	-
<i>Sales⁽²⁾</i>	(56.003)	-
<i>Transfer⁽¹⁾⁽³⁾</i>	(27.997)	(2.576.996)
<i>Revaluation increase</i>	1.384.349	1.039.402
<i>Provisions for impairment (-) / Reversals</i>	-	185.231
Share capital elimination of subsidiaries	(4.740.306)	(3.177.227)
Balance at the end of the period	-	84.000

Capital commitments

Share percentage at the end of the period (%)

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

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

	Current Period	Prior Period
Banks	2.138.802	1.429.212
Insurance companies	19.346	-
Factoring companies	231.075	231.075
Leasing companies	385.000	385.000
Financing companies	-	-
Other financial subsidiaries	1.966.083	1.112.594
Other non-financial subsidiaries	-	84.000

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period
Quoted to domestic stock ⁽¹⁾	1.668.301	814.812
Quoted foreign stock exchange	-	-

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

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

None.

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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	1.500.732	1.167.524	1.289.704	1.053.283
Between 1-4 years	2.415.205	1.814.350	1.748.564	1.413.713
More than 4 years	1.099.894	860.929	415.070	349.495
Total	5.015.831	3.842.803	3.453.338	2.816.491

b) Information on gross investments of financial lease:

	Current Period	Prior Period
Gross financial lease investment	5.015.831	3.453.338
Unearned revenues from financial lease	(1.173.028)	(636.847)
Total	3.842.803	2.816.491

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

	Current Period	Prior Period
Financial lease receivables with limited collectability	261	7.866
Financial lease receivables with doubtful collectability	1.458	2.517
Uncollectible financial lease receivables	568.892	563.940
Provisions	(467.480)	(429.208)
Total	103.131	145.115

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

None.

(12) Information on investment property:

	Current Period	Priod Period
Cost		
Opening Balance	1.194.428	1.057.058
Acquisitions	61.574	86.070
Transfer	5.247	51.300
Disposals	1.312	-
Impairment Provisions	-	-
Ending Balance	1.259.937	1.194.428
Accumulated Depreciation (-)		
Opening Balance	89.965	83.657
Additions	5.105	5.874
Disposals (-)	55	-
Impairment Provisions (-)	-	-
Transfer	53	434
Total Accumulated Depreciation (-)	95.068	89.965
Net Book Value	1.164.869	1.104.463

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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)

(13) Information on tax assets:

Please refer to Section 5 Explanations related to the Liabilities, footnote (9)

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

	Current Period	Prior Period
Cost	1.441	1.076.418
Accumulated Depreciation (-)	-	-
Net book value	1.441	1.076.418
Opening Balance	1.076.418	9.593
Acquisition	-	145.599
Transfer (Net)	-	929.156
Disposals (Net)	(1.074.977)	(7.930)
Revaluation Increase	-	-
Impairment (-) / Reversal	-	-
Depreciation (-)	-	-
Closing net book value	1.441	1.076.418

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
FINANCIAL STATEMENTS (continued)

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

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

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 6.714.685 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	13.342.362	-	7.425.480	54.046.601	4.232.494	794.179	2.044.860	119.281	82.005.257
Foreign currency deposits	35.168.623	-	16.758.935	87.282.419	5.196.902	3.812.221	9.903.843	13.683	158.136.626
<i>Residents in Turkey</i>	28.423.679	-	13.257.216	83.276.747	3.685.507	1.943.735	4.568.475	13.106	135.168.465
<i>Residents abroad</i>	6.744.944	-	3.501.719	4.005.672	1.511.395	1.868.486	5.335.368	577	22.968.161
Public sector deposits	4.102.899	-	27.344.953	4.293.775	605.948	173.466	2.597	-	36.523.638
Commercial inst. deposits	11.799.424	-	32.753.379	39.793.689	1.789.247	655.563	3.355.666	-	90.146.968
Other inst. deposits	1.080.155	-	3.734.733	16.720.257	1.020.322	64.476	4.093.246	-	26.713.189
Precious metals	16.781.345	-	99.518	3.112.385	318.016	76.631	136.363	-	20.524.258
Interbank deposits	8.292.478	-	15.204.222	12.448.264	509.024	26.797	32.978	-	36.513.763
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	118.403	-	13.439.095	7.589.467	468.744	-	-	-	21.615.709
<i>Foreign banks</i>	8.174.075	-	228.484	4.858.797	40.280	26.797	32.978	-	13.361.411
<i>Participation banks</i>	-	-	1.536.643	-	-	-	-	-	1.536.643
Total	90.567.286	-	103.321.220	217.697.390	13.671.953	5.603.333	19.569.553	132.964	450.563.699

