

*(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 31 December 2020  
With Auditor's Report Thereon**  
*(Convenience Translation of Consolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

15 February 2021

*This report contains "Auditor's Report" comprising of 7 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising of 142 pages.*

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

**INDEPENDENT AUDITOR'S REPORT**

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

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

**1) Qualified Opinion**

We have audited the consolidated financial statements of Türkiye Halk Bankası A.Ş. (“the Bank” or “the Parent Bank”) and its consolidated subsidiaries (“the Group”), which comprise the consolidated balance sheet as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters on the consolidated financial statements described in the basis for the qualified opinion paragraphs, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

**2) Basis for Qualified Opinion**

The Group reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost as at 31 December 2020 amounted to TRY 18.215.607 thousand. If such classification were not made, total assets and shareholders’ equity excluding tax effects would be lower by TRY 1.334.666 thousand as at 31 December 2020.

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

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

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

On 15 October 2019, the New York Southern District Attorney General of the United States (“US”) Department of Justice prepared an indictment and filed a lawsuit against the Parent Bank in the New York Southern District Court (“District Court”) for alleged violations of Iranian sanctions. This criminal lawsuit action is ongoing.

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

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

At this stage, the Parent Bank's Management state that there is no penalty, compensation, sanction or other measure arising from the ongoing criminal and civil lawsuits against the Parent Bank. There is an uncertainty with respect to any decisions by the US authorities that may adversely affect the financial position of the Parent Bank. No provision has been made in the accompanying consolidated financial statements related to these matters. Our opinion is not modified in respect of these matters.

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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter explained in the Basis for Qualified Opinion section, the issues described below have been identified as key audit matters and are disclosed in our report.

<b>Key Audit Matter</b>	<b>How the matter was addressed in the audit</b>
<p data-bbox="199 226 804 293"><b><i>Impairment of loans in accordance with TFRS 9 “Financial Instruments Standard”</i></b></p> <p data-bbox="199 327 804 595">Impairment of loans is a key area of judgement for the management. The Group has the total loans and receivables amounting to TRY 463.287.709 thousand, which comprise 67% of the Group’s total assets in its consolidated financial statements and the total provision for expected credit loss amounting to TRY 17.352.045 as at 31 December 2020.</p> <p data-bbox="199 629 804 1066">As of 1 January 2018, the Group recognizes provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. Applied accounting policies are explained in detail in the Section 3 Note VIII. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.</p> <p data-bbox="199 1099 804 1402">The Group exercises significant decisions using judgement, interpretation and assumptions over calculating loan impairments. These judgements, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans. In addition, the impairment of loans and receivables includes estimates and assumptions about the effects of the Covid-19 outbreak.</p> <p data-bbox="199 1435 804 1704">There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of the TFRS 9. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter.</p> <p data-bbox="199 1738 804 1839">Related explanations relating to the impairment of loans and receivables are presented in Section V Note I.5.</p>	<p data-bbox="831 327 1430 394">As part of our audit work, the following procedures were performed:</p> <p data-bbox="831 427 1430 629">We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Group with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.</p> <p data-bbox="831 663 1430 797">We have read and analysed the relevant contract terms to assess management’s accounting policy and classification of the instrument for selected samples.</p> <p data-bbox="831 831 1430 1066">We have performed audit procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for expected credit loss has been recognized in a timely manner within the framework of the provisions of the relevant regulation.</p> <p data-bbox="831 1099 1430 1536">We have tested relevant inputs and assumptions used by the management considering the effects of the Covid-19 outbreak in each stage of the expected credit loss calculation by considering whether those appear reasonable, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.</p> <p data-bbox="831 1570 1430 1637">We have tested historical loss data to validate the completeness and accuracy of key parameters.</p> <p data-bbox="831 1704 1430 1805">We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.</p> <p data-bbox="831 1839 1430 2007">Based on our discussions with the Group management, we evaluated whether the key assumptions and other judgements, including the effects of Covid-19, underlying the estimations of impairments were reasonable.</p>

	<p>Our specialists are involved in all procedures related to models and assumptions.</p> <p>We have reviewed disclosures made within the TFRS 9 framework in the consolidated financial statements of the Group with respect to loans and receivables and related impairment provisions.</p>
<p><b>Key Audit Matter</b></p>	<p><b>How the matter was addressed in the audit</b></p>
<p><b><i>Valuation of Pension Fund Obligations</i></b></p> <p>Defined benefit pension plan that the Parent Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı and T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı (“Plan”) which were established by the 20th provisional article of the Social Security Law numbered 506 (“Law”).</p> <p>As disclosed in the Section III Note XVII to the consolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation (“SSF”) as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Parent Bank that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds’ members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation deed.</p> <p>As of 31 December 2020, the Parent Bank’s transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Plan liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in the Plan. Management uses expert opinion of the independent actuary in assessing uncertainties related to these underlying assumptions and estimates.</p>	<p>Our audit work included the following procedures:</p> <p>We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates.</p> <p>It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.</p> <p>In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Parent Bank’s actuary.</p> <p>We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable. In addition, we have reviewed the sufficiency of disclosures prepared with this regard.</p>

As described in Section Five Note II.9.e considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this a key audit matter.	
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## 5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code (“TCC”), nothing has come to our attention that may cause us to believe that the Group’s set of accounts for the period 1 January - 31 December 2020 does not comply with TCC and the provisions of the Bank’s articles of association in relation to financial reporting.

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

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

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

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

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

Müjde Aslan  
Partner

Istanbul, 15 February 2021



**TÜRKİYE HALK BANKASI AŞ**  
**THE CONSOLIDATED FINANCIAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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

- **Section One** : GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** : CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE PERIOD
- **Section Four** : INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- **Section Five** : EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : OTHER EXPLANATIONS
- **Section Seven** : AUDITOR'S REPORT

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

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

The consolidated financial statements for year ended 31 December 2020 and related disclosures and footnotes that are subject to audit and are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira**.

Istanbul, 15 February 2021

R. Süleyman Özdil	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 YEAR ENDED 31 DECEMBER 2020**

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

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

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

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

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

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

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

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

<sup>(1)</sup>TRY 1.224.326 of the shares among the total shares of Türkiye Varlık Fonu are traded on the exchange.

<sup>(2)</sup>TRY 80 of the shares included in the “Other Shareholders” group belong to shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized in their own accounts.)

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (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 OZDİL	Chairman of the Board of Directors, Chairman of the Audit Committee
Himmet KARADAĞ	Vice Chairman of the Board of Directors, Independent Member of the Board Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Kerem ALKİN	Member of the Board of Directors
Meltem TAYLAN AYDIN	Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Ebubekir ŞAHİN	Member of the Board of Directors
Sezai UÇARMAK	Member of the Board of Directors
Mevlüt UYSAL	Independent Member of the Board of Directors, Member of the Audit Committee
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
İlhan BÖLÜKBAŞ	Executive Vice President, Loan Allocation and Management
Celal CANDAN	Executive Vice President, Credit Monitoring and Legal Follow-up
Ergin KAYA	Executive Vice President, Banking Operations and Support Services
Yalçın MADENCİ	Executive Vice President, Corporate and Commercial Marketing
Yusuf Duran OCAK	Executive Vice President, Financial Management and Planning
Serdar SÜRER	Executive Vice President, Treasury Management and International Banking
Hasan TUNCA Y	Executive Vice President, Retail Banking

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

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

Title	Name and Surname	Beginning Date
Member of the Board of Directors	Kerem ALKİN	12 June 2020
Member of the Board of Directors	Ebubekir ŞAHİN	12 June 2020
Executive Vice President, Credit Risk Monitoring and Legal Follow-up	Celal CANDAN	25 September 2020

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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

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

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

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

a) General information about the Parent Bank:

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

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

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

As per the Higher Council of Privatization decision numbered 2006/69 dated 11 August 2006, the public shares were transferred to the Privatization Administration and 99,9% of the Parent Bank shares were decided to be sold before 25 May 2008 using the block sale method. 13<sup>th</sup> Department of Council of State with its decision numbered 2006/4258 dated 29 November 2006 to cease the execution of the High Council of Privatization's decision numbered 2006/69 dated 11 August 2006. Thereupon, as per the decision of the Higher Council of Privatization numbered 2007/8 dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007

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

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

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

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

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

As of 31 December 2020, the Parent Bank operates with a total of 1013 branches consisting of 1007 domestic and 6 foreign branches that are 5 in Turkish Republic of Northern Cyprus and 1 in Bahrain. Domestic branches include 34 satellite branches. The Parent Bank has also 3 representative office in England, Singapore and Iran.

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

The Parent Bank and its subsidiaries;

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

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

The Parent Bank’s associates;

- Demir-Halk Bank N.V.
- Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş.

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

**TÜRKİYE HALK BANKASI AŞ**  
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*(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)**

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

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

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

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

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

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

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

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

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



**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (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") and Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş. which are qualified as investments in associates, are presented in the consolidated financial statements based on equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has no significant influence and control, established at home and abroad.

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
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**SECTION II: CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

CONSOLIDATED ASSETS	Note	Audited			Audited		
		Current Period			Prior Period		
		TRY	FC	TOTAL	TRY	FC	TOTAL
		31 December 2020			31 December 2019		
<b>I. FINANCIAL ASSETS (NET)</b>		<b>62.791.771</b>	<b>83.722.118</b>	<b>146.513.889</b>	<b>30.233.397</b>	<b>42.074.025</b>	<b>72.307.422</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>8.916.830</b>	<b>58.981.674</b>	<b>67.898.504</b>	<b>3.057.952</b>	<b>36.497.025</b>	<b>39.554.977</b>
1.1.1 Cash and Balances with Central Bank	(1)	8.396.106	56.588.336	64.984.442	2.472.611	32.841.376	35.313.987
1.1.2 Banks	(3)	287.479	2.393.667	2.681.146	508.021	3.655.952	4.163.973
1.1.3 Money Markets		252.997	-	252.997	87.138	-	87.138
1.1.4 Expected Loss Provision (-)		19.752	329	20.081	9.818	303	10.121
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	(2)	<b>15.704.422</b>	<b>19.241</b>	<b>15.723.663</b>	<b>16.295.809</b>	<b>9.954</b>	<b>16.305.763</b>
1.2.1 Government Debt Securities		15.529.875	1.349	15.531.224	16.131.520	64	16.131.584
1.2.2 Equity Instruments		145.757	17.892	163.649	145.601	9.890	155.491
1.2.3 Other Financial Assets		28.790	-	28.790	18.688	-	18.688
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	(4)	<b>38.164.766</b>	<b>22.379.674</b>	<b>60.544.440</b>	<b>10.875.940</b>	<b>4.418.750</b>	<b>15.294.690</b>
1.3.1 Government Debt Securities		37.528.538	22.192.136	59.720.674	10.275.808	4.283.752	14.559.560
1.3.2 Equity Instruments		44.745	187.538	232.283	20.049	134.998	155.047
1.3.3 Other Financial Assets		591.483	-	591.483	580.083	-	580.083
<b>1.4 Derivative Financial Assets</b>	(2)(11)	<b>5.753</b>	<b>2.341.529</b>	<b>2.347.282</b>	<b>3.696</b>	<b>1.148.296</b>	<b>1.151.992</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		5.753	2.341.529	2.347.282	3.696	1.148.296	1.151.992
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)</b>		<b>401.555.604</b>	<b>129.174.012</b>	<b>530.729.616</b>	<b>267.318.842</b>	<b>112.081.816</b>	<b>379.400.658</b>
<b>2.1 Loans</b>	(5)	<b>353.822.723</b>	<b>103.387.503</b>	<b>457.210.226</b>	<b>222.430.880</b>	<b>90.963.797</b>	<b>313.394.677</b>
<b>2.2 Lease Receivables</b>	(10)	<b>1.882.644</b>	<b>2.339.714</b>	<b>4.222.358</b>	<b>1.021.658</b>	<b>2.369.156</b>	<b>3.390.814</b>
<b>2.3 Factoring Receivables</b>		<b>1.810.629</b>	<b>44.496</b>	<b>1.855.125</b>	<b>2.146.745</b>	<b>38.381</b>	<b>2.185.126</b>
<b>2.4 Other Financial Assets Measured at Amortised Cost</b>	(6)	<b>60.843.380</b>	<b>23.961.309</b>	<b>84.804.689</b>	<b>53.297.037</b>	<b>19.174.085</b>	<b>72.471.122</b>
2.4.1 Government Debt Securities		60.792.861	23.961.309	84.754.170	53.246.524	19.174.085	72.420.609
2.4.2 Other Financial Assets		50.519	-	50.519	50.513	-	50.513
<b>2.5 Expected Credit Loss (-)</b>		<b>16.803.772</b>	<b>559.010</b>	<b>17.362.782</b>	<b>11.577.478</b>	<b>463.603</b>	<b>12.041.081</b>
<b>III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)</b>	(16)	<b>1.441</b>	<b>-</b>	<b>1.441</b>	<b>1.009.587</b>	<b>66.831</b>	<b>1.076.418</b>
3.1 Held for Sale		1.441	-	1,441	1,009,587	66,831	1,076,418
3.2 Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>83.121</b>	<b>681.339</b>	<b>764.460</b>	<b>116.254</b>	<b>476.980</b>	<b>593.234</b>
<b>4.1 Investments in Associates (Net)</b>	(7)	<b>83.121</b>	<b>681.339</b>	<b>764.460</b>	<b>32.254</b>	<b>476.980</b>	<b>509.234</b>
4.1.1 Associates Valued Based on Equity Method		16.566	681.339	697.905	21.152	476.980	498.132
4.1.2 Unconsolidated Associates		66.555	-	66.555	11.102	-	11.102
<b>4.2 Subsidiaries (Net)</b>	(8)	<b>-</b>	<b>-</b>	<b>-</b>	<b>84.000</b>	<b>-</b>	<b>84.000</b>
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non- Financial Subsidiaries		-	-	-	84.000	-	84.000
<b>4.3 Joint Ventures (Net)</b>	(9)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>	(12)	<b>9.775.477</b>	<b>503.411</b>	<b>10.278.888</b>	<b>9.107.424</b>	<b>201.549</b>	<b>9.308.973</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(13)	<b>579.463</b>	<b>59.245</b>	<b>638.708</b>	<b>166.525</b>	<b>38.734</b>	<b>205.259</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		579.463	59.245	638.708	166.525	38.734	205.259
<b>VII. INVESTMENT PROPERTIES (Net)</b>	(14)	<b>1.197.116</b>	<b>10.145</b>	<b>1.207.261</b>	<b>1.096.814</b>	<b>7.649</b>	<b>1.104.463</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>339.626</b>	<b>2.897</b>	<b>342.523</b>	<b>602</b>	<b>7.469</b>	<b>8.071</b>
<b>IX. DEFERRED TAX ASSET</b>	(15)	<b>37.353</b>	<b>4.748</b>	<b>42.101</b>	<b>48.878</b>	<b>3.462</b>	<b>52.340</b>
<b>X. OTHER ASSETS (Net)</b>	(17)	<b>4.738.592</b>	<b>957.171</b>	<b>5.695.763</b>	<b>4.115.999</b>	<b>458.990</b>	<b>4.574.989</b>
<b>TOTAL ASSETS</b>		<b>481.099.564</b>	<b>215.115.086</b>	<b>696.214.650</b>	<b>313.214.322</b>	<b>155.417.505</b>	<b>468.631.827</b>

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



**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AS OF 31 DECEMBER 2020**

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

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

CONSOLIDATED OFF-BALANCE SHEET	Note	Audited			Audited		
		Current Period			Prior Period		
		TRY	FC	TOTAL	TRY	FC	TOTAL
		31 December 2020			31 December 2019		
<b>A. COMMITMENTS AND CONTINGENCIES (I-III)</b>		<b>115.245.846</b>	<b>128.240.627</b>	<b>243.486.473</b>	<b>83.750.565</b>	<b>113.362.625</b>	<b>197.113.190</b>
<b>I. GUARANTEES AND WARRANTIES</b>	(1)	<b>55.057.122</b>	<b>61.446.729</b>	<b>116.503.851</b>	<b>40.418.066</b>	<b>50.599.764</b>	<b>91.017.830</b>
1.1 Letters of guarantee		50.051.793	52.484.618	102.536.411	37.770.126	39.576.362	77.346.488
1.1.1 Guarantees subject to public procurement law		2.868.957	6.032.807	8.901.764	2.075.213	5.738.203	7.813.416
1.1.2 Guarantees given for foreign trade operations		151.890	11.076.113	11.228.003	193.126	8.775.306	8.968.432
1.1.3 Other letters of guarantee		47.030.946	35.375.698	82.406.644	35.501.787	25.062.853	60.564.640
1.2 Bank loans		185.902	6.309.693	6.495.595	8.260	6.953.738	6.961.998
1.2.1 Import acceptances		-	161.040	161.040	-	27.704	27.704
1.2.2 Other bank acceptances		185.902	6.148.653	6.334.555	8.260	6.926.034	6.934.294
1.3 Letters of credit		55.249	2.554.133	2.609.382	16.891	3.884.760	3.901.651
1.3.1 Documentary letters of credit		55.249	2.554.133	2.609.382	16.891	3.884.760	3.901.651
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed refinancing		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		4.764.178	98.285	4.862.463	2.622.789	184.904	2.807.693
1.9 Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>42.401.518</b>	<b>7.565.424</b>	<b>49.966.942</b>	<b>28.057.633</b>	<b>4.628.061</b>	<b>32.685.694</b>
2.1 Irrevocable commitments	(1)	41.793.629	2.726.999	44.520.628	27.742.136	2.136.154	29.878.290
2.1.1 Forward asset purchase commitments		371.052	1.455.693	1.826.745	967.531	1.265.092	2.232.623
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		3.912.914	808.401	4.721.315	2.564.640	573.699	3.138.339
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for Cheques		4.472.298	-	4.472.298	3.219.679	-	3.219.679
2.1.8 Tax and fund liabilities from export commitments		124.240	-	124.240	83.156	-	83.156
2.1.9 Commitments for credit card expenditure limits		27.941.932	90.210	28.032.142	16.709.743	63.100	16.772.843
Commitments for credit cards and banking services promotions		22.752	-	22.752	24.943	-	24.943
2.1.10		-	-	-	-	-	-
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		4.948.441	372.695	5.321.136	4.172.444	234.263	4.406.707
2.2 Revocable commitments		607.889	4.838.425	5.446.314	315.497	2.491.907	2.807.404
2.2.1 Revocable loan granting commitments		-	2.210.353	2.210.353	-	1.347.727	1.347.727
2.2.2 Other revocable commitments		607.889	2.628.072	3.235.961	315.497	1.144.180	1.459.677
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>17.787.206</b>	<b>59.228.474</b>	<b>77.015.680</b>	<b>15.274.866</b>	<b>58.134.800</b>	<b>73.409.666</b>
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		17.787.206	59.228.474	77.015.680	15.274.866	58.134.800	73.409.666
3.2.1 Forward foreign currency buy/sell transactions		203.727	2.589.660	2.793.387	1.508.922	3.824.584	5.333.506
3.2.1.1 Forward foreign currency transactions-buy		114.039	2.395.844	2.509.883	779.407	1.490.061	2.269.468
3.2.1.2 Forward foreign currency transactions-sell		89.688	193.816	283.504	729.515	2.334.523	3.064.038
3.2.2 Currency and interest rate swaps		17.149.875	47.388.846	64.538.721	12.849.494	48.469.357	61.318.851
3.2.2.1 Currency swap-buy		-	18.551.480	18.551.480	432.526	15.653.590	16.086.116
3.2.2.2 Currency swap-sell		15.739.875	4.681.336	20.421.211	11.996.968	5.528.265	17.525.233
3.2.2.3 Interest rate swap-buy		705.000	12.078.015	12.783.015	210.000	13.643.751	13.853.751
3.2.2.4 Interest Rate swap-sell		705.000	12.078.015	12.783.015	210.000	13.643.751	13.853.751
3.2.3 Currency, interest rate and marketable securities options		433.604	3.440.442	3.874.046	916.450	2.604.064	3.520.514
3.2.3.1 Currency call options		216.802	1.720.219	1.937.021	457.977	1.302.273	1.760.250
3.2.3.2 Currency put options		216.802	1.720.223	1.937.025	458.473	1.301.791	1.760.264
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	5.809.526	5.809.526	-	3.236.795	3.236.795
<b>B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>		<b>1.497.151.707</b>	<b>500.356.330</b>	<b>1.997.508.037</b>	<b>1.210.945.097</b>	<b>362.728.818</b>	<b>1.573.673.915</b>
<b>IV. CUSTODIES</b>		<b>631.841.811</b>	<b>61.211.567</b>	<b>693.053.378</b>	<b>571.163.381</b>	<b>50.656.660</b>	<b>621.820.041</b>
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		127.376.877	2.619.679	129.996.556	207.557.418	1.420.996	208.978.414
4.3 Cheques in collection process		21.031.738	44.640.396	65.672.134	15.793.262	31.771.413	47.564.675
4.4 Commercial notes in collection process		427.050.907	9.156.674	436.207.581	289.702.098	7.018.616	296.720.714
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		2.319.655	1.143.741	3.463.396	4.005.746	810.205	4.815.951
4.8 Custodians		54.062.634	3.651.077	57.713.711	54.104.857	9.635.430	63.740.287
<b>V. PLEDGED ASSETS</b>		<b>865.309.896</b>	<b>439.144.763</b>	<b>1.304.454.659</b>	<b>639.781.716</b>	<b>312.072.158</b>	<b>951.853.874</b>
5.1 Marketable securities		6.996.977	1.733.141	8.730.118	5.805.905	1.236.225	7.042.130
5.2 Collateral notes		7.863.081	1.769.758	9.632.839	7.208.610	1.344.753	8.553.363
5.3 Commodity		25.813	-	25.813	25.813	-	25.813
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		650.415.346	338.008.605	988.423.951	500.970.141	253.826.850	754.796.991
5.6 Other pledged assets		169.327.906	56.874.541	226.202.447	120.641.178	42.752.230	163.393.408
5.7 Pledges		30.680.773	40.758.718	71.439.491	5.130.069	12.912.100	18.042.169
<b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)</b>		<b>1.612.397.553</b>	<b>628.596.957</b>	<b>2.240.994.510</b>	<b>1.294.695.662</b>	<b>476.091.443</b>	<b>1.770.787.105</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF 31 DECEMBER 2020**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

STATEMENT OF PROFIT OR LOSS		Note	Audited	Audited
			Current Period	Prior Period
			1 January- 31 December 2020	1 January- 31 December 2019
<b>I.</b>	<b>INTEREST INCOME</b>	(1)	<b>54.729.179</b>	<b>47.668.735</b>
1.1	Interest on Loans		38.299.040	37.221.483
1.2	Interest on Reserve Requirements		1.660	96.989
1.3	Interest on Banks		278.677	344.109
1.4	Interest on Money Market Transactions		47.629	69.368
1.5	Interest on Marketable Securities Portfolio		<b>15.337.624</b>	<b>9.197.377</b>
1.5.1	Fair Value Through Profit or Loss		29.860	16.557
1.5.2	Fair Value Through Other Comprehensive Income		4.570.645	1.522.716
1.5.3	Measured at Amortized Cost		10.737.119	7.658.104
1.6	Financial Lease Interest Income		366.211	322.356
1.7	Other Interest Income		398.338	417.053
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	(2)	<b>35.197.360</b>	<b>36.007.406</b>
2.1	Interest on Deposits		22.370.782	23.011.889
2.2	Interest on Funds Borrowed		427.462	552.139
2.3	Interest Expense on Money Market Transactions		8.798.676	9.445.246
2.4	Interest on Securities Issued		2.480.878	2.637.772
2.5	Interest on Leases		77.732	96.205
2.6	Other Interest Expenses		1.041.830	264.155
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>19.531.819</b>	<b>11.661.329</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>2.889.949</b>	<b>2.716.482</b>
<b>4.1</b>	<b>Fees and Commissions Received</b>		<b>3.922.178</b>	<b>3.851.049</b>
4.1.1	Non – cash Loans		962.059	936.746
4.1.2	Other	(13)	2.960.119	2.914.303
<b>4.2</b>	<b>Fees and Commissions Paid (-)</b>		<b>1.032.229</b>	<b>1.134.567</b>
4.2.1	Non – cash Loans		4.228	4.692
4.2.2	Other	(13)	1.028.001	1.129.875
<b>V.</b>	<b>DIVIDEND INCOME</b>	(3)	<b>4.960</b>	<b>14.441</b>
<b>VI.</b>	<b>TRADING INCOME/LOSS (Net)</b>	(4)	<b>(5.213.013)</b>	<b>(3.227.754)</b>
6.1	Trading Gains / (Losses) on Securities		100.666	294.927
6.2	Gains / (Losses) on Derivate Financial Transactions		2.731.597	(1.473.142)
6.3	Foreign Exchange Gains / (Losses)		(8.045.276)	(2.049.539)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(5)	<b>1.820.064</b>	<b>2.620.242</b>
<b>VIII.</b>	<b>GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>19.033.779</b>	<b>13.784.740</b>
<b>IX.</b>	<b>EXPECTED LOSS PROVISIONS (-)</b>	(6)	<b>6.980.823</b>	<b>4.672.517</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>	(6)	<b>18.161</b>	<b>147.354</b>
<b>XI.</b>	<b>PERSONNEL EXPENSE (-)</b>		<b>3.804.543</b>	<b>3.029.501</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(7)	<b>4.750.152</b>	<b>3.562.647</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/LOSS (IX-X-XI)</b>		<b>3.480.100</b>	<b>2.372.721</b>
<b>XIV.</b>	<b>INCOME AFTER MERGER</b>		-	-
<b>XV.</b>	<b>INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>25.498</b>	<b>33.538</b>
<b>XVI.</b>	<b>INCOME/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XVII.</b>	<b>PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)</b>	(8)	<b>3.505.598</b>	<b>2.406.259</b>
<b>XVIII.</b>	<b>TAX PROVISIONS FOR CONTINUED OPERATIONS (±)</b>	(9)	<b>(752.503)</b>	<b>(306.921)</b>
18.1	Current Tax Provision		602.783	477.171
18.2	Deferred Tax Income Effect (+)		865.404	1.221.643
18.3	Deferred Tax Expense Effect (-)		715.684	1.391.893
<b>XIX.</b>	<b>CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)</b>	(10)	<b>2.753.095</b>	<b>2.099.338</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>1.481.462</b>	<b>2.163.741</b>
20.1	Income from non- Current Assets Held for Sale		613.933	2.163.741
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		867.529	-
20.3	Income from Other Discontinued Operations		-	-
<b>XXI.</b>	<b>EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>		<b>494.089</b>	<b>1.798.587</b>
21.1	Expenses for Non-current Assets Held for Sale		494.089	1.798.587
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3	Expenses for Other Discontinued Operations		-	-
<b>XXII.</b>	<b>PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XX)</b>	(8)	<b>987.373</b>	<b>365.154</b>
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	(9)	<b>(48.603)</b>	<b>(171.619)</b>
23.1	Current Tax Provision		48.981	176.370
23.2	Deferred Tax Expense Effect (+)		-	-
23.3	Deferred Tax Income Effect (-)		378	4.751
<b>XXIV.</b>	<b>PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)</b>	(10)	<b>938.770</b>	<b>193.535</b>
<b>XXV.</b>	<b>NET PROFIT/(LOSS) (XVIII+XXIII)</b>	(11)	<b>3.691.865</b>	<b>2.292.873</b>
25.1	Profit/ (Loss) of Group		3.684.642	2.267.608
25.2	Profit/ (Loss) of Minority Shares (-)	(12)	7.223	25.265
	Profit/ (Loss) Per Share (full TRY)		1,8432632	1,8140864

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 AS OF 31 DECEMBER 2020**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

	Audited	Audited
	Current Period	Prior Period
	1 January - 31 December	1 January - 31 December
<b>INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>	<b>2020</b>	<b>2019</b>
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>3.691.865</b>	<b>2.292.873</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(341.419)</b>	<b>609.117</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>351.123</b>	<b>161.399</b>
2.1.1 Property and Equipment Revaluation Increase/Decrease	448.027	206.466
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	(98.012)	(87.021)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	4.802	29.011
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(3.694)	12.943
<b>2.2 Reclassified Through Profit or Loss</b>	<b>(692.542)</b>	<b>447.718</b>
2.2.1 Foreign Currency Translation Differences	3.776	(4.392)
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(823.049)	543.008
2.2.3 Cash Flow Hedge Income/Loss	-	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	126.731	(90.898)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>3.350.446</b>	<b>2.901.990</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 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	Minority Shares	Total Equity
	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Revaluation/ Decrease of Fixed Asset	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other(Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)				
<b>Audited (1 January– 31 December 2019)</b>																	
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	3.664.491	-	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	3.664.491	-	29.294.599	246.641	29.541.240	
IV. Total Comprehensive Income	-	-	-	-	202.030	(69.642)	29.011	(4.392)	452.110	-	-	-	2.267.608	2.876.725	25.265	2.901.990	
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	-	33	-	(252.438)	4.010	-	-	-	-	-	(76.412)	65.020	-	(259.787)	13.945	(245.842)	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	3.308.537	(3.309.939)	-	(1.402)	1.402	-	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(1.402)	-	(1.402)	1.402	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3.308.537	(3.308.537)	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Period End Balance (III+IV+.....+XI)</b>	<b>1.250.000</b>	<b>39.773</b>	<b>-</b>	<b>975.617</b>	<b>2.665.635</b>	<b>(61.018)</b>	<b>47.283</b>	<b>(5.846)</b>	<b>259.332</b>	<b>-</b>	<b>24.052.179</b>	<b>419.572</b>	<b>2.267.608</b>	<b>31.910.135</b>	<b>287.253</b>	<b>32.197.388</b>	
<b>Audited (1 January– 31 December 2020)</b>																	
I. Prior Period End Balance	1.250.000	39.773	-	975.617	2.665.635	(61.018)	47.283	(5.846)	259.332	-	24.052.179	419.572	2.267.608	31.910.135	287.253	32.197.388	
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I-II)	1.250.000	39.773	-	975.617	2.665.635	(61.018)	47.283	(5.846)	259.332	-	24.052.179	419.572	2.267.608	31.910.135	287.253	32.197.388	
IV. Total Comprehensive Income	-	-	-	-	424.621	(78.300)	4.802	3.776	(696.318)	-	-	-	3.684.642	3.343.223	7.223	3.350.446	
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)	-	(530)	-	-	-	-	-	-	50.299	2.481.540	(2.267.608)	263.567	(32.500)	231.067	
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Period End Balance (III+IV+.....+XI)</b>	<b>2.473.776</b>	<b>5.815.863</b>	<b>-</b>	<b>975.087</b>	<b>3.090.256</b>	<b>(139.318)</b>	<b>52.085</b>	<b>(2.070)</b>	<b>(436.986)</b>	<b>-</b>	<b>25.877.954</b>	<b>1.124.232</b>	<b>3.684.642</b>	<b>42.515.521</b>	<b>263.380</b>	<b>42.778.901</b>	

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



**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2020**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**VI. CONSOLIDATED STATEMENT OF CASH FLOWS**

		<b>Audited</b>	<b>Audited</b>
		<b>Current Period</b>	<b>Prior Period</b>
	<b>Note</b>	<b>1 January- 31 December 2020</b>	<b>1 January- 31 December 2019</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>4.681.250</b>	<b>(1.285.633)</b>
1.1.1 Interest received		45.845.461	42.017.429
1.1.2 Interest paid		(34.737.175)	(36.205.992)
1.1.3 Dividend received		4.960	14.580
1.1.4 Fees and commissions received		4.550.474	3.973.956
1.1.5 Other income		1.044.949	3.236.634
1.1.6 Collections from previously written off loans		1.786.986	1.858.918
1.1.7 Cash payments to personnel and service suppliers		(3.846.371)	(3.171.206)
1.1.8 Taxes paid		(1.109.206)	(351.948)
1.1.9 Other	(1)	(8.858.828)	(12.658.004)
<b>1.2 Changes in Assets and Liabilities Subject to Banking Operations</b>		<b>64.448.953</b>	<b>14.563.051</b>
1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss		581.561	(1.768.837)
1.2.2 Net (increase) / decrease in due from banks		-	-
1.2.3 Net (increase) / decrease in loans		(145.850.059)	(52.972.613)
1.2.4 Net (increase) / decrease in other assets		(10.856.053)	1.129.813
1.2.5 Net increase / (decrease) in bank deposits		7.366.126	(3.408.437)
1.2.6 Net increase / (decrease) in other deposits		160.055.469	53.709.536
1.2.7 Net Increase / decrease in financial liabilities at fair value through profit or loss		-	-
1.2.8 Net increase / (decrease) in funds borrowed		(1.350.472)	(1.269.042)
1.2.9 Net increase / (decrease) in matured payables		-	-
1.2.10 Net increase / (decrease) in other liabilities	(1)	54.502.381	19.142.631
<b>I. Net cash provided from banking operations</b>		<b>69.130.203</b>	<b>13.277.418</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net cash provided from/ (used in) investing activities</b>		<b>(49.553.545)</b>	<b>(22.359.553)</b>
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(183.498)	(111.070)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		225.190	39.375
2.3 Fixed assets purchases		(936.919)	(557.443)
2.4 Fixed assets sales		1.852.907	699.405
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income		(58.930.404)	(21.377.381)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income		10.889.499	11.592.662
2.7 Cash paid for purchase of investment securities		(19.478.709)	(19.959.111)
2.8 Cash obtained from sale of investment securities		17.561.792	7.407.102
2.9 Other		(563.799)	(93.092)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>434.302</b>	<b>7.577.393</b>
3.1 Cash obtained from loans borrowed and securities issued		13.855.727	12.282.799
3.2 Cash used for repayment of loans borrowed and securities issued		(20.198.723)	(4.478.815)
3.3 Bonds issued		7.000.000	-
3.4 Dividends paid		-	-
3.5 Payments for leases		(222.702)	(226.591)
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(1)	<b>(1.597.022)</b>	<b>2.353.847</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>18.413.938</b>	<b>849.105</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	(4)	<b>24.297.690</b>	<b>23.448.585</b>
<b>VII. Cash and cash equivalents at end of the period</b>	(5)	<b>42.711.628</b>	<b>24.297.690</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2020**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**VII. STATEMENT OF PROFIT DISTRIBUTION**

	Audited	Audited
	Current Period	Prior Period
	31 December 2020 <sup>(*)</sup>	31 December 2019
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1. Current Period Profit	3.229.900	1.968.257
1.2. Taxes and Legal Duties Payables (-)	(629.855)	(247.948)
1.2.1. Corporate Tax (Income Tax)	(491.513)	(435.511)
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	(138.342)	187.563
<b>A. Net Profit For The Period (1.1-1.2)</b>	<b>2.600.045</b>	<b>1.720.309</b>
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	76.637
1.5. Other Statutory Reserves (-)	-	-
<b>B. Net Profit Available for Distribution [(A-(1.3+1.4+1.5))*]</b>	<b>-</b>	<b>1.456.109</b>
1.6. First Dividend to shareholders (-)	-	-
1.6.1. To Owners of Ordinary Shares	-	-
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Redeemed Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. Dividends to personnel (-)	-	-
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	-
1.9.1. To Owners of Ordinary Shares	-	-
1.9.2. To Owners of Privileged Shares	-	-
1.9.3. To Owners of Redeemed Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	-
1.11. Status Reserves (-)	-	1.456.109
1.12. Extraordinary Reserves <sup>(2)</sup>	-	-
1.13. Other Reserves	-	-
<b>II. Distribution of Reserves</b>		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.2.1. Dividends to Shareholders (-)	-	-
2.2.2. To Owners of Ordinary Shares	-	-
2.3.3. To Owners of Privileged Shares	-	-
2.3.4. To Profit Sharing Bonds	-	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.3. Dividends to Personnel (-)	-	-
2.4. Dividends to the Boards of Directors (-)	-	-
<b>III. Earnings per Share</b>		
3.1. To Owners of Ordinary Shares	-	1,3762
3.2. To Owners of Ordinary Shares (%)	-	%137,62
3.3. To Owners of Privileged Shares	-	-
3.4. To Owners of Privileged Shares (%)	-	-
<b>IV. Dividend per Share</b>		
4.1. To Owners of Ordinary Shares	-	-
4.2. To Owners of Ordinary Shares (%)	-	-
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

<sup>(\*)</sup> As of 31 December 2020, the Parent Bank's General Assembly has not been held yet.

<sup>(\*\*)</sup> In accordance with the Circular No. 2004/3 of the BRSA, TL 187.563 deferred tax asset income has been deducted.

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

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

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

***Effects of COVID 19***

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

*Effects of COVID 19 (continued)*

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

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

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

1) The Group's strategy on financial instruments:

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

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

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

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

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

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.

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

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

1. Basis of consolidation:

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

a. Basis of consolidation of subsidiaries:

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

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

directors through direct or indirect possession of the majority of a legal person’s capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding preferred shares or of agreements with other shareholders although not owning the majority of capital.

Under line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank’s investment in each subsidiary and the Group’s each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group’s net income and the Group’s equity. Minority interests are identified separately in the balance sheet and in the income statement.

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

b. Basis of consolidation of associates:

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

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

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

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

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

c. Basis of consolidation of joint ventures:

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
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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.

**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 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 accounts under TFRS 9 Standard.

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

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

The Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic’s credit risk. As of 31 December 2020, the Parent bank has credit default swap transaction amounting to USD 260 million with 5 year maturity. In these transactions, the Parent Bank sells the protection.

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

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

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

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

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

**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**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
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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.

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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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**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**

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 30 June 2021 and the Expected Credit Loss provisions for the loans classified as Second Group Loans Under Close Monitoring within the scope of TFRS 9 are decided to be continued according to the banks' own risk models.

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

**Low Credit Risk**

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

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

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

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

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

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

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

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

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

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

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

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

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

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

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

*Classification of Investment Properties:*

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

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

**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 PROVISIONS AND CONTINGENT LIABILITIES**

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

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

**XVII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES**

Employee benefits liabilities are recognized in accordance with the TAS 19 “Employee Benefits”. According to related legislation and union agreements, the Parent Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees who resigns subsequent to her marriage within one year. The Group provides provision by estimating the present value of the future retirement pay liability.

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

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

**XVII. 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 2020 no technical deficit has been reported.

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

**XVIII. EXPLANATIONS ON TAXATION**

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

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

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

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

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

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

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

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

*Turkish Republic of Northern Cyprus (TRNC)*

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

The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. On the other hand, withholding tax is paid over interest income in TRNC. The relevant withholding tax payments are deducted from the corporate taxes paid.