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
Total	54.348.451	-	41.812.327	167.097.815	16.018.517	5.374.419	15.923.264	112.758	300.687.551

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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	40.658.997	36.907.556	41.052.809	30.985.259
Foreign currency saving deposits	29.305.939	20.906.734	63.341.985	39.681.492
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	451.312	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	240.769	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	9.767	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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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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	2.578	91.888	-	26.906
Swap transactions	9.324	551.247	51	323.606
Future transactions	-	-	-	-
Options	-	2.392	283	2.872
Other	-	-	-	-
Total	11.902	645.527	334	353.384

(3) Information on funds borrowed:

a) Information on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	1.015.603	3.209.649	1.410.975	2.834.411
Foreign banks, institutions and funds	-	10.813.938	-	9.922.484
Total	1.015.603	14.023.587	1.410.975	12.756.895

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	1.015.287	1.659.836	1.410.645	1.677.419
Medium and long term	316	12.363.751	330	11.079.476
Total	1.015.603	14.023.587	1.410.975	12.756.895

c) Additional disclosures related to the concentrations of the Parent Bank's major liabilities: Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Group is deposits, which is composed of 18,20% of saving deposits and 35,10 % of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Group borrows loans from interbank money markets.

The Group's 41,76% of bank deposits and 43,15% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

	Current period		Prior period	
	TRY	FC	TRY	FC
Bills	4.416.471	-	4.745.320	-
Asset Back Securities	2.016.104	-	2.651.546	-
Bonds	1.060.101	7.784.429	1.384.736	10.512.530
Total	7.492.676	7.784.429	8.781.602	10.512.530

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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)

(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 Parent Bank:

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

b) Explanation on finance lease payables:

None (31 December 2019: None).

c) Explanations regarding operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	45.546	42.995	69.587	60.938
Between 1-4 years	218.271	189.722	213.886	176.372
More than 4 years	816.668	596.833	667.444	406.749
Total	1.080.485	829.550	950.917	644.059

(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 September 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 September 2020, the Group's specific provision for unindemnified non-cash loans balance is TRY 138.102 (31 December 2019: TRY 114.712).

c) Information on other provisions:

Total other provision balance amounting to TRY 614.784 (31 December 2019: TRY 562.945) consists of TRY 138.102 for specific provisions of unindemnified and unfunded non-cash loans (31 December 2019: TRY 114.712), TRY 244.814 for stage 1 and stage 2 expected credit loss amount of non-cash loans (31 December 2019: TRY 173.769), TRY 104.852 for legal cases filed against the Group (31 December 2019: TRY 78.634), and TRY 127.016 of other provisions (31 December 2019: TRY 195.830).

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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)

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 September 2020, calculated tax payable of the Parent Bank is TRY 31.211 (31 December 2019: TRY 431.563).

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate tax payable	31.211	431.563
Income on securities tax	712.677	625.775
Property income tax	1.077	2.199
Banking and insurance transactions tax (BITT)	127.103	162.114
Foreign exchange transactions tax	31.910	4.360
Value added tax payable	6.347	3.830
Other	69.799	62.557
Total	980.124	1.292.398

a.3. Information on premiums:

	Current Period	Prior Period
Social insurance premiums-employee	314	261
Social insurance premiums-employer	906	745
Bank social aid pension fund premium-employee	19.623	14.605
Bank social aid pension fund premium-employer	30.542	21.370
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	1.468	1.078
Unemployment insurance-employer	2.952	2.167
Other	1.210	663
Total	57.015	40.889

b) Explanations related to deferred tax liability:

	Current Period	Prior Period
Deffered Tax Asset (Liability)		
Provisions ⁽¹⁾	1.599.141	879.633
Valuation of Financial Assets	(1.609.496)	(735.286)
Other	(466.051)	(409.467)
Net Deffered Tax Asset (Liability)⁽²⁾	(476.406)	(265.120)
Deffered Tax Accounting Under Equity	(74.577)	(134.878)
Fair Value of Security Internal Efficiency Market Value Difference Through Other Comprehensive Income	61.232	1.698
Actuarial Loss / Earning	14.965	15.060
Real Estate Revaluation	(150.774)	(151.636)

⁽¹⁾ Consists of employee rights obligations and other provisions.

⁽²⁾ Net deferred tax liability amounting to TRY 476.406 consists of TRY 53.524 deferred tax asset and TRY 529.930 deferred tax liability.

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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^(*):

Information on Subordinated Loans	Current Period		Prior Period	
	TRY	FC	TRY	FC
To be included in the calculation of additional capital borrowings instruments	-	8.695.031	-	6.146.988
Subordinated loans	-	8.695.031	-	6.146.988
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.009.687	-	6.037.858	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.009.687	-	6.037.858	-
Total	6.009.687	8.695.031	6.037.858	6.146.988

^(*) 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 Parent Bank's main shareholder Türkiye Varlık Fonu.

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

(12) Information on shareholders' equity (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 September 2020, the Parent Bank has resold previously acquired shares amounting to TRY 1.500 and repurchased shares amounting to TRY 18.339 within the scope of the Board of Directors' decision dated 29 August 2018 and 17 March 2020.

g) Indicators of the Group's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Group's equity due to the uncertainty of these indicators:

The Group has sustainable profitability and equity structure. There are no uncertainties that would impact the current position.

h) Information on preferred shares:
None.

i) Information on marketable securities revaluation fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	15.040	4.215	45.126	2.157
Valuation differences	15.040	4.215	45.126	2.157
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	60.465	(238.229)	337.320	(83.834)
Valuation differences	60.465	(241.746)	337.320	(77.988)
Exchange rate difference	-	3.517	-	(5.846)
Total	75.505	(234.014)	382.446	(81.677)

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III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period	Prior Period
Commitments for credit card expenditure limits	28.038.220	16.772.843
Payment commitments for cheques	4.010.307	3.219.679
Loan granting commitments	4.239.730	3.138.339
Two days forward foreign exchange buy/sell transactions	4.498.434	2.232.623
Forward deposit purchase and sale commitments	85.000	-
Commitments for credit cards and banking services promotions	22.878	24.943
Tax and fund liabilities from export commitments	116.157	83.156
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	5.253.532	4.406.707
Total	46.264.258	29.878.290

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

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

	Current Period	Prior Period
Letters of credit	2.341.403	3.901.651
Bank acceptances	6.368.770	6.961.998
Other guarantees	4.182.782	2.807.693
Total	12.892.955	13.671.342

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

	Current Period	Prior Period
Letters of certain guarantees	17.605.216	16.502.447
Letters of advance guarantees	5.327.476	4.510.376
Letters of tentative guarantees	1.485.072	761.085
Letters of guarantee given to customs offices	2.233.483	1.940.202
Other letters of guarantee	69.527.440	53.632.378
Total	96.178.687	77.346.488

b.3. Total non-cash loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	13.576.511	9.474.261
<i>Within one year or less original maturity</i>	<i>1.894.009</i>	<i>2.389.105</i>
<i>Within more than one year maturity</i>	<i>11.682.502</i>	<i>7.085.156</i>
Other non-cash loans	95.495.131	81.543.569
Total	109.071.642	91.017.830

c) Information on contingent liabilities and assets:

Group's commitments for the cheques given to customers are TRY 4.010.307 (31 December 2019: TRY 3.219.679).

d) Services provided on behalf of others:

None.