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

*Bahrain*

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

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

**XVIII. 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 and the corporate tax is 10%.

Halk Bank A.D. Beograd

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

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

**XIX. ADDITIONAL EXPLANATIONS ON BORROWINGS**

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

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

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

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

**XX. EXPLANATIONS ON SHARES ISSUED**

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

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

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

In accordance with the decision of the Board of Directors of the Parent Bank dated 11 May 2020, the capital is increased, where the total sales proceeds through the capital increase shall amount to TRY 7.000.000, by the total nominal capital amount to be calculated based on the share sale price to be determined in accordance with the Wholesale Transactions Procedure of Borsa İstanbul A.Ş. with the Decision of the Capital Markets Board dated 14 May 2020. Accordingly, the recognition of the capital increase of TRY 1.223.776 on 20 May 2020 was realized on 21 May 2020, based on the permission obtained from the BRSB. 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.

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

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

**XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES**

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

**XXIII. EXPLANATIONS ON SEGMENT REPORTING**

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

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

**XXIV. EXPLANATIONS ON OTHER MATTERS**

None.

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**I. EXPLANATIONS ON THE CONSOLIDATED EQUITY**

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

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

As of 31 December 2020, the capital adequacy ratio and the capital amount of the Group were realized as 14,56% (31 December 2019: 13,65%) and TRY 60.686.958 (31 December 2019: TRY 46.276.327) which were calculated within the scope of the above-mentioned regulation amendments.

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**MANAGEMENT OF THE GROUP (continued)**

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

1. Information About Total Consolidated Equity Items:

<b>Current Period</b>	<b>Amount</b>	<b>Amounts related to treatment before 1/1/2014<sup>(*)</sup></b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	3.694.227	
Share Premium	5.815.863	
Reserves	25.877.954	
Other Comprehensive Income according to TAS	3.300.002	
Profit	4.808.874	
Current Period Profit	3.684.642	
Prior Period Profit	1.124.232	
Bonus Shares from Associates, Affiliates and		
Joint-Ventures not Accounted in Current Period's Profit	97.763	
Minority Interest	2.407	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>43.597.090</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	612.009	
Leasehold Improvements on Operational Leases (-)	131.218	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	638.708	638.708
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 (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>1.733.702</b>	
<b>Total Common Equity Tier I Capital</b>	<b>41.863.388</b>	



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**MANAGEMENT OF THE GROUP (continued)**

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

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

<b>ADDITIONAL TIER I CAPITAL</b>	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	8.175.150
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Shares of Third Parties in Additional Tier I Capital	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-
<b>Additional Tier I Capital before Deductions</b>	<b>8.175.150</b>
<b>Deductions from Additional Tier I Capital</b>	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
<b>Items to be Deducted from Tier I Capital During the Transition Period</b>	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>8.175.150</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>50.038.538</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	4.722.923
<b>Tier II Capital Before Deductions</b>	<b>10.652.718</b>
<b>Deductions From Tier II Capital</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>10.652.718</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>60.691.256</b>
<b>Total Tier I Capital and Tier II Capital (Total Equity)</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be Defined by the BRSA (-)	4.298

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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):**

<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>TOTAL CAPITAL</b>	
Total Capital (Total of Tier I Capital and Tier II Capital)	60.686.958
Total Risk Weighted Assets	416.944.817
<b>Capital Adequacy Ratios</b>	
CET1 Capital Ratio (%)	10,04
Tier I Capital Ratio (%)	12,00
Capital Adequacy Ratio (%)	14,56
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio (a+b+c)	3,508
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%) **	0,008
c) Systemic significant bank buffer ratio (%)	1,000
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,540
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	147.261
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	685.755
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.936.577
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	6.005.337
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.722.923
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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

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

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

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

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

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**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):**

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

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

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

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

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

**3 Information about instruments to be included in the Equity Calculation**

<b>Details on Subordinated Liabilities:</b>				
Issuer	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	Türkiye Varlık Fonu
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHALE2716	TRSTHAL62811	TRSTHAL92826	-
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA Legislation
<b>Regulatory treatment</b>				
Transitional Basel III rules	No	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond	Public Sector Bond	Public Sector Bond	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980	8.175
Par value of instrument	1.000	1.950	2.980	-
Accounting classification	346.011	346.011	346.011	347.0001
Original date of issuance	20.10.2017	03.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	03.07.2018	26.09.2018	24.04.2019
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
<b>Coupons / dividends</b>				
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon	No Coupon Payment
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %	5 years 25,38%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	-	-	-	-
<b>Convertible or non-convertible</b>				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-

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**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 CREDIT RISK**

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

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

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

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

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

As prescribed in the related Communiqué, the credit worthiness of the debtors of the loans and other receivables is monitored regularly and statements of accounts taken for the loans are audited in line with the related regulations.

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

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

Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Group receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees obtained are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

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

The Group's largest 100 and 200 cash loan customers compose 22,50% and 26,89% of the total cash loan portfolio, respectively.

The Group's largest 100 and 200 non-cash loan customers compose 38,36% and 49,46% of the total non-cash loan portfolio, respectively.

The Group's largest 100 ve 200 cash and non-cash loan customers represent 15,16% and 19,09% of the total "on and off balance sheet" assets, respectively.

Stage I and Stage II expected losses for credit risks of the Bank is TRY 5.615.289 (31 December 2019: TRY 2.538.286 TL).

	Current Period		Prior Period	
	Credit Risk Amount <sup>(1)</sup>	Average Risk Amount	Risk Amount <sup>(1)</sup>	Average Risk Amount
<b>Exposure Categories:</b>				
Conditional and unconditional exposures to central governments or central banks	192.853.810	151.164.406	125.735.774	124.400.202
Conditional and unconditional exposures to regional governments or local authorities	2.517.478	2.848.057	3.137.023	3.418.604
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1.851.801	1.153.229	735.067	1.031.548
Conditional and unconditional exposures to multilateral development banks	25.119	36.069	61.819	69.304
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	7.772.698	6.976.275	9.613.528	10.565.900
Conditional and unconditional exposures to corporates	198.705.671	183.778.337	165.770.190	156.910.238
Conditional and unconditional retail exposures	145.294.360	125.463.573	88.950.562	85.308.495
Conditional and unconditional exposures secured by real estate property	97.492.656	85.901.048	75.089.042	69.935.742
Past due items	5.894.333	6.278.132	7.000.426	4.488.762
Items in regulatory high-risk categories	-	-	-	16.107
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Stock Investments	914.433	803.886	861.057	537.478
Other Receivables	26.178.751	25.086.992	22.963.553	21.564.186

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



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

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

Profile of significant exposures in major regions:

	Risk Classifications <sup>(1)</sup>											Total	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to Multilateral Development Banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Stock Investments		Other
<b>Current Period</b>													
1. Domestic	191.081.053	2.509.764	1.827.084	25.119	2.758.246	195.324.954	141.003.496	93.854.257	5.814.200	-	-	24.922.990	659.121.163
2. European Union (EU) Countries	17	-	-	-	2.620.190	301.236	6.743	9.132	42	-	-	60.237	2.997.597
3. OECD Countries <sup>(2)</sup>	-	-	-	-	146.148	134.555	498	2.998	-	-	-	5.288	289.487
4. Off-Shore Banking Regions	-	-	-	-	298	47.562	1.020	-	-	-	-	1	48.881
5. USA, Canada	-	-	-	-	256.443	-	973	446	-	-	-	51	257.913
6. Other Countries	1.772.740	7.714	24.717	-	1.991.373	2.897.364	4.281.630	3.625.823	80.091	-	-	1.190.184	15.871.636
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	914.433	-	914.433
8. Unallocated Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>192.853.810</b>	<b>2.517.478</b>	<b>1.851.801</b>	<b>25.119</b>	<b>7.772.698</b>	<b>198.705.671</b>	<b>145.294.360</b>	<b>97.492.656</b>	<b>5.894.333</b>	<b>-</b>	<b>914.433</b>	<b>26.178.751</b>	<b>679.501.110</b>
<b>Prior Period</b>													
1. Domestic	124.428.259	3.126.743	692.715	61.819	3.404.291	158.967.966	87.552.020	73.936.374	6.923.621	-	848.786	22.216.951	482.159.545
2. European Union (EU) Countries	-	-	-	-	3.050.418	269.806	5.262	8.848	44	-	23	42.008	3.376.409
3. OECD Countries	-	-	-	-	182.521	46.584	179	1.700	-	-	-	1.158	232.142
4. Off-Shore Banking Regions	-	-	-	-	606	1.852.894	134	-	-	-	-	15	1.853.649
5. USA, Canada	-	-	-	-	1.671.037	4.739	216	243	-	-	-	24	1.676.259
6. Other Countries	1.307.515	10.280	42.352	-	1.304.655	4.628.201	1.392.751	1.141.877	76.761	-	12.248	703.397	10.620.037
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>125.735.774</b>	<b>3.137.023</b>	<b>735.067</b>	<b>61.819</b>	<b>9.613.528</b>	<b>165.770.190</b>	<b>88.950.562</b>	<b>75.089.042</b>	<b>7.000.426</b>	<b>-</b>	<b>861.057</b>	<b>22.963.553</b>	<b>499.918.041</b>

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

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

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

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

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

Profile of significant exposures by sectors:

Current Period	Risk Classifications <sup>(1)</sup>														
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to Multilateral Development Banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Stock Investments	Other	TRY	FC	Total
Agriculture	300.093	-	1.314	-	-	571.226	851.555	222.574	28.788	-	-	191.569	1.922.106	245.013	2.167.119
<i>Farming and Stockbreeding</i>	129.371	-	1.313	-	-	260.439	420.899	119.594	9.691	-	-	119.739	944.322	116.724	1.061.046
<i>Forestry</i>	99.383	-	1	-	-	38.726	388.437	76.028	9.149	-	-	71.827	676.939	6.612	683.551
<i>Fishery</i>	71.339	-	-	-	-	272.061	42.219	26.952	9.948	-	-	3	300.845	121.677	422.522
Manufacturing	16.602.932	-	24.989	12.294	-	72.711.202	17.604.189	18.133.798	1.608.543	-	-	45.930	83.128.280	43.615.597	126.743.877
<i>Mining and Quarrying</i>	331.183	-	-	172	-	3.699.242	250.040	295.373	28.556	-	-	22	1.531.112	3.073.476	4.604.588
<i>Production Electricity, Gas and Water</i>	16.069.617	-	24.989	12.122	-	53.429.628	17.224.834	17.034.127	1.262.047	-	-	45.908	76.798.103	28.305.169	105.103.272
<i>Construction</i>	202.132	-	-	-	-	15.582.332	129.315	804.298	317.940	-	-	-	4.799.065	12.236.952	17.036.017
<i>Construction</i>	4.345.495	-	-	9.094	-	23.335.047	3.508.545	8.368.073	1.786.801	-	-	93.398	32.396.695	9.049.758	41.446.453
Services	107.767.292	2.429.705	1.792.306	3.518	4.505.197	88.438.729	68.231.802	29.570.685	2.010.188	-	-	2.886.855	214.284.706	93.351.571	307.636.277
<i>Wholesale and Retail Trade</i>	14.751.065	107	2.554	2.353	-	24.287.290	40.666.744	12.416.145	1.047.561	-	-	16.463	85.974.365	7.215.917	93.190.282
<i>Accommodation and Dining</i>	2.417.066	10	-	-	-	9.912.455	3.920.249	8.622.707	191.113	-	-	95	9.274.002	15.789.693	25.063.695
<i>Transportation and Telecom.</i>	862.093	-	4	38	-	9.767.523	17.188.047	1.127.121	102.999	-	-	539	20.312.135	8.736.229	29.048.364
<i>Financial Institutions</i>	862.678	-	9	-	4.505.197	4.149.413	96.457	885.637	1.382	-	-	6.699	6.633.542	3.873.930	10.507.472
<i>Real Estate and Rental Services</i>	1.097.032	-	87	1.127	-	37.179.360	3.514.492	4.003.828	597.454	-	-	110.684	14.964.620	31.539.444	46.504.064
<i>Professional Services</i>	266.646	-	-	-	-	48	1.847.215	184.868	4.166	-	-	407	2.303.228	122	2.303.350
<i>Educational Services</i>	346.567	-	1.137.437	-	-	427.785	385.040	637.050	33.817	-	-	11	2.357.303	610.404	2.967.707
<i>Health and Social Services</i>	87.164.145	2.429.588	652.215	-	-	2.714.855	613.558	1.693.329	31.696	-	-	2.751.957	72.465.511	25.585.832	98.051.343
Other	63.837.998	87.773	33.192	213	3.267.501	13.649.467	55.098.269	41.197.526	460.013	-	914.433	22.960.999	127.546.253	73.961.131	201.507.384
<b>Total</b>	<b>192.853.810</b>	<b>2.517.478</b>	<b>1.851.801</b>	<b>25.119</b>	<b>7.772.698</b>	<b>198.705.671</b>	<b>145.294.360</b>	<b>97.492.656</b>	<b>5.894.333</b>	<b>-</b>	<b>914.433</b>	<b>26.178.751</b>	<b>459.278.040</b>	<b>220.223.070</b>	<b>679.501.110</b>

<sup>(1)</sup> Risk amounts in the table represents the credit risk amounts before the risk mitigation after conversion and risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

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

Profile of significant exposures by sectors (continued):

Prior Period	Risk Classifications <sup>(1)</sup>														
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to Multilateral Development Banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Stock Investments	Other	TRY	FC	Total
Agriculture	110.211	-	432	78	-	502.782	515.574	173.185	27.249	-	-	137.840	1.089.158	378.193	1.467.351
<i>Farming and Stockbreeding</i>	63.176	-	430	78	-	181.974	254.242	104.528	7.707	-	-	118.038	600.199	129.974	730.173
<i>Forestry</i>	38.807	-	2	-	-	15.648	230.667	46.740	6.282	-	-	19.800	348.471	9.475	357.946
<i>Fishery</i>	8.228	-	-	-	-	305.160	30.665	21.917	13.260	-	-	2	140.488	238.744	379.232
Manufacturing	7.655.635	-	23.395	28.767	-	59.009.412	12.477.416	15.529.597	2.350.659	-	-	47.269	52.645.180	44.476.970	97.122.150
<i>Mining and Quarrying</i>	140.906	-	-	376	-	2.905.613	221.004	239.525	22.098	-	-	22	858.193	2.671.351	3.529.544
<i>Production</i>	7.335.941	-	23.395	28.391	-	43.837.151	12.168.632	13.207.758	1.938.992	-	-	47.247	47.775.718	30.811.789	78.587.507
<i>Electricity, Gas and Water</i>	178.788	-	-	-	-	12.266.648	87.780	2.082.314	389.569	-	-	-	4.011.269	10.993.830	15.005.099
Construction	1.928.438	-	-	12.593	-	19.081.993	2.697.500	7.317.295	1.413.164	-	-	97.986	22.118.280	10.430.689	32.548.969
Services	83.060.482	3.018.319	659.286	19.814	7.624.719	72.002.918	41.244.813	23.326.274	2.603.701	-	-	2.607.332	150.306.161	85.861.497	236.167.658
<i>Wholesale and Retail Trade</i>	5.610.666	-	51	13.895	-	20.732.042	25.049.550	10.185.852	1.133.745	-	-	14.047	53.164.061	9.575.787	62.739.848
<i>Accommodation and Dining</i>	1.044.448	10	185	124	-	8.123.958	1.481.318	6.564.644	302.242	-	-	93	3.993.271	13.523.751	17.517.022
<i>Transportation and Telecom.</i>	286.553	-	3	368	-	6.942.665	11.134.833	929.811	97.815	-	-	589	12.972.343	6.420.294	19.392.637
<i>Financial Institutions</i>	201.259	-	31	-	7.624.719	2.670.393	64.402	792.790	1.673	-	-	5.213	5.286.698	6.073.782	11.360.480
<i>Real Estate and Rental Services</i>	350.034	-	120	2.242	-	30.485.575	1.893.252	3.103.535	741.181	-	-	104.329	9.462.047	27.218.221	36.680.268
<i>Professional Services</i>	8.583	-	2	-	-	-	1.042.923	144.582	5.910	-	-	608	1.202.497	111	1.202.608
<i>Educational Services</i>	157.501	-	64.605	-	-	1.222.414	224.109	470.418	276.256	-	-	12	1.700.320	714.995	2.415.315
<i>Health and Social Services</i>	75.401.438	3.018.309	594.289	3.185	-	1.825.871	354.426	1.134.642	44.879	-	-	2.482.441	62.524.924	22.334.556	84.859.480
Other	32.981.008	118.704	51.954	567	1.988.809	15.173.085	32.015.259	28.742.691	605.653	-	861.057	20.073.126	83.296.833	49.315.080	132.611.913
<b>Total</b>	<b>125.735.774</b>	<b>3.137.023</b>	<b>735.067</b>	<b>61.819</b>	<b>9.613.528</b>	<b>165.770.190</b>	<b>88.950.562</b>	<b>75.089.042</b>	<b>7.000.426</b>	<b>-</b>	<b>861.057</b>	<b>22.963.553</b>	<b>309.455.612</b>	<b>190.462.429</b>	<b>499.918.041</b>

<sup>(1)</sup> Risk amounts in the table represents the credit risk amounts before the risk mitigation after conversion and risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks".

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**MANAGEMENT OF THE GROUP (continued)**

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

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

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	59.224.845	2.906.109	3.884.964	3.779.101	123.058.791
2. Conditional and unconditional exposures to regional governments or local authorities	39.766	24.177	14.905	144.595	2.294.035
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	119.676	66.584	20.298	128.317	1.516.926
4. Conditional and unconditional exposures to Multilateral Development Banks	408	150	4.377	5.813	14.371
5. Conditional and unconditional exposures to banks and brokerage houses	5.537.801	65.925	467.571	36.743	1.664.658
6. Conditional and unconditional exposures to corporates	23.962.542	12.996.730	11.574.956	30.808.791	119.362.652
7. Conditional and unconditional retail exposures	15.741.624	3.198.824	4.995.414	12.640.439	108.718.059
8. Conditional and unconditional exposures secured by real estate property	4.251.850	2.156.724	2.720.185	8.368.114	79.995.783
9. Past due items	5.894.333	-	-	-	-
10. Items in Regulatory High-Risk Categories	-	-	-	-	-
11. Stock Investments	914.433	-	-	-	-
12. Other Items	22.757.096	486	455	209.009	3.211.705
<b>Total</b>	<b>138.444.374</b>	<b>21.415.709</b>	<b>23.683.125</b>	<b>56.120.922</b>	<b>439.836.980</b>

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

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	34.068.397	1.679.200	1.728.317	3.669.305	84.590.555
2. Conditional and unconditional exposures to regional governments or local authorities	36.606	7.960	26.390	151.453	2.914.614
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	113.937	19.980	65.612	127.115	408.423
4. Conditional and unconditional exposures to Multilateral Development Banks	1.913	158	728	5.341	53.679
5. Conditional and unconditional exposures to banks and brokerage houses	8.028.199	43.291	110.752	202.699	1.228.587
6. Conditional and unconditional exposures to corporates	22.426.892	9.580.316	12.626.391	23.237.487	97.899.104
7. Conditional and unconditional retail exposures	9.736.351	2.065.254	3.407.571	10.853.167	62.888.219
8. Conditional and unconditional exposures secured by real estate property	2.793.085	1.539.504	2.424.503	8.638.646	59.693.304
9. Past due items	7.000.426	-	-	-	-
10. Items in Regulatory High-Risk Categories	-	-	-	-	-
11. Stock Investments	861.057	-	-	-	-
12. Other Items	19.877.168	324	917	2.083	3.083.061
<b>Total</b>	<b>104.944.031</b>	<b>14.935.987</b>	<b>20.391.181</b>	<b>46.887.296</b>	<b>312.759.546</b>

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

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

Islamic International Rating Agency (IIRA) country ratings are taken into account in calculating the Bank's capital adequacy. For other portfolios, the ratings given by the Fitch Ratings are used for the counterparties resident abroad.