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IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	3.975.576	365.223	7.590.776	494.745
Medium and long term loans	18.891.659	4.349.081	14.983.807	3.931.848
Interest on non-performing loans	363.019	194	551.361	261
Premiums from resource utilization support fund	-	-	-	-
Total	23.230.254	4.714.498	23.125.944	4.426.854

⁽¹⁾ Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
CBRT	119.940	-	209.722	33.000
Domestic banks	16.094	599	59.338	3.131
Overseas banks	6.012	3.342	15.889	23.068
Head office and branches	-	-	-	-
Total	142.046	3.941	284.949	59.199

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets at fair value through profit or loss	18.034	4	12.800	1.082
Financial assets at fair value through other comprehensive income	2.853.577	203.375	1.022.254	114.899
Financial assets measured at amortised cost	6.217.670	959.727	5.781.828	599.096
Total	9.089.281	1.163.106	6.816.882	715.077

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	113.812	206.542	166.025	238.296
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	113.812	68.647	150.617	56.639
<i>Overseas banks</i>	-	137.895	15.408	181.657
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	7	17.469	7	13.888
Total	113.819	224.011	166.032	252.184

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	6.881	14.914

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	1.229.397	645.155	1.460.517	507.254
Toplam	1.229.397	645.155	1.460.517	507.254

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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
Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	91	748.832	374.781	12.302	531	-	-	1.136.537	
Saving deposits	134	368.300	3.573.350	410.155	56.793	361.275	8.023	4.778.030	
Public deposits	48	491.700	179.147	29.220	23.952	558	-	724.625	
Commercial deposits	743	1.880.669	2.647.925	132.012	39.905	452.250	-	5.153.504	
Other deposits	1	189.534	903.031	141.328	38.590	165.287	-	1.437.771	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	1.017	3.679.035	7.678.234	725.017	159.771	979.370	8.023	13.230.467	
Foreign currency									
Deposits	1.184	82.148	693.846	38.030	30.806	83.510	-	929.524	
Bank deposits	9	90.906	-	-	-	-	-	90.915	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	580	6.264	1.233	323	824	-	9.224	
Total	1.193	173.634	700.110	39.263	31.129	84.334	-	1.029.663	
Grand total	2.210	3.852.669	8.378.344	764.280	190.900	1.063.704	8.023	14.260.130	
Prior Period									
Prior Period		Time deposits						Cumulative deposit	Total
Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	393	872.491	628.231	24.320	2.058	-	-	1.527.493	
Saving deposits	96	353.571	6.038.707	901.125	273.399	226.592	8.977	7.802.467	
Public deposits	59	286.673	453.645	130.141	54.142	2.441	-	927.101	
Commercial deposits	20	1.340.140	2.154.395	291.100	217.182	207.799	-	4.210.636	
Other deposits	2	67.708	756.460	541.924	141.948	76.297	-	1.584.339	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	570	2.920.583	10.031.438	1.888.610	688.729	513.129	8.977	16.052.036	
Foreign currency									
Deposits	957	263.859	1.369.131	128.297	54.787	133.788	-	1.950.819	
Bank deposits	544	191.571	434	61	457	300	-	193.367	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	27	5.265	526	403	796	-	7.017	
Total	1.501	455.457	1.374.830	128.884	55.647	134.884	-	2.151.203	
Grand total	2.071	3.376.040	11.406.268	2.017.494	744.376	648.013	8.977	18.203.239	

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

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

	Current Period	Prior Period
Profit	43.749.974	40.451.499
Profit from the capital market operations	214.281	199.359
Profit on derivative financial instruments	8.424.569	6.892.509
Foreign exchange gains	35.111.124	33.359.631
Loss (-)	49.305.484	43.113.085
Loss from the capital market operations	124.799	6.152
Loss on derivative financial instruments	4.932.793	9.104.032
Foreign exchange losses	44.247.892	34.002.901

(4) Information on other operating income:

	Current period	Prior Period
Adjustments for prior period expenses	846.174	1.902.332
Insurance technical income	55.966	146
Income from the asset sale	229.272	68.304
Rent income	48.771	56.089
Other income	193.945	191.768
Total	1.374.128	2.218.639

(5) Impairment losses on loans and other receivables:

Expected Credit Losses:

	Current Period	Prior Period
Expected Credit Loss	5.904.220	3.299.264
<i>12 Month Expected Credit Loss (Stage 1)</i>	<i>745.384</i>	<i>349.038</i>
<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>2.374.005</i>	<i>132.655</i>
<i>Non – Performing Loans (Stage 3)</i>	<i>2.784.831</i>	<i>2.817.571</i>
Marketable Securities Impairment Expense	-	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-	-
<i>Financial Assets at Fair Value through Other Comprehensive Income</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint Ventures</i>	-	-
Other	26.555	21.748
Total	5.930.775	3.321.012

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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	117.223	88.863
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	322.294	268.419
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	65.523	36.213
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	15.142	8.285
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	1.840.775	1.484.251
<i>Leasing Expenses on TFRS 16 Exceptions</i>	<i>72.790</i>	<i>70.617</i>
<i>Maintenance expenses</i>	<i>48.644</i>	<i>49.387</i>
<i>Advertisement expenses</i>	<i>160.461</i>	<i>154.062</i>
<i>Other expenses</i>	<i>1.558.880</i>	<i>1.210.185</i>
Loss on sales of assets	208	25
Other	984.022	691.732
Total	3.345.187	2.577.788

(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 16.842.548 of net interest income (30 September 2019: TRY 7.558.514) and TRY 2.124.988 of net fees and commission income (30 September 2019: TRY 1.997.518). The profit from continued operations before tax amounts to TRY 2.660.208 (30 September 2019: TRY 1.028.610).

The profit before tax from discontinued operations of the Group is amounting to TRY 987.373. (30 September 2019: 355.901)

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

For the period ended 30 September 2020, the Group's tax provision for continued operations amounting to TRY 566.361 (30 September 2019: TRY 33.506 tax benefit) consists of TRY 294.774 (30 September 2019: TRY 37.797) of current tax charge, TRY 1.119.938 (30 September 2019: TRY 685.705) of deferred tax charge and TRY 848.351 (30 September 2019: TRY 757.008) of deferred tax benefit.

For the period ended 30 September 2020, the Group's deferred tax provision from discontinued operations is amounting to TRY 48.603 (30 September 2019: TRY 221.588) consists of TRY 48.981 (30 September 2019: TRY 227.028) of current tax charge and TRY 378 (30 September 2019: TRY 5.440) of deferred tax benefit.

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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 September 2020, the Group's operating income after tax for continued operations is amounting to TRY 2.093.847 (30 September 2019: TRY 1.062.116).

As of 30 September 2020, the Group's operating income after tax for discontinued operations is amounting to TRY 938.770 (30 September 2019: TRY 134.313).

- (10) Information on net profit/loss:

- a) Income and expenses from ordinary banking operations:

There is no requirement to make disclosure.

- b) Effects of changes in accounting estimates on the current and future periods' profit/loss:

There is no requirement to make disclosure.

- (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	-	6.073	-	-	-	-

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

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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 21.907 as of 30 September 2020 (30 September 2019: TRY 23.634).

VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

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

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

VII. OTHER EXPLANATIONS

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 indictment on 10 August 2020.

District Court denied the Parent Bank's motion regarding the recusal of the judge on 24 August 2020. The Parent Bank appealed the District Court's decision to the Second Circuit Court of Appeals on 3 September 2020.

District Court denied the Parent Bank's motion on attacking the face of the indictment on 1 October 2020. The Parent Bank appealed for the motion on attacking the face of the indictment with regard to Foreign State Immunity (exemption from the jurisdiction of the USA courts) to the Second Circuit Court of Appeals. Within this framework, the Parent Bank filed a motion to the District Court to suspend the hearings and cancel the current trial schedule, but the District Court denied this motion and postponed the trial calendar for 60 days. Accordingly, jury hearings will start on 3 May 2021 instead of 1 March 2021.

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 Parent Bank filed a motion to the court to dismiss the complaint of plaintiffs on 25 September 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.

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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 September 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 12 November 2020 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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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

Esteemed Stakeholders,

Leading international organizations are frequently updating their year-end growth estimates based on the recent developments in pandemic management. Although the rapid recovery lately observed in China created optimism regarding the global situation, we continue to receive news that slows down the overall adaptation to the new normal, especially from Western countries. As Turkey is one of the geopolitical hubs of global trade, we are significantly affected by these developments.

However, Turkey's economy is strong enough to easily manage these challenges, and 2021 will be a year when the global uncertainties of the past year will largely disappear. I believe that the measures we have taken throughout the year will have a positive effect on the real economy and that we will rebound with the relief that the improvements in vaccination and treatment will bring.

The New Economy Program announced by the Ministry of Treasury and Finance will provide guidance to the public and private sectors in this regard. Moreover, the support provided for the production of high value-added products and to exporting industries will increase the foreign currency income of the real sector in a new era where global supply chains are on the brink of tremendous change.

Esteemed Stakeholders,

Developed countries have rigorously analyzed the risks brought about by setbacks in their supply chains during the pandemic. They understand that commercial relations are not only related to price competition, but also to geographic proximity, political and social stability, transparency and good relations. Since cooperation with trusted suppliers like Turkey always has sustainable benefits, they are in search of something new.

With its technological expertise and strong commercial relations, Turkey is very strong in terms of international competition in certain sectors. I believe we have a strong potential, especially in manufacturing sectors such as automotive, chemical, textile, and machinery, which will pick up speed after fully adjusting to the new normal. I am sure that we will bounce back in these areas with the support of our banking system. And with the successful conclusion of our energy exploration efforts in line with our sovereign rights, I am very optimistic about the future of our economy.

Halkbank will continue to be an integral element of this process and will always support our economy. It will continue to work with determination and in harmony with the real sector, be a driver of public policies, and encourage all institutions in the banking system. Our activities, supported by the long financial experience of our stakeholders, will make a significant contribution to the future of our country, as they have done so far.

Once again, I 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 ÖZDİL
Chairman

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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 process of adjusting to the new normal that began in June inspired optimism and boosted the momentum of the economy that had slowed down in the first half of the year due to the pandemic. Reopening of businesses, tourism partially returning and an increase in international manufacturing orders have improved the overall mood in the economy. Four months of consecutive increase in the industrial production index has affected the labor market positively. In September, we saw the largest rise in employment since February 2018. Moreover, as the summer months saw controlled loosening of quarantine measures taken in the second quarter, the end-of-year outlook for the Turkish economy has dramatically improved.

Our Bank has managed its financial assets in the most efficient way during the last period of the year and provided loan support to as many customers as possible. We've helped tradespeople and artisans keep afloat with our cash loans. The assistance we've provided to the tradespeople and artisans as part of our founding mission has brought us an Ahi-Order Service Award, presented by the Ministry of Trade.