Islamic International Rating Agency (IIRA) notes are used in the "Central Government or Receivables from Central Banks" portfolio. Fitch Ratings' rating grades are used for the risk classes listed below, provided that they are resident abroad.

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**MANAGEMENT OF THE GROUP (continued)**

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

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

- Receivables on banks and intermediary institutions
- Receivables on regional governments or local authorities
- Receivables on administrative bodies and other non-commercial undertakings
- Receivables on multilateral development banks
- Corporate Receivables

The relevant risk classification is used in determining the risk weights on a receivable that is classified as per the second section, Article 8 of the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks. In the absence of a specific rating, the provisions of paragraph a,b and c of Article 9 of the regulation mentioned should be used.

In the 26th Article of the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies, IIRA grades are used in the below table of maturity in determining the credit quality level of the country grades, central government and central banks receivables.

In the case of other risk classes included in the table, Fitch Ratings notes are taken into account if the rated party is a foreign resident, the supervisor of the relevant country has equivalent regulation and supervision structure, authorized in the country notes.

Implementation of the risk weights to receivables from Regional Governments or local authorities are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weights to receivables from multilateral development banks except those listed in the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks, are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weight for unrated receivables from banks and intermediary institutions can not be lower than the risk weight of receivables from sovereigns which they are settled in.

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**MANAGEMENT OF THE GROUP (continued)**

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

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

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

Country Name	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	335.872.354	-	335.872.354
Serbia	2.366.691	-	2.366.691
Northern Macedonia	2.299.713	-	2.299.713
Turkish Republic of Northern Cyprus	627.946	-	627.946
Malta	199.782	-	199.782
Other <sup>(*)</sup>	475.770	-	475.770

<sup>(\*)</sup> Risk-Weighted Assets below TRY 5 Million (Full TRY) are grouped under "other" headings.

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

Exposures by Consolidated risk weights:

**Current Period**

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	4%	Deductions
													from Equity
1 Exposures before Credit Risk Mitigation	155.048.907	-	4.858.022	-	7.855.111	246.023.815	275.107.961	527.025	-	605.354	2.172	-	4.298
2. Exposures after Credit Risk Mitigation	203.855.325	-	4.858.024	58.067.137	41.900.109	145.455.609	224.305.063	452.317	-	605.354	2.172	-	4.298

**Prior Period**

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	4%	Deductions
													from Equity
1 Exposures before Credit Risk Mitigation	94.789.688	-	4.981.802	-	29.377.066	153.349.499	223.637.881	809.084	-	496.684	606	-	11.332
2. Exposures after Credit Risk Mitigation	109.701.870	-	4.981.794	44.268.679	63.236.681	89.047.339	187.549.970	634.418	-	496.684	606	-	11.332

Information by major sectors and type of counterparties:

Current Period	Credits		
	Significant Increase in Credit Risk (Stage II) <sup>(1)</sup>	Credit – Impaired Losses (Stage III) <sup>(2)</sup>	Expected Credit Loss (IFRS 9) <sup>(3)</sup>
Major Sectors /Counterparties			
<b>Agriculture</b>	<b>298.230</b>	<b>114.328</b>	<b>140.327</b>
<i>Farming and Stockbreeding</i>	289.039	86.096	120.788
<i>Forestry</i>	996	611	573
<i>Fishery</i>	8.195	27.621	18.966
<b>Manufacturing</b>	<b>8.848.511</b>	<b>5.266.483</b>	<b>4.422.203</b>
<i>Mining and Quarrying</i>	84.575	188.147	155.396
<i>Production</i>	4.195.778	4.534.217	3.542.102
<i>Electricity, Gas and Water</i>	4.568.158	544.119	724.705
<b>Construction</b>	<b>4.888.986</b>	<b>3.098.413</b>	<b>1.971.249</b>
<b>Services</b>	<b>19.108.962</b>	<b>5.316.189</b>	<b>5.144.080</b>
<i>Wholesale and Retail Trade</i>	5.003.931	2.945.805	2.331.063
<i>Accommodation and Dining</i>	6.341.923	586.473	897.569
<i>Transportation and Telecommunication</i>	642.313	229.118	153.942
<i>Financial Institutions</i>	548.796	9.070	96.182
<i>Real Estate and Rental Services</i>	6.169.869	986.770	1.141.948
<i>Professional Services</i>	61.503	10.782	10.400
<i>Educational Services</i>	98.843	433.164	407.201
<i>Health and Social Services</i>	241.784	115.007	105.775
<b>Other</b>	<b>4.375.570</b>	<b>1.130.017</b>	<b>1.157.045</b>
<b>Total</b>	<b>37.520.259</b>	<b>14.925.430</b>	<b>12.834.904</b>

<sup>(1)</sup>Income accruals amounting to TRY 1.806.865 are not included in the table.

<sup>(2)</sup>Income accruals amounting to TRY 2.191.734 are not included in the table.

<sup>(3)</sup>Income accruals amounting to TRY 1.661.544 are not included in the table.

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

Information by major sectors and type of counterparties (continued):

Prior Period	Credits		
	Significant Increase in Credit Risk (Stage II) <sup>(1)</sup>	Credit – Impaired Losses (Stage III) <sup>(2)</sup>	Expected Credit Loss (IFRS 9) <sup>(3)</sup>
Major Sectors /Counterparties			
<b>Agriculture</b>	<b>135.661</b>	<b>117.476</b>	<b>94.523</b>
<i>Farming and Stockbreeding</i>	125.367	89.979	77.891
<i>Forestry</i>	884	468	515
<i>Fishery</i>	9.410	27.029	16.117
<b>Manufacturing</b>	<b>4.376.483</b>	<b>5.001.576</b>	<b>2.969.207</b>
<i>Mining and Quarrying</i>	110.645	151.169	137.520
<i>Production</i>	4.217.818	4.312.359	2.574.584
<i>Electricity, Gas and Water</i>	48.020	538.048	257.103
<b>Construction</b>	<b>4.796.518</b>	<b>2.301.231</b>	<b>1.499.308</b>
<b>Services</b>	<b>12.899.890</b>	<b>5.510.191</b>	<b>3.627.801</b>
<i>Wholesale and Retail Trade</i>	4.673.522	2.991.760	2.112.335
<i>Accommodation and Dining</i>	1.742.190	665.322	435.693
<i>Transportation and</i>	770.483		
<i>Telecommunication</i>		198.994	129.531
<i>Financial Institutions</i>	598.581	14.320	24.648
<i>Real Estate and Rental Services</i>	4.763.458	1.073.968	627.821
<i>Professional Services</i>	69.481	13.135	10.273
<i>Educational Services</i>	104.017	428.897	192.578
<i>Health and Social Services</i>	178.158	123.795	94.922
<b>Other</b>	<b>2.767.984</b>	<b>1.159.295</b>	<b>869.153</b>
<b>Total</b>	<b>24.976.536</b>	<b>14.089.769</b>	<b>9.059.992</b>

<sup>(1)</sup>Income accruals amounting to TRY 1.207.564 are not included in the table.

<sup>(2)</sup>Income accruals amounting to TRY 1.987.478 are not included in the table.

<sup>(3)</sup>Income accruals amounting to TRY 1.118.159 are not included in the table.

Movements in value adjustments and provisions:

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Stage III expected credit loss	8.953.859	3.575.346	(1.369.150)	-	11.160.055
2. Stage I and Stage II expected credit loss	2.538.286	3.113.779	(36.776)	-	5.615.289

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Stage III expected credit loss	6.361.112	3.994.843	1.402.096	-	8.953.859
2. Stage I and Stage II expected credit loss	2.193.569	527.151	182.434	-	2.538.286



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

The net value and type of collaterals of the loans amounting TRY 37.520.259 followed under loans and other receivables under close monitoring section is below (31 December 2019: TRY 24.976.536).

<b>Collateral Types<sup>(1)</sup></b>	<b>Net Value of Collateral Current Period</b>
Real estate mortgage	9.766.161
Salary pledge, vehicle pledge and pledge of commercial undertaking	444.531
CGF	2.814.323
Financial collaterals (cash, securities pledge, etc.)	31.668
Cheque / bills	88.383
Sureties	16.484.603
Other <sup>(2)</sup>	7.890.590
<b>Total</b>	<b>37.520.259</b>

<sup>(1)</sup> Income accruals amounting to TRY 1.806.865 are not included in the table.

<sup>(2)</sup> Comprised of share certificates, blockage on receivables, uncollateralized etc.

<b>Collateral Types<sup>(1)</sup></b>	<b>Net Value of Collateral Prior Period</b>
Real estate mortgage	11.541.948
Salary pledge, vehicle pledge and pledge of commercial undertaking	371.401
CGF	2.465.470
Financial collaterals (cash, securities pledge, etc.)	80.926
Cheque / bills	172.918
Sureties	4.109.100
Other <sup>(2)</sup>	6.234.773
<b>Total</b>	<b>24.976.536</b>

<sup>(1)</sup> Income accruals amounting to TRY 1.207.564 are not included in the table.

<sup>(2)</sup> Comprised of share certificates, blockage on receivables, uncollateralized etc.

The net value and type of collaterals belongs to loans amounted TRY 14.925.430 followed under non-performing loans section is below (31 December 2019: TRY 14.089.769).

<b>Collateral Types<sup>(1)</sup></b>	<b>Net Value of Collateral Current Period</b>
Cash	5.355
Mortgage	3.604.025
Pledge	405.867
Cheque / bills	13.282
Sureties	7.846.280
Other <sup>(2)</sup>	3.050.621
<b>Total</b>	<b>14.925.430</b>

<sup>(1)</sup> Income accruals amounting to TRY 2.191.734 are not included in the table.

<sup>(2)</sup> Comprised of share certificates, blockage on receivables, uncollateralized etc.

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

<b>Collateral Types<sup>(1)</sup></b>	<b>Net Value of Collateral Prior Period</b>
Cash	6.805
Mortgage	3.427.138
Pledge	402.900
Cheque / bills	12.735
Sureties	7.100.668
Other <sup>(2)</sup>	3.139.523
<b>Total</b>	<b>14.089.769</b>

<sup>(1)</sup> Income accruals amounting to TRY 1.987.478 are not included in the table.

<sup>(2)</sup> Comprised of share certificates, blockage on receivables and salaries, uncollateralized etc..

**III. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK**

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

In accordance with “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”, the foreign currency position risk of the Group is measured by “standard method” and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. In addition, the value at risk limit determined by the Board of Directors of the Parent Bank for the value at risk including foreign currency risk is monitored daily and reported to the key management personnel. As a foreign currency risk management policy, the Parent Bank is not exposed to foreign exchange risk significantly and positions related to foreign currency risk are balanced with derivative transactions when necessary.

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

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

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

	<b>Monthly Average Buying Rate of Exchange</b>
USD	7,6656522
CHF	8,6170652
GBP	10,2906435
JPY	0,0736755
EUR	9,3330652

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

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

Information related to currency risk:

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>OTHERFC</b>	<b>TOTAL</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	10.311.696	30.141.813	16.134.827	56.588.336
Banks	477.298	466.673	1.449.696	2.393.667
Financial assets at fair value through profit and loss	103	1.246	17.892	19.241
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income <sup>(5)</sup>	9.017.791	11.505.972	2.680.200	23.203.963
Loans <sup>(2)</sup>	59.660.602	38.270.424	5.501.798	103.432.824
Subsidiaries, associates and entities under common control	681.339	-	-	681.339
Financial assets measured at amortized cost <sup>(6)</sup>	8.824.065	14.953.586	3.654.832	27.432.483
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	503.411	503.411
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	2.678.278	2.332.526	129.738	5.140.542
<b>Total assets</b>	<b>91.651.172</b>	<b>97.672.240</b>	<b>30.072.394</b>	<b>219.395.806</b>
<b>Liabilities</b>				
Bank deposits	9.419.898	5.078.086	357.205	14.855.189
Foreign currency deposits	70.552.958	90.381.535	30.454.014	191.388.507
Money market balances	-	1.114.631	-	1.114.631
Funds provided from other financial institutions	8.592.075	3.953.548	2.500	12.548.123
Bonds issued	-	7.553.277	-	7.553.277
Sundry creditors	259.308	446.355	292	705.955
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	9.361.098	869.809	391.065	10.621.972
<b>Total liabilities</b>	<b>98.185.337</b>	<b>109.397.241</b>	<b>31.205.076</b>	<b>238.787.654</b>
<b>Net balance sheet position</b>	<b>(6.534.165)</b>	<b>(11.725.001)</b>	<b>(1.132.682)</b>	<b>(19.391.848)</b>
<b>Net off-balance sheet position</b>				
	<b>6.156.789</b>	<b>9.402.203</b>	<b>1.378.041</b>	<b>16.937.033</b>
Financial derivative assets <sup>(4)</sup>	7.325.960	14.650.743	4.755.882	26.732.585
Financial derivative liabilities <sup>(4)</sup>	1.169.171	5.248.540	3.377.841	9.795.552
Non-cash loans <sup>(1)</sup>	37.665.288	19.910.193	3.871.248	61.446.729
<b>Prior period</b>				
Total assets	78.211.250	67.817.323	10.818.729	156.847.302
Total liabilities	87.073.343	71.815.898	12.898.168	171.787.409
<b>Net balance sheet position</b>	<b>(8.862.093)</b>	<b>(3.998.575)</b>	<b>(2.079.439)</b>	<b>(14.940.107)</b>
<b>Net off-balance sheet position</b>				
	<b>8.232.005</b>	<b>(64.451)</b>	<b>3.132.568</b>	<b>11.300.122</b>
Financial derivative assets	9.662.721	8.011.214	4.032.321	21.706.256
Financial derivative liabilities	1.430.716	8.075.665	899.753	10.406.134
Non-cash loans <sup>(1)</sup>	29.073.296	18.430.536	3.095.932	50.599.764

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

<sup>(2)</sup> Includes TRY 45.321 of foreign currency indexed loans and their accruals (31 December 2019: TRY 233.440).

<sup>(3)</sup> In accordance with the provisions of "Regulation on Calculation and Implementation of Foreign Currency Net General Position / Equity Standard Ratio by Banks on Consolidated and Unconsolidated Basis"; foreign currency intangible assets TRY 59.245, prepaid expenses TRY 819, and in equity in liabilities TRY 939.625 were not taken into account in foreign currency risk calculation.

<sup>(4)</sup> Financial derivative assets include forward precious metal purchase transactions amounting to TRY 42.111 and swap precious metal purchase transactions amounting to TRY 3.480.060; financial derivative liabilities include forward precious metal sale transactions amounting to TRY 2.287.355. In addition, derivative transactions within the scope of forward foreign exchange purchase and sale are included.

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

<sup>(6)</sup> 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)**

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

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

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

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
<b>Assets</b>							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	6.746.564	-	-	-	-	58.237.878	64.984.442
Banks	1.168.834	31.035	34.508	5.396	-	1.441.373	2.681.146
Financial assets at fair value through profit and loss	28.070	27	31.047	998	248	15.663.273	15.723.663
Money market placements	108.213	-	-	-	-	144.784	252.997
Financial assets at fair value through other comprehensive income	4.662.839	13.804.387	25.149.794	14.392.953	2.302.184	232.283	60.544.440
Loans	69.201.918	88.839.669	128.536.576	113.482.637	31.461.527	25.687.899	457.210.226
Financial assets measured at amortised cost	555.772	29.092.955	7.129.636	16.995.568	31.030.758	-	84.804.689
Other assets <sup>(1)(4)</sup>	2.075.232	811.150	911.410	1.977.449	619.788	3.618.018	10.013.047
<b>Total assets</b>	<b>84.547.442</b>	<b>132.579.223</b>	<b>161.792.971</b>	<b>146.855.001</b>	<b>65.414.505</b>	<b>105.025.508</b>	<b>696.214.650</b>
<b>Liabilities</b>							
Bank deposits	21.213.099	4.168.538	32.818	66.496	-	9.584.903	35.065.854
Other deposits	239.625.563	87.530.460	18.243.189	2.417.905	27.076	85.151.781	432.995.974
Money market balances	103.677.703	795.333	-	-	-	129.576	104.602.612
Sundry creditors	4.706.444	-	-	-	-	4.536.210	9.242.654
Bonds issued	895.864	7.796.847	4.366.484	1.000.000	-	186.227	14.245.422
Funds provided from other financial institutions <sup>(3)</sup>	839.080	5.397.838	3.653.635	2.547.328	765.962	50.679	13.254.522
Other liabilities <sup>(1)(2)</sup>	1.001.917	2.369	15.503.676	8.180.814	4.929.795	57.189.041	86.807.612
<b>Total liabilities</b>	<b>371.959.670</b>	<b>105.691.385</b>	<b>41.799.802</b>	<b>14.212.543</b>	<b>5.722.833</b>	<b>156.828.417</b>	<b>696.214.650</b>
Balance sheet long position	-	26.887.838	119.993.169	132.642.458	59.691.672	-	339.215.137
Balance sheet short position	(287.412.228)	-	-	-	-	(51.802.909)	(339.215.137)
Off-balance sheet long position	16.801.642	9.576.962	6.740.958	243.667	5.940.341	-	39.303.570
Off-balance sheet short position	(16.123.947)	(7.712.951)	(7.051.134)	(883.737)	(5.940.341)	-	(37.712.110)
<b>Total position</b>	<b>(286.734.533)</b>	<b>28.751.849</b>	<b>119.682.993</b>	<b>132.002.388</b>	<b>59.691.672</b>	<b>(51.802.909)</b>	<b>1.591.460</b>

<sup>(1)</sup> TRY 42.101 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 333.904 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

<sup>(4)</sup> Provisions are presented within non-bearing interest column.