We will continue to provide solutions to meet the needs of our customers of all sizes and industries. In addition to our pandemic programs, we've continued to support the real economy with innovative products. In the end, we gave up to 100.000 Turkish lira cash support for SMEs under the Micro Business Support Package. Our new products and services have further increased customer satisfaction along with our loan support.

The Paraf credit card, introduced eight years ago, is projected to grow rapidly. All Paraf credit and debit cards are now combined under one card thanks to a new feature. The potential of these products becomes clearer considering 5.2 million Paraf credit cards and 20 million Halkbank cards are in circulation. Our bank has issued more than one million Paraf Esnaf and Paraf SME cards. In the overall market, 16 percent of commercial cards are those of Halkbank. Our new initiatives in the commercial card segment will surely strengthen our market share.

Our team has gotten younger to meet our young customer base. I am certain that our young colleagues, who are part of the 82-year-old Halkbank experience, will adapt to our bank quickly and proudly serve our people with the help of their managers.

Esteemed Stakeholders,

As a result of our efforts during the last period of this year, our bank's total assets rose by 45.2 percent to 663.7 billion Turkish lira and total deposits increased by 48 percent to 440.6 billion Turkish lira compared to 2019 year-end. Moreover, our cash loans surged by 46.8 percent to 453.9 billion Turkish lira and our total loans grew by 40.6 percent to 561.2 billion Turkish lira. Our commercial loan volume, including SME loans, increased by 43.8 percent to 370.4 billion Turkish lira at the end of September and we achieved a 21.7 percent market share in SME banking during the period. Our net profit for the period outperformed the same period last year by 126.3 percent, reaching 2.1 billion Turkish lira.

We will continue to encourage our country's economic and social development while maintaining a robust balance sheet. We will keep supporting youth projects in all areas ranging from culture and arts to sports. We will push the Halkbank brand further with the help of our investors, customers and employees, and keep our place among Turkey's most powerful companies. We thank all stakeholders that worked with us during this period

Best regards,

Osman ARSLAN
General Manager

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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

Summary Balance Sheet (TRY Million)	September 2020	December 2019	Change (%)
Total Assets	680.075	468.632	45,1
Loans	460.841	313.395	47,0
<i>TRY</i>	351.831	222.431	58,2
<i>FC</i>	109.010	90.964	19,8
Marketable Securities	160.112	104.072	53,8
Deposit	450.564	300.688	49,8
<i>TRY</i>	256.656	163.098	57,4
<i>FC</i>	193.908	137.590	40,9
Total Equity	41.992	32.197	30,4

Summary Statement of Profit or Loss (TRY Million)	September 2020	September 2019	Change (%)
Interest Income	38.930	36.122	7,8
<i>On Loan</i>	27.945	27.553	1,4
<i>On Securities</i>	10.252	7.532	36,1
Interest Expense	22.087	28.563	(22,7)
<i>On Deposit</i>	14.260	18.203	(21,7)
Net Interest Income	16.843	7.559	122,8
Net Fee and Commission	2.125	1.998	6,4
Net Profit	3.033	1.196	153,5

Ratio (%)	September 2020	December 2019
Cash Loans/Total Asset	67,8	66,9
Non-Performing Loans/Total Cash Loans (Gross)	3,6	5,1
Demand Deposit/Total Deposit	20,1	18,1
Loan/Deposit Ratio	102,3	104,2
Average Return on Asset (ROA)	0,7	0,5
Average Return on Equity (ROE)	10,9	7,4
Capital Adequacy Ratio	14,9	13,7

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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 Third Quarter Interim Developments

Significant Developments

- Our Partner Bank has issued bonds with a par value of TRY 3.686.000.000 to qualified investors throughout this period.
- Between 1 July – 30 September 2020, our Bank has repurchased shares amounting to TRY 12.334.976 within the scope of the Board of Directors' decision dated 29 August 2018 and 17 March 2020.

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