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**MANAGEMENT OF THE GROUP (continued)**

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
<b>Assets</b>							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	1.211.251	-	-	-	-	34.102.736	35.313.987
Banks	1.703.123	75.925	26.233	25	-	2.358.667	4.163.973
Financial assets at fair value through profit and loss	967	2.131	43.028	64	-	16.259.573	16.305.763
Money market placements	87.138	-	-	-	-	-	87.138
Financial assets at fair value through other comprehensive income	6.287	3.064.929	4.705.821	6.210.378	1.152.228	155.047	15.294.690
Loans	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 <sup>(1) (4)</sup>	2.463.410	1.051.857	1.714.880	1.828.684	187.799	4.353.847	11.600.477
<b>Total assets</b>	<b>85.851.715</b>	<b>75.556.407</b>	<b>96.636.643</b>	<b>94.483.941</b>	<b>35.996.596</b>	<b>80.106.525</b>	<b>468.631.827</b>
<b>Liabilities</b>							
Bank deposits	13.223.458	8.494.169	6.062	-	-	5.981.240	27.704.929
Other deposits	155.025.988	47.071.325	17.657.100	1.957.470	16.198	51.254.541	272.982.622
Money market balances	52.715.358	590.314	-	-	-	33.669	53.339.341
Sundry creditors	3.189.863	34	-	-	-	3.190.908	6.380.805
Bonds issued	2.050.069	8.708.287	1.371.317	6.895.630	-	268.829	19.294.132
Funds provided from other financial institutions <sup>(3)</sup>	1.852.476	5.131.640	4.388.711	2.241.874	478.803	74.366	14.167.870
Other liabilities <sup>(1)(2)</sup>	1.114.772	65.474	18.330.452	95.511	10.888.695	44.267.224	74.762.128
<b>Total liabilities</b>	<b>229.171.984</b>	<b>70.061.243</b>	<b>41.753.642</b>	<b>11.190.485</b>	<b>11.383.696</b>	<b>105.070.777</b>	<b>468.631.827</b>
Balance sheet long position	-	5.495.164	54.883.001	83.293.456	24.612.900	-	168.284.521
Balance sheet short position	(143.320.269)	-	-	-	-	(24.964.252)	(168.284.521)
Off-balance sheet long position	16.523.967	4.712.199	10.147.950	90.946	5.546.352	52.368	37.073.782
Off-balance sheet short position	(15.946.471)	(3.457.074)	(10.281.891)	(1.051.815)	(5.546.352)	(52.281)	(36.335.884)
<b>Total position</b>	<b>(142.742.773)</b>	<b>6.750.289</b>	<b>54.749.060</b>	<b>82.332.587</b>	<b>24.612.900</b>	<b>(24.964.165)</b>	<b>737.898</b>

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

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

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

<sup>(4)</sup> 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)**

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

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

Current period	EUR	USD	JPY	TRY
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT <sup>(5)</sup>	-	-	-	12,00
Banks <sup>(1)</sup>	0,19	0,75	-	15,80
Financial assets at fair value through profit and loss <sup>(6)</sup>	1,56	4,12	-	11,63
Money market placements	-	-	-	17,49
Financial assets at fair value through other comprehensive income	2,28	2,94	-	13,84
Loans <sup>(2)</sup>	5,03	5,98	-	11,31
Financial assets measured at amortised cost	4,87	5,62	-	17,56
<b>Liabilities</b>				
Bank deposits <sup>(4)</sup>	0,93	1,61	-	17,42
Other deposits <sup>(4)</sup>	0,99	2,40	0,01	14,05
Money market borrowings	-	5,11	-	17,38
Sundry creditors <sup>(3)</sup>	-	-	-	5,00
Bonds issued	-	4,75	-	14,11
Funds provided from other financial institutions	1,31	1,77	-	14,29

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

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

<sup>(3)</sup> Declared maximum deposits interest rate with a maturity of 12 months as of 31 December 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

According to the mentioned regulation, within the scope of Interest Rate Risk in the Banking Book (IRRBB), the ratio of losses incurred due to economic value changes after interest shocks to total capital - legal maximum rate - is limited to 20%. On the other hand regarding IRRBB ratio, the Parent Bank's internally determined limit and risk appetite levels are monitored on a daily basis, provided that they are below the legal maximum rate.

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

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

<b>Current Period</b>			<b>Gains/Shareholders' Equity - Losses/Shareholders' Equities</b>
<b>Currency</b>	<b>Applied Shock (+/- x base point)</b>	<b>Gains/(Losses)</b>	
TRY	500	(11.814.957)	(19,34%)
	(400)	11.722.450	19,19%
EUR(*)	200	2.798.078	4,58%
	(200)	(4.088.887)	(6,69%)
USD	200	(2.050.333)	(3,36%)
	(200)	2.830.762	4,63%
<b>Total (For negative shocks)</b>		<b>10.464.325</b>	<b>17,13%</b>
<b>Total (For positive shocks)</b>		<b>(11.067.212)</b>	<b>(18,12%)</b>
<b>Prior Period</b>			<b>Gains/Shareholders' Equity - Losses/Shareholders' Equities</b>
<b>Currency</b>	<b>Applied Shock (+/- x base point)</b>	<b>Gains/(Losses)</b>	
TRY	500	(7.837.303)	(16,84%)
	(400)	7.628.456	16,39%
EUR(*)	200	1.367.969	2,94%
	(200)	(1.859.217)	(3,99%)
USD	200	(1.558.638)	(3,35%)
	(200)	2.184.010	4,69%
<b>Total (For negative shocks)</b>		<b>7.953.249</b>	<b>17,09%</b>
<b>Total (For positive shocks)</b>		<b>(8.027.972)</b>	<b>(17,25%)</b>

(\*) Other currencies are shown under EUR

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

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

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

Equities	Comparison			The Amount of Capital Requirement
	Balance Sheet Value	Fair Value Change	Market Value	
Stock investment excluding A,B,C,D group	764.460 <sup>(*)</sup>	674.237 <sup>(**)</sup>	-	142.475

<sup>(\*)</sup> Includes TRY 66.555 of unconsolidated subsidiary, TRY 697.905 of associates accounted for under the equity method.

<sup>(\*\*)</sup> It represents the fair value of Demirhalk Bank N.V. It is taken from the valuation report of Demirhalk Bank N.V. prepared as of 31 December 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	Included in supplementary capital	
1. Private equity investments	-	-	-	-	-	
2. Share certificates quoted on a stock exchange	-	-	-	-	-	
3. Other share certificates	-	20.147	20.147	-	-	
<b>Total</b>	-	20.147	20.147	-	-	



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MANAGEMENT OF THE GROUP (continued)**

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

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

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

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

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

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

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

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

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**VI. 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. Within the scope of the measures regarding the Covid-19 outbreak in 2020, deposit and participation banks have been exempted from the liability to comply with the minimum legal limits set as 100% and 80% for TRY + FC and FC liquidity coverage ratios until 31 December 2020, respectively, with the resolution of BRSA numbered 8967 and dated 26 March 2020. The exemption has been terminated as of 31 December 2020 with the BRSA resolution numbered 9312 and dated 8 December 2020.

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

Consolidated high quality liquid assets in TRY+FC are composed of 43,89% accounts held by the CBRT and the Central Banks of the foreign branches, 50,86% securities considered as high quality liquid assets and 5,25% cash and cash equivalents. The primary funding source for the Parent Bank is deposit. Other important funding sources are money market borrowings and securities issued.

Derivative transactions did not cause a net cash outflow that would negatively affect the liquidity position. The estimated cash outflows from derivative financial instruments and other liabilities calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, are TRY 677.149 thousand.

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

The liquidity coverage ratio calculated on a daily basis and the early warning levels and limits regarding the liquidity metrics determined within the scope of the Bank's Liquidity Emergency Action Plan are calculated daily, and regularly reported to the Parent Bank's Audit Committee, Asset-Liability Committee and relevant business units.

The consolidated liquidity coverage ratios for the last three months are indicated in the table below.

PERIOD	FC (%)	TRY+FC (%)
31 October 2020	128,67	89,99
30 November 2020	136,36	87,41
31 December 2020	182,02	108,53

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

Current Period	Total Unweighted Value <sup>(1)</sup>		Total Weighted Value <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			100.120.759	56.186.941
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	214.617.520	108.065.700	19.509.278	10.806.570
Stable Deposits	39.049.480	-	1.952.474	-
Less Stable Deposits	175.568.040	108.065.700	17.556.804	10.806.570
Unsecured wholesale funding , of which;	200.917.565	72.196.379	91.455.271	32.472.143
Operational Deposits	35.013.844	9.020.372	8.753.461	2.255.093
Non-operational Deposits	159.508.177	60.600.026	77.253.366	27.720.822
Other Unsecured Funding	6.395.544	2.575.981	5.448.444	2.496.228
Secured Funding			-	-
Other cash outflows, of which;	11.648.819	6.917.255	5.837.438	3.688.034
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	949.895	1.015.198	949.895	1.015.198
Obligations related to structured financial products	19.934	-	19.934	-
Commitments related to debts to financial markets and other off-balance sheet obligations	10.678.990	5.902.057	4.867.609	2.672.836
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	143.576.345	55.747.383	11.317.080	4.713.310
<b>Total Cash Outflows</b>			<b>128.119.067</b>	<b>51.680.057</b>
<b>Cash Inflows</b>				
Secured Lending	-	-	-	-
Unsecured Lending	34.798.391	12.945.307	22.486.276	9.840.447
Other Cash Inflows	281.378	3.061.589	281.378	3.061.589
<b>Total Cash Inflows</b>	<b>35.079.769</b>	<b>16.006.896</b>	<b>22.767.654</b>	<b>12.902.036</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>100.120.759</b>	<b>56.186.941</b>
<b>Total Net Cash Outflows</b>			<b>105.351.412</b>	<b>38.778.018</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>95,40%</b>	<b>149,15%</b>

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

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

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

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

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**MANAGEMENT OF THE GROUP (continued)**

**VI. 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.

<b>Current period</b>	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 Months</b>	<b>1-5 years</b>	<b>5 years and over</b>	<b>Undistributed</b>	<b>Total</b>
<b>Assets</b>								
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	6.187.629	58.545.526	-	251.287	-	-	-	64.984.442
Banks	1.461.011	1.157.976	31.056	14.914	4.214	11.975	-	2.681.146
Financial assets at fair value through profit and loss	16.429	-	2	15.530.733	29.051	228	147.220	15.723.663
Receivables from Money market	-	252.997	-	-	-	-	-	252.997
Financial assets at fair value through other comprehensive income	-	784.124	4.063.834	22.653.983	25.834.476	6.975.740	232.283	60.544.440
Loans	20.842.797	29.736.936	33.859.693	109.211.284	203.947.695	59.611.821	-	457.210.226
Financial assets measured at amortised cost	-	5.870.688	5.966.765	8.445.166	25.889.049	38.633.021	-	84.804.689
Other assets <sup>(2)</sup>	240.253	2.174.205	2.103.637	1.449.244	2.054.235	968.931	1.022.542	10.013.047
<b>Total assets</b>	<b>28.748.119</b>	<b>98.522.452</b>	<b>46.024.987</b>	<b>157.556.611</b>	<b>257.758.720</b>	<b>106.201.716</b>	<b>1.402.045</b>	<b>696.214.650</b>
<b>Liabilities</b>								
Bank deposits	9.514.652	21.271.352	4.180.536	32.818	66.496	-	-	35.065.854
Other deposits	81.060.829	242.900.844	83.270.979	23.239.182	2.489.876	34.264	-	432.995.974
Funds provided from other financial institutions <sup>(3)</sup>	5	119.961	575.771	2.591.477	4.365.922	5.601.386	-	13.254.522
Money market balances	-	103.803.299	59.313	-	-	740.000	-	104.602.612
Bonds issued	-	992.028	6.864.708	4.958.686	1.430.000	-	-	14.245.422
Sundry creditors	50.743	4.207.484	249.949	1.234.706	2.850.093	12.677	637.002	9.242.654
Other liabilities <sup>(1)</sup>	1.528.806	5.719.142	101.846	16.333.088	9.728.919	8.966.472	44.429.339	86.807.612
<b>Total liabilities</b>	<b>92.155.035</b>	<b>379.014.110</b>	<b>95.303.102</b>	<b>48.389.957</b>	<b>20.931.306</b>	<b>15.354.799</b>	<b>45.066.341</b>	<b>696.214.650</b>
<b>Liquidity gap</b>	<b>(63.406.916)</b>	<b>(280.491.658)</b>	<b>(49.278.115)</b>	<b>109.166.654</b>	<b>236.827.414</b>	<b>90.846.917</b>	<b>(43.664.296)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>(2.304)</b>	<b>620.011</b>	<b>464.823</b>	<b>508.930</b>	<b>-</b>	<b>-</b>	<b>1.591.460</b>
Derivative financial assets	-	16.021.643	7.847.962	1.916.950	1.636.333	11.880.682	-	39.303.570
Derivative financial liabilities	-	(16.023.947)	(7.227.951)	(1.452.127)	(1.127.403)	(11.880.682)	-	(37.712.110)
<b>Non-cash loans</b>	<b>35.094.122</b>	<b>2.874.408</b>	<b>10.434.702</b>	<b>40.597.782</b>	<b>25.043.586</b>	<b>2.459.251</b>	<b>-</b>	<b>116.503.851</b>
<b>Prior Period</b>								
Total Assets	25.662.442	56.004.329	19.498.071	106.151.712	188.549.119	69.513.417	3.252.737	468.631.827
Total Liabilities	56.003.364	231.970.921	62.610.524	47.310.777	19.124.912	17.183.284	34.428.045	468.631.827
<b>Liquidity Gap</b>	<b>(30.340.922)</b>	<b>(175.966.592)</b>	<b>(43.112.453)</b>	<b>58.840.935</b>	<b>169.424.207</b>	<b>52.330.133</b>	<b>(31.175.308)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>(12.504)</b>	<b>16.212</b>	<b>161.060</b>	<b>573.130</b>	<b>-</b>	<b>-</b>	<b>737.898</b>
Derivative financial assets	-	15.933.967	3.170.567	5.162.933	1.713.612	11.092.703	-	37.073.782
Derivative financial liabilities	-	(15.946.471)	(3.154.355)	(5.001.873)	(1.140.482)	(11.092.703)	-	(36.335.884)
<b>Non-cash loans</b>	<b>27.943.882</b>	<b>3.072.636</b>	<b>9.160.038</b>	<b>31.876.345</b>	<b>16.382.132</b>	<b>2.582.797</b>	<b>-</b>	<b>91.017.830</b>

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

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

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

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

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments <sup>(*)</sup>	Total
<b>Liabilities</b>							
Deposits	355.458.727	88.568.202	24.038.902	2.645.931	34.342	(2.684.276)	468.061.828
Funds provided from other financial intuitions	124.672	590.583	2.645.604	4.531.978	6.088.824	(727.139)	13.254.522
Money market borrowings	103.938.774	59.859	-	-	747.982	(144.003)	104.602.612
Securities issued	1.040.386	7.068.563	5.151.860	1.531.819	-	(547.206)	14.245.422
Funds	7.800	35	211.490	617.046	3.317.615	(536.683)	3.617.303
<b>Total</b>	<b>460.570.359</b>	<b>96.287.242</b>	<b>32.047.856</b>	<b>9.326.774</b>	<b>10.188.763</b>	<b>(4.639.307)</b>	<b>603.781.687</b>

<sup>(\*)</sup>Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments <sup>(*)</sup>	Total
<b>Liabilities</b>							
Deposits	224.897.157	54.591.169	21.132.904	2.072.131	36.641	(2.042.451)	300.687.551
Funds provided from other financial intuitions	899.446	1.032.513	4.219.336	5.544.576	3.319.383	(847.384)	14.167.870
Money market borrowings	52.764.828	9.229	29.918	158.153	748.261	(371.048)	53.339.341
Securities issued	1.178.663	7.247.000	3.862.787	8.496.753	-	(1.491.071)	19.294.132
Funds	232.809	4.471	26.438	1.627.722	1.317.614	(50)	3.209.004
<b>Total</b>	<b>279.972.903</b>	<b>62.884.382</b>	<b>29.271.383</b>	<b>17.899.335</b>	<b>5.421.899</b>	<b>(4.752.004)</b>	<b>390.697.898</b>

<sup>(\*)</sup>Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

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

Current Period: <sup>(1)</sup>	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	1.734.998	1.241.034	34.708	-	-	3.010.740
Forward Contracts- Sell	631.159	161.002	34.069	-	-	826.230
Swaps - Buy	10.223.422	5.807.869	1.707.242	1.184.000	-	18.922.533
Swaps - Sell	13.482.734	5.390.348	1.243.058	675.070	-	20.791.210
Credit Default Swap - Buy	-	-	-	-	-	-
Credit Default Swap - Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	84.221	-	-	-	-	84.221
Forward Precious Metal - Sell	1.184.714	1.102.641	-	-	-	2.287.355
Money Buy Options	1.467.840	469.181	-	-	-	1.937.021
Money Sell Options	1.468.509	468.516	-	-	-	1.937.025
Swaps Interest - Buy	155.000	120.000	175.000	452.333	11.880.682	12.783.015
Swaps Interest - Sell	155.000	120.000	175.000	452.333	11.880.682	12.783.015
Swaps Precious Metal - Buy	3.255.540	224.520	-	-	-	3.480.060
Swaps Precious Metal - Sell	-	-	-	-	-	-
<b>Total</b>	<b>33.843.137</b>	<b>15.105.111</b>	<b>3.369.077</b>	<b>2.763.736</b>	<b>23.761.364</b>	<b>78.842.425</b>

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

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

Analysis of Group's derivative financial instruments according to their remaining maturities (continued):

<b>Prior Period: <sup>(1)</sup></b>	<b>Up to one month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Forwards Contracts- Buy	1.629.947	878.352	879.250	2.279	-	3.389.828
Forward Contracts – Sell	1.979.327	1.313.154	881.542	2.278	-	4.176.301
Swaps – Buy	11.610.340	1.151.809	1.789.967	1.534.000	-	16.086.116
Swaps – Sell	13.791.267	1.146.479	1.626.617	960.870	-	17.525.233
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	508.892	445.729	-	-	-	954.621
Forward Precious Metal - Sell	132.599	-	-	-	-	132.599
Money Buy Options	1.085.237	675.013	-	-	-	1.760.250
Money Sell Options	1.086.024	674.240	-	-	-	1.760.264
Swaps Interest – Buy	20.000	70.000	2.493.714	177.333	11.092.704	13.853.751
Swaps Interest – Sell	20.000	70.000	2.493.714	177.333	11.092.704	13.853.751
Swaps Precious Metal - Buy	2.149.575	-	-	-	-	2.149.575
Swaps Precious Metal - Sell	-	-	-	-	-	-
<b>Total</b>	<b>34.013.208</b>	<b>6.424.776</b>	<b>10.164.804</b>	<b>2.854.093</b>	<b>22.185.408</b>	<b>75.642.289</b>

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

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

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

	<b>Current period</b>	<b>Prior period</b>
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS <sup>(1)</sup>	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 <sup>(1)</sup>	(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 <sup>(2)</sup>	37.634.584	42.549.277
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments <sup>(2)</sup>	36.567.594	43.399.965
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items <sup>(2)</sup>	4.958.752	2.342.071
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-	-
<b>Total Risk Amount</b>	<b>860.229.588</b>	<b>585.384.107</b>

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

<sup>(2)</sup> 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 ON THE CONSOLIDATED LEVERAGE RATIO (continued)**

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

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>On-Balance Sheet Items</b>		
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	692.898.165	461.101.142
2. Assets that are deducted from core capital	(756.288)	(303.124)
3. Total on balance sheet exposures	692.141.877	460.798.018
<b>Derivative exposures and credit derivatives</b>		
4. Replacement cost associated with derivative financial instruments and credit derivatives	2.979.921	1.129.984
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	549.344	552.868
6. The total amount of risk on derivative financial instruments and credit derivatives	3.529.265	1.682.852
<b>Investment securities or commodity collateral financing transactions</b>		
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	2.471.560	4.415.652
8. Risk amount of exchange brokerage operations	-	-
9. Total risks related with securities or commodity financing transactions	2.471.560	4.415.652
<b>Off -Balance Sheet Items</b>		
10. Gross notional amount of off-balance sheet items	167.045.638	120.829.656
11. Adjustments for conversion to credit equivalent amounts	(4.958.752)	(2.342.071)
12. The total risk of off-balance sheet items	162.086.886	118.487.585
<b>Capital and Total Exposures</b>		
13. Tier 1 Capital	49.386.153	37.047.239
14. Total Exposures	860.229.588	585.384.107
<b>Leverage Ratio</b>		
15. Leverage Ratio	5,74	6,33

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



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

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

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

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

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

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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**VIII. 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 31 December 2020 are presented in the table below.

<b>Current Period</b> <b>(1 January – 31 December 2020)</b>	<b>Corporate/ Commercial</b>	<b>Integrated</b>	<b>Treasury/ Investment<sup>(1)</sup></b>	<b>Other<sup>(1)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>					
<b>Interest income</b>	<b>12.006.217</b>	<b>25.712.589</b>	<b>16.330.643</b>	<b>679.730</b>	<b>54.729.179</b>
Interest on loans	11.952.107	25.610.947	735.986	-	38.299.040
Interest income on marketable securities	-	84.220	15.253.404	-	15.337.624
Interest received from banks	-	-	277.296	1.381	278.677
Other interest income	54.110	17.422	63.957	678.349	813.838
<b>Interest expense</b>	<b>10.626.323</b>	<b>11.228.426</b>	<b>13.154.303</b>	<b>188.308</b>	<b>35.197.360</b>
Interest on deposits	10.055.539	10.857.240	1.458.003	-	22.370.782
Interest on borrowings	39.204	66.802	180.030	141.426	427.462
Interest on money market borrowings	-	38.529	8.730.470	29.677	8.798.676
Interest on marketable bonds issued	-	-	2.463.921	16.957	2.480.878
Other interest expense	531.580	265.855	321.879	248	1.119.562
<b>Net interest income</b>	<b>1.379.894</b>	<b>14.484.163</b>	<b>3.176.340</b>	<b>491.422</b>	<b>19.531.819</b>
Net fees and commissions income / (expenses)	976.093	1.542.501	439.994	(68.639)	2.889.949
Net trading profit / (loss) (Net)	12.426	1.728.209	(6.964.405)	10.757	(5.213.013)
Dividend income	-	-	4.196	764	4.960
Other income	322.020	706.039	710.809	1.588.156	3.327.024
Loans and other receivables' impairment loss	2.118.715	1.234.783	3.530.941	96.384	6.980.823
Other expenses	397.264	3.430.025	4.745.095	494.561	9.066.945
<b>Income before taxes</b>	<b>174.454</b>	<b>13.796.104</b>	<b>(10.909.102)</b>	<b>1.431.515</b>	<b>4.492.971</b>
Income tax provision	-	-	(690.897)	(110.209)	(801.106)
<b>Net profit for the period</b>	<b>174.454</b>	<b>13.796.104</b>	<b>(11.599.999)</b>	<b>1.321.306</b>	<b>3.691.865</b>
<b>SEGMENT ASSETS</b> <b>(31 December 2020)</b>					
Marketable securities <sup>(2)</sup>	-	2.005.568	159.054.669	1.818	161.062.055
Derivative financial assets	-	447.253	1.900.029	-	2.347.282
Banks and money market receivables	-	284	2.894.293	39.211	2.933.788
Associates and subsidiaries (net)	-	-	764.460	-	764.460
Loans <sup>(2)</sup>	142.281.833	285.849.473	12.303.576	-	440.434.882
Other assets <sup>(2)</sup>	3.836.074	4.737.307	73.767.823	6.330.979	88.672.183
<b>TOTAL ASSETS</b>	<b>146.117.907</b>	<b>293.039.885</b>	<b>250.684.850</b>	<b>6.372.008</b>	<b>696.214.650</b>
<b>SEGMENT LIABILITIES</b> <b>(31 December 2020)</b>					
Deposits	171.817.704	259.510.901	36.733.223	-	468.061.828
Derivative financial liabilities	-	309.375	224.850	-	534.225
Money market balances	-	1.114.631	102.861.673	626.308	104.602.612
Loans	675.438	868.174	10.299.013	1.411.897	13.254.522
Marketable Securities issued	-	-	13.165.184	1.080.238	14.245.422
Other liabilities	2.273.342	11.535.395	35.391.807	190.694	49.391.238
Provisions and tax payable	247.237	239.340	2.839.678	19.647	3.345.902
Shareholders' equity	1.159.958	14.033.456	27.031.678	553.809	42.778.901
<b>TOTAL LIABILITIES</b>	<b>176.173.679</b>	<b>287.611.272</b>	<b>228.547.106</b>	<b>3.882.593</b>	<b>696.214.650</b>
<b>OFF BALANCE SHEET ITEMS</b> <b>(31 December 2020)</b>					
Guarantees and surety ships	60.710.939	37.275.102	18.517.810	-	116.503.851
Commitments	862.674	12.634.337	36.454.871	15.060	49.966.942
Derivative financial instruments	-	13.586.811	63.428.869	-	77.015.680

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

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

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

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

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

Prior Period (1 January – 31 December 2019)	Corporate/ Commercial	Integrated	Treasury/ Investment <sup>(1)</sup>	Other <sup>(1)</sup>	Total
<b>OPERATING INCOME / EXPENSES</b>					
<b>Interest income</b>	<b>12.397.599</b>	<b>24.910.172</b>	<b>9.698.902</b>	<b>662.062</b>	<b>47.668.735</b>
Interest on loans	12.395.130	24.451.585	374.768	-	37.221.483
Interest income on marketable securities	-	440.623	8.756.754	-	9.197.377
Interest received from banks	-	-	344.109	-	344.109
Other interest income	2.469	17.964	223.271	662.062	905.766
<b>Interest expense</b>	<b>7.172.263</b>	<b>14.622.240</b>	<b>13.847.507</b>	<b>365.396</b>	<b>36.007.406</b>
Interest on deposits	7.127.917	14.165.507	1.718.465	-	23.011.889
Interest on borrowings	34.472	75.019	212.251	230.397	552.139
Interest on money market borrowings	-	189.927	9.197.353	57.966	9.445.246
Interest on marketable bonds issued	-	-	2.564.881	72.891	2.637.772
Other interest expense	9.874	191.787	154.557	4.142	360.360
<b>Net interest income</b>	<b>5.225.336</b>	<b>10.287.932</b>	<b>(4.148.605)</b>	<b>296.666</b>	<b>11.661.329</b>
Net fees and commissions income / (expenses)	1.080.148	1.383.476	465.462	(212.604)	2.716.482
Net trading profit / (loss) (Net)	25.263	554.155	(3.818.480)	11.308	(3.227.754)
Dividend income	-	-	14.025	416	14.441
Other income	1.018.591	583.321	992.658	2.222.951	4.817.521
Loans and other receivables' impairment loss	2.157.124	1.934.567	505.383	75.443	4.672.517
Other expenses	148.426	2.478.234	4.147.690	1.763.739	8.538.089
<b>Income before taxes</b>	<b>5.043.788</b>	<b>8.396.083</b>	<b>(11.148.013)</b>	<b>479.555</b>	<b>2.771.413</b>
Income tax provision	-	-	(278.849)	(199.691)	(478.540)
<b>Net profit for the period</b>	<b>5.043.788</b>	<b>8.396.083</b>	<b>(11.426.862)</b>	<b>279.864</b>	<b>2.292.873</b>
<b>SEGMENT ASSETS</b>					
<b>(31 December 2019)</b>					
Marketable securities <sup>(2)</sup>	-	4.833.999	99.226.017	1.818	104.061.834
Derivative financial assets	-	211.149	940.843	-	1.151.992
Banks and money market receivables	-	570	4.247.494	2.592	4.250.656
Associates and subsidiaries (net)	-	-	593.234	-	593.234
Loans <sup>(2)</sup>	112.937.819	179.703.613	9.261.100	-	301.902.532
Other assets <sup>(2)</sup>	3.903.011	3.381.194	41.856.754	7.530.620	56.671.579
<b>TOTAL ASSETS</b>	<b>116.840.830</b>	<b>188.130.525</b>	<b>156.125.442</b>	<b>7.535.030</b>	<b>468.631.827</b>
<b>SEGMENT LIABILITIES</b>					
<b>(31 December 2019)</b>					
Deposits	101.179.185	174.651.324	24.857.042	-	300.687.551
Derivative financial liabilities	-	148.937	204.781	-	353.718
Money market balances	-	2.951.294	50.276.129	111.918	53.339.341
Loans	1.028.956	1.150.633	10.053.720	1.934.561	14.167.870
Marketable Securities issued	-	-	17.321.413	1.972.719	19.294.132
Other liabilities	1.667.559	8.660.217	31.669.750	3.193.209	45.190.735
Provisions and tax payable	229.542	288.258	2.864.624	18.668	3.401.092
Shareholders' equity	4.053.543	7.964.223	18.210.535	1.969.087	32.197.388
<b>TOTAL LIABILITIES</b>	<b>108.158.785</b>	<b>195.814.886</b>	<b>155.457.994</b>	<b>9.200.162</b>	<b>468.631.827</b>
<b>OFF BALANCE SHEET ITEMS</b>					
<b>(31 December 2019)</b>					
Guarantees and surety ships	47.403.374	27.348.373	16.266.083	-	91.017.830
Commitments	645.977	9.433.236	22.586.752	19.729	32.685.694
Derivative financial instruments	-	17.613.566	55.796.100	-	73.409.666

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

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

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**IX. EXPLANATIONS ON PRESENTATION OF THE CONSOLIDATED FINANCIAL ASSETS**  
**AND LIABILITIES AT FAIR VALUE**

	Book Value	Fair Value
	Current Period	Current Period
<b>Financial Assets</b>	<b>657.822.390</b>	<b>636.016.030</b>
Cash and Balances with the Central Bank of Turkey	64.984.442	64.984.442
Financial assets at fair value through P&L <sup>(3) (4)</sup>	33.217	33.217
Banks	2.681.146	2.679.760
Money market placements	252.997	252.997
Financial assets at Fair Value through OCI <sup>(1)</sup>	59.472.055	59.472.055
Financial assets measured at amortised cost	84.804.689	79.478.703
Loans <sup>(2)</sup>	440.093.062	423.614.074
Receivables from leasing transactions	3.706.703	3.706.703
Factoring receivables	1.794.079	1.794.079
<b>Financial Liabilities</b>	<b>610.835.037</b>	<b>610.976.904</b>
Deposits	468.061.828	468.176.844
Derivative financial liabilities held for trading	534.225	534.225
Funds provided from other financial intuitions	13.254.522	13.570.718
Money market borrowings	104.602.612	104.497.824
Securities issued	14.245.422	14.060.865
Miscellaneous payables	9.242.654	9.242.654
Lease payables	893.774	893.774

(1) “Equity investments not quoted on stock exchange” amounting to TRY 1.072.385 that are followed in financial assets at fair value through other comprehensive income are not included.

(2) Net amount of follow-up loans has not been included in the table above.

(3) As of 31 December 2020, marketable securities amounting to TRY 190.821 that are not valued with market price, are not included in financial assets at fair value through Profit and Loss.

(4) The securities lending transactions amounting to TRY 15.499.625 followed in financial assets at fair value through profit or loss are not included in the table.

	Book Value	Fair Value
	Prior Period	Prior Period
<b>Financial Assets</b>	<b>429.164.724</b>	<b>430.765.538</b>
Cash and Balances with the Central Bank of Turkey	35.313.987	35.313.987
Financial assets at fair value through P&L <sup>(3) (4)</sup>	30.808	30.808
Banks	4.163.973	4.163.725
Money market placements	87.138	87.138
Financial assets at Fair Value through OCI <sup>(1)</sup>	14.743.521	14.743.521
Financial assets measured at amortised cost	72.471.122	72.057.460
Loans <sup>(2)</sup>	297.317.430	299.332.154
Receivables from leasing transactions	2.922.013	2.922.013
Factoring receivables	2.114.732	2.114.732
<b>Financial Liabilities</b>	<b>394.869.871</b>	<b>395.362.661</b>
Deposits	300.687.551	300.993.083
Derivative financial liabilities held for trading	353.718	353.718
Funds provided from other financial intuitions	14.167.870	14.520.662
Money market borrowings	53.339.341	53.561.180
Securities issued	19.294.132	18.906.759
Miscellaneous payables	6.383.200	6.383.200
Lease payables	644.059	644.059

(1) “Equity investments not quoted on stock exchange” amounting to TRY 551.169 that are followed in financial assets at fair value through other comprehensive income are not included.

(2) Net amount of follow-up loans has not been included in the table above.

(3) Marketable securities amounting to TRY 170.874 that are not valued at market price, followed in financial assets at fair value through profit or loss are not included.

(4) The securities lending transactions amounting to TRY 16.104.081 followed in financial assets at fair value through profit or loss are not included in the table.

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**MANAGEMENT OF THE GROUP (continued)**

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

The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

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

*Classification of Fair Value Measurement*

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows:

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets Measured at Fair Value:</b>				
Financial Assets Measured at Fair Value through Profit/Loss <sup>(2) (3)</sup>	33.217	-	-	33.217
Derivative financial assets	-	2.347.282	-	2.347.282
Financial Assets at Fair Value through Other Comprehensive Income <sup>(1)</sup>	59.472.055	-	-	59.472.055
Subsidiaries	-	-	-	-
Associates <sup>(4)</sup>	-	-	681.339	681.339
<b>Total Financial Assets</b>	<b>59.505.272</b>	<b>2.347.282</b>	<b>681.339</b>	<b>62.533.893</b>
<b>Financial Liabilities Measured at Fair Value:</b>				
Derivative financial liabilities	-	534.225	-	534.225
<b>Total Financial Liabilities</b>	<b>-</b>	<b>534.225</b>	<b>-</b>	<b>534.225</b>

<sup>(1)</sup> Share certificates amounting to TRY 1.072.385 of “securities not quoted on the stock exchange” are not included in financial assets at fair value through other comprehensive income.

<sup>(2)</sup> Marketable securities amounting to TRY 190.821 that are not valued at fair value, are not included in financial assets measured at fair value through profit/loss.

<sup>(3)</sup> Securities lending transactions amounting to TRY 15.499.625 are not included in the financial assets measured at fair value through profit/loss.

<sup>(4)</sup> The Parent Bank’s associates, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. 16.566 TL, Bileşim Finansal Teknolojiler ve Ödeme Sis. AŞ 62.989 TL, Kredi Kayıt Bürosu AŞ. 2.516 TL and Platform Ortak Kartlı Sistemler 1.050 TL and Keskinöğlü Tavukçuluk ve Damızlık AŞ which are stated with their cost values in the financial statements are not included in the table since they do not have a fair value.

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

The classification of fair value measurements of financial assets and liabilities measured at fair value is as follows (continued):

<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets Measured at Fair Value:</b>				
Financial Assets Measured at Fair Value through Profit/Loss <sup>(2) (3)</sup>	30.808	-	-	30.808
Derivative financial assets	-	1.151.992	-	1.151.992
Financial Assets at Fair Value through Other Comprehensive Income <sup>(1)</sup>	14.743.521	-	-	14.743.521
Subsidiaries	-	-	84.000	84.000
Associates	-	-	509.234	509.234
<b>Total Financial Assets</b>	<b>14.774.329</b>	<b>1.151.992</b>	<b>593.234</b>	<b>16.519.555</b>
<b>Financial Liabilities Measured at Fair Value:</b>				
Derivative financial liabilities	-	353.718	-	353.718
<b>Total Financial Liabilities</b>	<b>-</b>	<b>353.718</b>	<b>-</b>	<b>353.718</b>

<sup>(1)</sup> Share certificates amounting to TRY 551.169 of “securities not quoted on the stock exchange” are not included in financial assets at fair value through other comprehensive income.

<sup>(2)</sup> Marketable securities amounting to TRY 170.874 that are not valued at fair value, are not included in financial assets measured at fair value through profit/loss.

<sup>(3)</sup> Securities lending transactions amounting to TRY 16.104.081 are not included in the financial assets measured at fair value through profit/loss.

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

	<b>Current Period</b>
Balance at the beginning of the period	593.234
Purchases during the year	-
Non-paid up shares	-
Valuation Difference	183.368
Transfers	(34.833)
Sales	(60.430)
<b>Period End Balance</b>	<b>681.339</b>
	<b>Prior Period</b>
Balance at the beginning of the period	515.868
Purchases during the year	1.750
Non-paid up shares	875
Valuation Difference	74.741
Transfers	-
Sales	-
<b>Period End Balance</b>	<b>593.234</b>

**X. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST**

The Parent Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services.

The Group does not engage in fiduciary transactions.

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

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

**Explanations Related To Risk Management**

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

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

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

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

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

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

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

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

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

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

		Risk Weighted Amounts		Minimum Capital Requirements	
		Current Period	Prior Period	Current Period	Prior Period
1	Credit risk (excluding counterparty credit risk) (CCR) <sup>(**)</sup>	372.232.593	297.590.914	29.778.607	23.807.273
2	Standardized approach (SA)	372.232.593	297.590.914	29.778.607	23.807.273
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	4.087.852	5.804.936	327.028	464.395
5	Standardized approach for counterparty credit risk (SA-CCR)	4.087.852	5.804.936	327.028	464.395
6	Internal model method (IMM)	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-	-
10	Investments made in collective investment companies - %1250 weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization positions in banking accounts	-	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-	-
16	Market risk	16.667.625	12.630.875	1.333.410	1.010.470
17	Standardized approach (SA)	16.667.625	12.630.875	1.333.410	1.010.470
18	Internal model approaches (IMM)	-	-	-	-
19	Operational Risk	22.443.361	21.710.397	1.795.469	1.736.832
20	Basic Indicator Approach	22.443.361	21.710.397	1.795.469	1.736.832
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.513.386	1.241.710	121.071	99.337
24	Floor adjustment	-	-	-	-
25	<b>Total ( 1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>416.944.817</b>	<b>338.978.832</b>	<b>33.355.585</b>	<b>27.118.307</b>

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

<sup>(\*\*)</sup> According to the BRSA's decision dated 8 December 2020 which is based on the BRSA's decision dated 23 March 2020, simple arithmetic average of Central Bank buying exchange rates of the last 252 business days as of the calculation date were used in the calculation of the amount subject to credit risk in the current period.



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

**Differences and Matching Between Accounting and Regulatory Scopes of Consolidation:**

	Carrying values in financial statements prepared as per TAS	Carrying values for legal consolidation prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>							
Cash and Balances with the Central Bank	-	64.976.341	64.976.341	-	-	-	-
Derivative Financial Assets	-	2.347.282	-	2.347.282	-	10.226	-
Financial assets at fair value through profit and loss	-	15.723.663	186.948	-	-	37.090	15.499.625
Banks	-	2.680.791	2.680.791	-	-	-	-
Receivables from Money markets	-	252.997	-	-	-	-	-
Financial Assets at Fair Value Through OCI (net)	-	60.544.440	51.539	-	-	60.492.901	-
Loans and receivables	-	440.434.882	440.430.584	-	-	-	4.298
Receivables from factoring	-	1.794.079	1.794.079	-	-	-	-
Financial Assets Measured at Amortised Cost (net)	-	84.793.952	84.793.952	-	-	-	-
Subsidiaries (net)	-	764.460	764.460	-	-	-	-
Associates (net)	-	-	-	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-	-
Finance lease receivables	-	3.706.703	3.706.703	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-
Tangible Assets (net)	-	10.278.888	10.278.888	-	-	-	-
Intangible Assets (net)	-	638.708	-	-	-	-	638.708
Real estate for investment purpose (net)	-	1.207.261	1.207.261	-	-	-	-
Current tax asset	-	342.523	342.523	-	-	-	-
Deferred tax asset	-	42.101	42.101	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	-	1.441	1.441	-	-	-	-
Other assets	-	5.684.138	5.683.739	-	-	399	-
<b>Total Assets</b>	-	<b>696.214.650</b>	<b>616.941.350</b>	<b>2.347.282</b>	-	<b>60.540.616</b>	<b>16.142.631</b>
<b>Liabilities</b>							
Deposits	-	468.061.828	-	-	-	-	468.061.828
Derivative financial liabilities	-	534.225	-	-	-	9.112	525.113
Loans borrowed	-	13.254.522	-	-	-	-	13.254.522
Money market borrowings	-	104.602.612	-	33.960.448	-	-	70.642.164
Securities issued	-	14.245.422	-	-	-	-	14.245.422
Funds	-	3.617.303	-	-	-	-	3.617.303
Other Liabilities	-	30.017.935	-	-	-	208	30.017.727
Factoring payables	-	1.638	-	-	-	-	1.638
Finance lease payables	-	893.774	-	-	-	-	893.774
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-
Provisions	-	2.233.585	-	-	-	-	2.233.585
Current tax Liability	-	778.413	-	-	-	-	778.413
Deferred tax Liability	-	333.904	-	-	-	-	333.904
Liabilities regarding assets held for sale and discontinued operations (net)	-	-	-	-	-	-	-
Subordinated Debt	-	14.860.588	-	-	-	-	14.860.588
Shareholders' equity	-	42.778.901	-	-	-	-	42.778.901
<b>Total liabilities</b>	-	<b>696.214.650</b>	-	<b>33.960.448</b>	-	<b>9.320</b>	<b>662.244.882</b>

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

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

		<b>Total</b>	<b>Credit risk</b>	<b>Securitization positions</b>	<b>Counterparty credit risk</b>	<b>Market Risk</b>
<b>1</b>	Asset carrying value amount under scope of regulatory consolidation	696.214.650	616.941.350	-	2.347.282	60.540.616
<b>2</b>	Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	33.960.448	9.320
<b>3</b>	Total net amount under regulatory scope of consolidation	696.214.650	616.941.350	-	36.307.730	60.549.936
<b>4</b>	Off-balance Sheet Amounts	243.486.473	166.470.793	-	77.015.680	4.508.223
<b>5</b>	Differences in valuations	-	-	-	-	-
<b>6</b>	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
<b>7</b>	Differences due to consideration of provisions	-	-	-	-	-
<b>8</b>	Differences due to prudential filters	-	-	-	-	-
<b>9</b>	Differences due to risk reduction	-	783.412.143	-	113.323.410	65.058.159

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

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

**Explanations Related to Counterparty Credit Risk**

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

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

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

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

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

**Explanations Related to Counterparty Credit Risk (continued):**

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

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

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

	Replacement cost	Potential Future exposure	EEPE*	Alpha used for computing regulatory EAD	EAD post-CRM	Risk Weighted Amount
Standardised Approach -CCR (for derivatives)	2.161.233	456.268	-	1,40	2.617.500	1.338.473
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					2.407.435	2.004.838
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
<b>Total</b>					<b>5.024.935</b>	<b>3.343.311</b>

\*Expected effective positive risk amount

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

	EAD post-CRM	Risk weighted amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	2.617.500	718.314
<b>Total subject to the CVA capital obligation</b>	<b>2.617.500</b>	<b>718.314</b>

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

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

<b>Risk weights / Risk Classifications</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>2%</b>	<b>4%</b>	<b>Total Credit Risk</b>
Claims on sovereigns and Central Banks	777.823	-	-	-	-	-	-	-	-	777.823
Claims on regional governments or local authorities	-	-	-	49	-	-	-	-	-	49
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	21	-	-	-	21
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	735.728	627.006	-	570.404	-	-	-	1.933.138
Claims on corporates	-	-	-	-	-	3.025.454	-	-	-	3.025.454
Claims included in the regulatory retail portfolios	-	-	-	-	6.765	-	-	-	-	6.765
Claims secured by residential property	-	-	-	-	-	-	-	-	-	-
Overdue loans	-	-	-	-	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Other Assets*	-	-	-	-	23.441	8.602	-	2.172	-	34.215
<b>Toplam</b>	<b>777.823</b>	<b>-</b>	<b>735.728</b>	<b>627.055</b>	<b>30.206</b>	<b>3.604.481</b>	<b>-</b>	<b>2.172</b>	<b>-</b>	<b>5.777.465</b>

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

**Collaterals for Counterparty Credit Risk:**

	<b>Collateral for derivative transactions</b>				<b>Collateral for other transactions</b>	
	<b>Received Collaterals</b>		<b>Given Collaterals</b>		<b>Received Collaterals</b>	<b>Given Collaterals</b>
	<b>Segregated</b>	<b>Unsegregated</b>	<b>Segregated</b>	<b>Unsegregated</b>		
Cash-domestic currency	-	-	-	431	-	-
Cash-foreign currency	-	564.049	-	174.127	10.554	203.936
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>564.049</b>	<b>-</b>	<b>174.558</b>	<b>10.554</b>	<b>203.936</b>

**Counterparty Credit Risk-Credit Derivatives:**

None.

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

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

	Exposure at default (post-CRM)	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)		26.227
Exposures for trades at QCCPs (excluding initial margin and default	34.151	26.163
(i) OTC Derivatives	1.275	26
(ii) Exchange-traded Derivatives	32.876	26.137
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	69	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	2.556	64
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund		
contributions); of which )		
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

**Securitisations:**

None.

**Qualitative Disclosure on Credit Risk:**

Credit risk, which is the most important risk profile of the Parent Bank's business model, refers to risks and losses arising from counterparty's failure to meet its obligations under contracts that the Parent Bank is a party to. Credit limits are set according to the risk appetite and capacity of the Bank.

Credit limits are assigned according to the customer's financial condition and credit need by the branches, regional credit committee, head of credit department, executive vice president in charge of loans, general manager, credit committee and board of directors revised whenever required. As part of its risk policies, the Parent Bank monitors limits designated by sectors and sub sectors.

Within the scope of internal systems, internal audit activities are carried out by the Board of Inspectors and the Internal Audit Department in order to ensure that the activities of the Parent Bank are carried out in accordance with the Parent Bank's policies in compliance with the legal regulations. The Risk Management Department, which is the risk unit within the internal systems, performs the functions of measuring, monitoring, controlling and reporting on the credit risk to which the Parent Bank is exposed to. These identified units are regularly reporting on the risks exposed to the Bank's Senior Management.

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

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

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

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

**Credit Quality of Assets:**

		Gross carrying value as per TAS		Allowances/amortisation and impairments	Net values
		Defaulted	Non-defaulted		
		1	Loans	17.117.164	440.093.062
2	Debt Securities*	-	145.788.410	225.980	145.562.430
3	Off-balance sheet exposures	-	166.470.793	459.651	166.011.142
<b>4</b>	<b>Total</b>	<b>17.117.164</b>	<b>752.352.265</b>	<b>17.460.975</b>	<b>752.008.454</b>

\* As of 31 December 2020 TRY 15.499.625 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

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

1	Defaulted loans and debt securities at end of the previous reporting period	16.077.247
2	Loans and debt securities defaulted since the last reporting period	5.414.860
3	Receivables back to performing status	(165.483)
4	Amounts written off	(630.151)
5	Other changes	(3.579.309)
<b>6</b>	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)</b>	<b>17.117.164</b>

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

**Breakdown According to Maturity:**

Current Period	Demands	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total
Loans	20.842.797	29.736.936	33.859.693	109.211.284	203.947.695	59.611.821	457.210.226

**Exposures Provisioned Against By Major Regions:**

31 December 2020	Non-Performing Loans	ECL (Stage 3)
Domestic	16.851.479	11.024.908
European Union (EU) Countries	124	84
OECD Countries	42	36
Off-Shore Banking Regions	-	-
USA, Canada	10	9
Other Countries	265.509	135.018
<b>Total</b>	<b>17.117.164</b>	<b>11.160.055</b>

**Exposures Provisioned Against By Sectors:**

Explained in Section 4 Credit Risk Information according to sectors and counterparties

**Aging analysis of overdue but not impaired financial assets:**

31 December 2020	
30-60 days overdue	2.066.797
60-90 days overdue	1.687.304
<b>Total</b>	<b>3.754.101</b>

\*Based on the resolution of the BRSA dated 17 March 2020 and numbered 8948 and dated 8 December 2020 and numbered 9312; the total amount of the loans that continued to be classified as stage 2 which have past due days between 90 days and 180 days is amounting to TRY 4.147.613

\*\*Rediscounts are included in the table.

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

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

<b>31 December 2020</b>	
Loans Structured from Standard Loans	629.582
Loans Composed of Follow-up Loans	13.888.044
Loans Restructured from Non-Performing Loans	2.610.060

\*Rediscounts are not included in the table.

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

**Qualitative Disclosure on Credit Risk Mitigation Techniques:**

The risk mitigating factors used in the lending activities of the Parent Bank are listed below.

- Financial warranties (Treasury Bills, Government Bonds, Cash, Pledged Deposits, Gold, Pledged Securities)
- Guarantees
- Mortgage (Although mortgage lending in Basel II has been considered as a risk class, it has also been included in this section in terms of valuation methods and concentrations).

The financial guarantees in the Parent Bank are subject to valuation on a daily basis. The creditors' credits are monitored and assessed within the framework of credit revision schedules.

As long as the mortgage that constitutes the collateral of the credits continues to be related to the loan, the risk-guarantee balances will be monitored and revalued each year. Action plans are developed for the possibility of diminution in value of collaterals.

As per the BRSA regulations, guarantees given by the Treasury and banks are regarded as risk reduction elements and the creditworthiness of banks is regularly monitored.

The Parent Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation.

The Parent Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques.

Financial collaterals that are composed of cash or similar assets and instruments of a high credit quality as well as real estate mortgages have been used in credit risk mitigation.

There is no on-balance sheet or off-balance sheet offsetting.

**Credit Risk Mitigation Techniques- Overview:**

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans <sup>(2)</sup>	209.384.978	236.550.686	151.795.971	59.937.494	48.274.759	-	-
2 Debt Instruments <sup>(1)</sup>	145.562.430	-	-	-	-	-	-
3 Total	354.947.408	236.550.686	151.795.971	59.937.494	48.274.759	-	-
4 Of which defaulted	2.629.874	3.327.235	2.790.797	786.182	710.163	-	-

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

<sup>(2)</sup> The amount valued in accordance with TAS includes Leasing Receivables and Factoring Receivables.

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

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



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

**Credit Risk Mitigation Techniques- Overview (continued):**

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

Risk Classification	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns and Central Banks	143.832.749	559.825	191.909.156	944.654	172.391	0,09%
Claims on regional governments or local authorities	2.481.719	103.757	2.476.863	40.615	1.258.739	50,00%
Claims on administrative bodies and other non-commercial undertakings	1.690.841	452.903	1.653.522	198.279	1.851.801	100,00%
Claims on multilateral development banks	-	-	24.642	477	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	6.170.813	2.281.146	6.170.813	1.601.885	4.864.938	62,59%
Claims on corporates	162.980.077	88.033.281	142.651.464	56.054.207	197.870.749	99,58%
Claims included in the regulatory retail portfolios	172.336.973	51.878.635	136.143.262	9.151.098	108.970.770	75,00%
Claims secured by residential property	56.374.714	3.618.095	56.374.714	1.692.423	20.323.498	35,00%
Claims secured by commercial property	35.053.367	7.112.460	35.053.367	4.372.152	22.626.884	57,39%
Overdue loans	5.985.368	1.367.588	5.268.054	626.279	4.302.707	73,00%
Higher risk categories decided by the Board	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Equity share investments	914.433	-	914.433	-	1.822.464	199,30%
Other receivables	26.170.430	2.450.157	26.168.911	9.840	13.768.890	52,60%
<b>Total</b>	<b>613.991.484</b>	<b>157.857.847</b>	<b>604.809.201</b>	<b>74.691.909</b>	<b>377.833.831</b>	<b>55,60%</b>

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

Risk Classification	0%	10%	2%0	35% (*)	50%	75%	100%	150%	200%	250%	2%	4%	Total risk amount (pt-CCF and CRM)
Claims on sovereigns and Central Banks	192.645.532	-	44.859	-	-	-	163.419	-	-	-	-	-	192.853.810
Claims on regional governments or local authorities	-	-	-	2.517.478	-	-	-	-	-	-	-	-	2.517.478
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	1.851.801	-	-	-	-	-	1.851.801
Claims on multilateral development banks	25.119	-	-	-	-	-	-	-	-	-	-	-	25.119
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	2.750.769	-	1.410.032	-	3.609.725	-	-	-	2.172	-	7.772.698
Claims on corporates	-	-	581.303	-	739.759	-	197.384.609	-	-	-	-	-	198.705.671
Claims included in the regulatory retail portfolios	-	-	-	-	-	145.294.360	-	-	-	-	-	-	145.294.360
Claims secured by residential property	-	-	-	58.067.137	-	-	-	-	-	-	-	-	58.067.137
Claims secured by commercial property	-	-	-	-	33.597.270	-	5.828.249	-	-	-	-	-	39.425.519
Overdue loans	-	-	-	-	3.635.570	-	1.806.446	452.317	-	-	-	-	5.894.333
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	309.079	-	-	605.354	-	-	914.433
Other receivables	11.184.674	-	1.481.093	-	-	161.249	13.351.735	-	-	-	-	-	26.178.751
<b>Total</b>	<b>203.855.325</b>	<b>-</b>	<b>4.858.024</b>	<b>58.067.137</b>	<b>41.900.109</b>	<b>145.455.609</b>	<b>224.305.063</b>	<b>452.317</b>	<b>-</b>	<b>605.354</b>	<b>2.172</b>	<b>-</b>	<b>679.501.110</b>

(\*) Secured by real estate mortgage.

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

**Publicly Announced Qualitative Disclosure on Market Risk**

The Parent Bank's market risks are managed within the framework of the "Policies Related to the Management of the Market Risk" approved by the Board of Directors, and the trading activities of the positions and portfolios subject to the market risks are carried out in accordance with the "Policy and Application Procedures regarding the Management of the Positions Held for the Trading Strategy".

The Parent Bank's market risks are measured by two methods, namely the standard method and the risk measurement method. In statutory reporting, the standard method is used in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" published in the Official Gazette dated 23 October 2015 and numbered 29511. In addition, the risk measurement model and the value at risk (VAR) are measured in accordance with the "Communiqué on Calculation of Market Risk and Risk Measurement Models and Evaluation of Risk Measurement Models" published in the Official Gazette dated 23 October 2015 and numbered 29511. Historical simulation method is used in VAR measurements.

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

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

The following table discloses the amounts that are calculated using the standard method in relation to the Group's market risk.

**Market Risk: Standardised approach**

	<b>RWA</b>
<b>Outright products</b>	
Interest rate risk (general and specific)	9.266.550
Equity risk (general and specific)	364.400
Foreign exchange risk	7.009.337
Commodity risk	-
<b>Options</b>	
Simplified approach	-
Delta-plus method	27.338
Scenario approach	-
Securitization	-
<b>Total</b>	<b>16.667.625</b>

**Information related to Operational Risk:**

The value at operational risk is calculated according to the basic indicator approach and once a year with year-end data.

	<b>2 PP Amount</b>	<b>1 PP Amount</b>	<b>CP Amount</b>	<b>Total / No. of Years of Positive Gross</b>	<b>Rate (%)</b>	<b>Total</b>
Gross Income	11.921.941	12.686.192	11.301.244	11.969.792	15	1.795.469
<b>Value at Operational Risk (Total * 12,5%)</b>						<b>22.443.361</b>

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**XII. EXPLANATIONS ON REMUNERATION POLICIES**

**Qualitative Explanations on Remuneration Policies:**

**1. Disclosures related with Remuneration Committee:**

The Parent Bank's Remuneration Committee is comprised of two non-executive directors. The committee has convened for once during the year. The duties and responsibilities of the Committee include the following:

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

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

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

Positions specified below are considered to key personnel by the Parent Bank:

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

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

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

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

**Qualitative Explanations on Remuneration Policies (continued):**

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

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

Remuneration Committee at its meeting in December 2020 has reviewed the remuneration policy and practices. It has been observed that, total benefits paid to the members of the Parent Bank's Board of Directors, senior management and other staff are in line with the Parent Bank's ethical values, internal balances and strategic objectives. Regardless of the performance of the units that are audited by internal audit, the benefits of are determined on the basis of the general wage increase rate set by the Parent Bank.

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

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

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

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

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

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

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

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

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

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

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

a) Information on balances with the CBRT:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.737.084	3.325.836	1.370.369	2.490.953
CBRT	6.659.022	52.037.405	1.102.242	29.720.567
Other <sup>(1)</sup>	-	1.225.095	-	629.856
<b>Total</b>	<b>8.396.106</b>	<b>56.588.336</b>	<b>2.472.611</b>	<b>32.841.376</b>

<sup>(1)</sup> As of 31 December 2020, TRY 295.199 includes the reserve requirement held by the Central Bank of Macedonia and TRY 929.808 of the Central Bank of Serbia (31 December 2019: includes the required reserve amounting to TRY 175.723 held by Central Bank of Macedonia, TRY 454.128 held by the Central Bank of Serbia).

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Demand unrestricted amount <sup>(1)</sup>	6.502.868	19.937.084	1.049.181	15.456.782
Time unrestricted amount	-	-	-	-
Time restricted amount	-	8.307.240	-	200.627
Other <sup>(2)</sup>	156.154	23.793.081	53.061	14.063.158
<b>Total</b>	<b>6.659.022</b>	<b>52.037.405</b>	<b>1.102.242</b>	<b>29.720.567</b>

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

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

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks operating in Turkey keep reserve deposits for their TRY liabilities held at TRY, US Dollar, Euro and/or standard gold and/or scrap gold with reserve deposit rates between 1%-6% varied according to their maturity compositions, for their FC liabilities at TRY, US Dollar, Euro and/or standard gold with reserve deposit rates between 5%-22% varied according to their maturity compositions.

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

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

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

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

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

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

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

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

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

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

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	15.046.930	-	13.561.277	-
<b>Total</b>	<b>15.046.930</b>	-	<b>13.561.277</b>	-

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	16.265	-	53.516
Swap transactions	5.418	2.324.729	3.695	1.091.646
Futures transactions	-	-	-	-
Options	335	535	1	3.134
Other	-	-	-	-
<b>Total</b>	<b>5.753</b>	<b>2.341.529</b>	<b>3.696</b>	<b>1.148.296</b>

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**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	183.661	138.589	302.916	1.117.127
Foreign banks	103.818	2.255.078	205.105	2.538.825
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>287.479</b>	<b>2.393.667</b>	<b>508.021</b>	<b>3.655.952</b>

b) Information on foreign banks:

	Current Period	
	Unrestricted Amount	Restricted Amount
EU Countries	372.576	52.287
USA and Canada	271.769	-
OECD Countries	224.464	4.912
Offshore Banking Regions	167	-
Other	473.884	958.837
<b>Total</b>	<b>1.342.860</b>	<b>1.016.036</b>
	Prior Period	
	Unrestricted Amount	Restricted Amount
EU Countries	1.238.760	62.908
USA and Canada	207.492	-
OECD Countries	180.162	53.825
Offshore Banking Regions	314	-
Other	337.486	662.983
<b>Total</b>	<b>1.964.214</b>	<b>779.716</b>

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	6.842.329	20.028.890	-	1.999.958
<b>Total</b>	<b>6.842.329</b>	<b>20.028.890</b>	<b>-</b>	<b>1.999.958</b>

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

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

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Debt securities	60.510.119	15.139.662
<i>Quoted on a stock exchange</i>	59.489.397	14.614.159
<i>Not quoted</i>	1.020.722	525.503
Share certificates	249.564	172.328
<i>Quoted on a stock exchange</i>	180.620	129.381
<i>Not quoted</i>	68.944	42.947
Impairment provision(-)	215.243	17.300
<b>Total</b>	<b>60.544.440</b>	<b>15.294.690</b>

(5) Information on loans:

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-Cash</b>
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	612.522	-	449.555	-
<b>Total</b>	<b>612.522</b>	<b>-</b>	<b>449.555</b>	<b>-</b>

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

		<b>Loans under close monitoring</b>		
		<b>Loans Not Subject Not Subject to restructuring</b>	<b>Restructured Loans and Receivables</b>	
			<b>Loans with Revised Contract Terms</b>	<b>Refinance</b>
<b>Cash Loans</b>	<b>Standard Loans</b>			
Non-specialized loans	322.681.440	21.254.226	80.339	13.807.644
<i>Corporation loans</i>	187.900.030	17.516.316	60.552	13.798.824
<i>Export loans</i>	11.569.029	385.083	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	1.901.517	-	-	-
<i>Consumer loan<sup>s</sup></i>	79.517.042	1.324.809	18.910	3.809
<i>Credit cards</i>	14.610.617	488.063	877	-
<i>Other</i>	27.183.205	1.539.955	-	5.011
Specialized lending	72.824.894	2.377.989	-	61
Other receivables	-	-	-	-
Accruals	5.259.604	1.013.263	2.652	790.950
<b>Total</b>	<b>400.765.938</b>	<b>24.645.478</b>	<b>82.991</b>	<b>14.598.655</b>



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

(5) Information on loans (continued):

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

	<b>Standard Loans</b>		<b>Loans under Close Monitoring</b>	
	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>
12 Months expected loss provision	2.278.896	1.313.994	-	-
Significant Increase in Credit Risk	-	-	3.336.393	1.224.292

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

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

c) Distribution of cash loans by maturity structure:

	<b>Standard Loans</b>	<b>Loans under close monitoring</b>	
		<b>Loans with Revised Contract Terms</b>	<b>Refinance</b>
<b>Current Period</b>			
Short-term Loans	56.690.544	2.815.671	53.612
Medium and Long-term Loans	344.075.394	21.829.807	14.628.034
<b>Prior Period</b>			
Short-term Loans	47.108.804	1.799.389	347.801
Medium and Long-term Loans	224.024.526	13.525.805	10.511.105

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

(5) Information on loans (continued):

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

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Consumer loans-TRY	482.483	74.674.956	75.157.439
<i>Real estate loans</i>	6.782	48.574.630	48.581.412
<i>Automobile loans</i>	1.816	511.311	513.127
<i>Consumer loans</i>	473.885	25.589.015	26.062.900
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	1.279	494.933	496.212
<i>Real estate loans</i>	-	444.872	444.872
<i>Automobile loans</i>	-	10.605	10.605
<i>Consumer loans</i>	1.279	39.456	40.735
<i>Other</i>	-	-	-
Consumer loans- FC	8.361	3.320.771	3.329.132
<i>Real estate loans</i>	645	965.423	966.068
<i>Automobile loans</i>	74	4.875	4.949
<i>Consumer loans</i>	6.096	2.292.137	2.298.233
<i>Other</i>	1.546	58.336	59.882
Individual credit cards-TRY	4.353.228	871	4.354.099
<i>Installment</i>	1.740.821	871	1.741.692
<i>Non-installment</i>	2.612.407	-	2.612.407
Individual credit cards-FC	215	123.446	123.661
<i>Installment</i>	1	123.446	123.447
<i>Non-installment</i>	214	-	214
Personnel loans-TRY	20.915	343.481	364.396
<i>Real estate loans</i>	-	102	102
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	20.915	343.379	364.294
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	18	29.352	29.370
<i>Real estate loans</i>	-	26.523	26.523
<i>Automobile loans</i>	-	162	162
<i>Consumer loans</i>	18	2.667	2.685
<i>Other</i>	-	-	-
Personnel loans-FC	294	56.142	56.436
<i>Real estate loans</i>	64	40.435	40.499
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	230	15.464	15.694
<i>Other</i>	-	243	243
Personnel credit cards-TRY	131.241	144	131.385
<i>Installment</i>	46.527	144	46.671
<i>Non-installment</i>	84.714	-	84.714
Personnel credit cards-FC	43	2.454	2.497
<i>Installment</i>	-	2.454	2.454
<i>Non-installment</i>	43	-	43
Overdraft accounts-TRY (Retail customers) (**)	1.318.207	-	1.318.207
Overdraft accounts-FC (Retail customers) (***)	102.863	10.515	113.378
<b>Total</b>	<b>6.419.147</b>	<b>79.057.065</b>	<b>85.476.212</b>

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

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

(\*\*\*) TRY 1.198 of the overdraft account consists of loans given to personnel.

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

(5) Information on loans (continued):

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

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

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

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

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

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

(5) Information on loans (continued):

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

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Commercial installment loans-TRY	479.625	38.139.826	38.619.451
<i>Business premises loans</i>	4.416	805.467	809.883
<i>Automobile loans</i>	26.881	1.002.576	1.029.457
<i>Consumer loans</i>	448.328	36.331.783	36.780.111
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	211.626	1.610.044	1.821.670
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	14.990	14.990
<i>Other</i>	211.626	1.595.054	1.806.680
Commercial installment loans - FC	882.645	30.924.100	31.806.745
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	28.217	27.519.321	27.547.538
<i>Other</i>	854.428	3.404.779	4.259.207
Corporate credit cards-TRY	10.484.279	-	10.484.279
<i>Installment</i>	4.495.889	-	4.495.889
<i>Non-installment</i>	5.988.390	-	5.988.390
Corporate credit cards-FC	203	3.433	3.636
<i>Installment</i>	-	3.433	3.433
<i>Non-installment</i>	203	-	203
Overdraft accounts-TRY (Commercial customers)	3.227.895	-	3.227.895
Overdraft accounts-FC (Commercial customers)	16.789	-	16.789
<b>Total</b>	<b>15.303.062</b>	<b>70.677.403</b>	<b>85.980.465</b>

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

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

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

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

(5) Information on loans (continued):

f) Loans by customers:

	Current Period	Prior Period
Public	6.859.354	6.777.183
Private	433.233.708	290.540.247
<b>Total</b>	<b>440.093.062</b>	<b>297.317.430</b>

g) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	428.811.083	288.462.207
Foreign loans	11.281.979	8.855.223
<b>Total</b>	<b>440.093.062</b>	<b>297.317.430</b>

h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans to Subsidiaries and Associates	35.597	-
Indirect Loans to Subsidiaries and Associates	-	-
<b>Total</b>	<b>35.597</b>	<b>-</b>

i) Credit-impaired losses (Stage III):

	Current Period	Prior Period
Loans and receivables with limited collectability	809.513	1.052.167
Loans and receivables with doubtful collectability	277.729	2.010.708
Uncollectible loans and receivables	10.072.813	5.890.984
<b>Total</b>	<b>11.160.055</b>	<b>8.953.859</b>

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

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>Current Period</b>			
Gross amounts before the specific provisions	355.455	75.667	2.178.938
Rescheduled loans and other receivables	355.455	75.667	2.178.938
<b>Priod Period</b>			
Gross amounts before the specific provisions	157.114	102.114	1.429.276
Rescheduled loans and other receivables	157.114	102.114	1.429.276

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

(5) Information on loans (continued):

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

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

**Current Period:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
Current period end balance	2.837.569	4.525.448	8.714.230
Additions (+)	3.567.753	163.966	1.683.141
Transfers from other categories of loans under follow-up (+)	-	2.320.791	5.844.880
Transfers to other categories of loans under follow-up (-)	3.188.867	4.976.804	-
Collections (-)	847.319	1.382.394	1.515.079
Write-offs (-)	4.813	266	597.002
Sold (-)	1.803	-	26.267
<i>Corporate and Commercial Loans</i>	<i>1.803</i>	<i>-</i>	<i>26.229</i>
<i>Consumer Loans</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Credit Cards</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Other</i>	<i>-</i>	<i>-</i>	<i>38</i>
<b>Current period end balance</b>	<b>2.362.520</b>	<b>650.741</b>	<b>14.103.903</b>
Provision (-)	809.513	277.729	10.072.813
<b>Net balance on balance sheet</b>	<b>1.553.007</b>	<b>373.012</b>	<b>4.031.090</b>

**Prior Period:**

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

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

(5) Information on loans (continued):

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>			
Balance at the end of the period	953.504	93.375	4.374.385
Provisions(-)	306.470	42.301	3.559.796
<b>Net balance in the balance sheet</b>	<b>647.034</b>	<b>51.074</b>	<b>814.589</b>
<b>Prior period</b>			
Balance at the end of the period	558.373	1.421.655	2.685.298
Provisions(-)	227.564	847.589	1.510.744
<b>Net balance in the balance sheet</b>	<b>330.809</b>	<b>574.066</b>	<b>1.174.554</b>

(<sup>e</sup>) Accruals are not included in the table.

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>			
	<b>1.553.007</b>	<b>373.012</b>	<b>4.031.090</b>
Loans to granted real persons and legal entities (Gross)	2.362.520	650.741	14.103.903
Provisions (-)	809.513	277.729	10.072.813
<b>Loans to granted real persons and legal entities (Net)</b>	<b>1.553.007</b>	<b>373.012</b>	<b>4.031.090</b>
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Banks (Net)</b>	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Other loans and receivables (Net)</b>	-	-	-
<b>Prior Period (Net)</b>			
	<b>1.785.402</b>	<b>2.514.740</b>	<b>2.823.246</b>
Loans to granted real persons and legal entities (Gross)	2.837.569	4.525.448	8.714.230
Provisions (-)	1.052.167	2.010.708	5.890.984
<b>Loans to granted real persons and legal entities (Net)</b>	<b>1.785.402</b>	<b>2.514.740</b>	<b>2.823.246</b>
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Banks (Net)</b>	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Other loans and receivables (Net)</b>	-	-	-

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

(5) Information on loans (continued):

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period (Net)</b>	<b>10.391</b>	<b>7.603</b>	<b>659.545</b>
Interest Accruals and Valuation Differences	24.315	26.478	2.140.941
Provision (-)	13.924	18.875	1.481.396
<b>Prior Period (Net)</b>	<b>178.457</b>	<b>480.977</b>	<b>276.827</b>
Interest Accruals and Valuation Differences	297.411	919.761	770.306
Provision (-)	118.954	438.784	493.479

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

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

m) Explanations on write-off policy:

The Group derecognised TRY 602.081 of follow-up loans in the current period due to the lack of reasonable expectations. In the current period, the non-performing loan ratio of the Bank decreased from 3.84% to 3.72% after the loans were written off in accordance with the amendment of the Provisions Regulation.

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

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

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Bills	-	-	-	-
Government bonds and similar securities	31.097.699	20.519.825	3.044.934	9.849.904
Other	-	-	-	-
<b>Total</b>	<b>31.097.699</b>	<b>20.519.825</b>	<b>3.044.934</b>	<b>9.849.904</b>



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

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	18.884.916	1.995.236	35.754.611	4.806.422
<b>Total</b>	<b>18.884.916</b>	<b>1.995.236</b>	<b>35.754.611</b>	<b>4.806.422</b>

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

	Current Period	Prior Period
Government bonds	83.763.130	72.004.446
Treasury bills	172.517	262.767
Other public sector debt securities	818.523	153.396
<b>Total</b>	<b>84.754.170</b>	<b>72.420.609</b>

c) Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Debt securities	84.804.689	72.471.122
<i>Quoted on a stock exchange</i>	84.621.031	72.208.355
<i>Not quoted</i>	183.658	262.767
Impairment provision (-)	-	-
<b>Total</b>	<b>84.804.689</b>	<b>72.471.122</b>

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

	Current Period	Prior Period
Beginning balance	72.471.122	56.331.345
Foreign currency differences on monetary assets	5.543.919	1.358.984
Purchases during the year <sup>(1)</sup>	24.351.440	22.253.708
Disposals through sales and redemptions	(17.561.792)	(7.472.915)
Impairment provision (-)	-	-
<b>Balance at the end of the period</b>	<b>84.804.689</b>	<b>72.471.122</b>

<sup>(1)</sup> Interest income accrual differences between 31 December 2020 amounting to TRY 14.515.145 and 31 December 2019 amounting to TRY 9.632.018 have been included in purchases row.

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

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

(7) Information on associates (Net):

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

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

b) Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Kredi Kayıt Bürosu A.Ş. <sup>(1)</sup>	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. <sup>(1)</sup>	Istanbul	33,33	33,33
4. Keskinöğlü Tavukçuluk ve Damızlık A.Ş. <sup>(1)</sup>	Manisa	26,30	26,30

Information related to the associates as sorted above:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	431.272	228.107	216.231	6.851	-	55.857	22.180	-
2.	5.250	5.250	-	-	-	-	-	-
3.	189.199	156.928	16.452	2.009	-	2.989	13.252	-
4.	351.828	(620.618)	163.234	791	-	468.531	(1.258.528)	-

<sup>(1)</sup> Financial informations are obtained from unaudited financial statements of 31 December 2020.

c) Information on consolidated associates:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value <sup>(2)</sup>
1.	13.898.418	2.271.129	34.962	335.865	12.032	76.543	101.743	674.237
2.	53.594	52.641	28	3.485	-	(506)	7.803	-

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

<sup>(2)</sup> Financial information on the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 December 2020.

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

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

Movement of associates:

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the beginning of the period	509.234	458.722
Movements during the period	255.226	50.512
<i>Purchases</i>	34.992	1.750
<i>Bonus shares obtained profit from current year's share</i>	12.709	875
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	(5.112)	-
<i>Transfers<sup>(1) (2)</sup></i>	10.369	-
<i>Revaluation decrease (-)/ increase</i>	202.268	47.887
<i>Impairment Provisions (-)/Reversals</i>	-	-
<b>Balance at the end of the period</b>	<b>764.460</b>	<b>509.234</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> 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.

<sup>(2)</sup> 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:

	<b>Current Period</b>	<b>Prior Period</b>
Banks	681.339	476.980
Insurance companies	-	4.427
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	16.566	16.725
Other non-financial investments	66.555	11.102

e) Associates quoted to a stock exchange:

None

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

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

(8) Information on subsidiaries (Net):

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

	Halk Yatırım Menkul Değerler AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ	Halk Bank AD, Beograd	Halk Varlık Kiralama AŞ	Halk Osiguru vanje AD, Skopje
<b>CORE CAPITAL</b>								
Paid in Capital	104.000	970.000	323.000	600.732	96.000	213.395	100	62.369
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share premium	-	49.945	-	11.633	-	99.004	-	-
Reserves	54.881	75.558	15.417	615.134	24.413	554.275	1.692	105.360
Other Comprehensive Income according to TAS	17.128	1.063.258	-	6.248	10	13.383	-	-
<b>Profit / Loss</b>	<b>186.876</b>	<b>32.549</b>	<b>(2.271)</b>	<b>56.639</b>	<b>94.996</b>	<b>70.494</b>	<b>546</b>	<b>(27.955)</b>
<i>Net Profit</i>	186.876	32.549	72.427	76.005	100.943	35.600	546	3.760
<i>Prior Period Profit/Loss</i>	-	-	(74.698)	(19.366)	(5.947)	34.894	-	(31.715)
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	-	-	-	-	-	-	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	-	94	613	-	154	-	-
Leasehold Improvements (-)	-	2.102	-	13.427	-	7.704	-	-
Intangible Assets (-)	1.924	351	1.791	19.622	2.470	24.442	2	-
<b>Total Core Capital</b>	<b>360.961</b>	<b>2.188.857</b>	<b>334.261</b>	<b>1.256.724</b>	<b>212.949</b>	<b>918.251</b>	<b>2.336</b>	<b>139.774</b>
<b>SUPPLEMENTARY CAPITAL</b>	-	-	<b>35.057</b>	<b>18.764</b>	<b>15.464</b>	<b>16.281</b>	-	-
<b>CAPITAL</b>	<b>360.961</b>	<b>2.188.857</b>	<b>369.318</b>	<b>1.275.488</b>	<b>228.413</b>	<b>934.532</b>	<b>2.336</b>	<b>139.774</b>
<b>NET AVAILABLE CAPITAL</b>	<b>360.961</b>	<b>2.188.857</b>	<b>369.318</b>	<b>1.275.488</b>	<b>228.413</b>	<b>934.532</b>	<b>2.336</b>	<b>139.774</b>

<sup>(1)</sup> The financial data is obtained from 31 December 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.	Istanbul	99,96	99,97
2. Halk Gayrimenkul Yatırım Ortaklığı A.Ş. <sup>(2)(3)</sup>	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<sup>(1)</sup>:

	Total Shareholders' assets	Total fixed equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	678.091	362.885	9.871	102.869	27.015	186.876	86.307	396.171
2.	2.752.250	2.163.964	1.896.600	5.066	-	32.549	54.977	2.240.689
3.	4.086.128	336.052	4.753	366.676	-	72.427	47.980	395.629
4.	9.555.905	1.289.773	412.354	260.726	14.823	76.005	58.989	1.277.510
5.	1.854.307	215.419	4.055	313.461	-	100.943	45.115	320.679
6.	6.482.282	950.397	128.524	182.408	26.425	35.600	24.200	863.142
7.	953.458	2.338	11	-	-	546	845	3.262
8.	165.595	139.774	8.342	526	136	3.760	(13.506)	37.189

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

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

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

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**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	2.255.201	(1.071.254)
<i>Purchases<sup>(4)</sup></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<sup>(2)</sup></i>	(56.003)	-
<i>Transfer<sup>(1)(3)</sup></i>	(27.997)	(2.576.996)
<i>Revaluation (increase)/decrease</i>	2.160.471	1.039.402
<i>Reversals/Provisions(-) for impairment</i>	-	185.231
Share capital elimination of subsidiaries	(5.516.428)	(3.177.227)
<b>Balance at the end of the period</b>	<b>-</b>	<b>84.000</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

(2) The Parent Bank has sold the shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. in the current period which were classified as subsidiaries the previous period.

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

(4) The Parent Bank increased its share in Halk Banka AD, Skopje in Macedonia to 99,40% by purchasing 0,11% of the shares of HalkBank AD, Skopje for a price of TRY 148.506 in the current period.

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

	Current Period	Prior Period
Banks	2.140.652	1.429.212
Insurance companies	19.346	19.346
Factoring companies	320.679	231.075
Leasing companies	395.629	385.000
Financing companies	-	-
Other financial subsidiaries	2.640.122	1.112.594
Other non-financial subsidiaries	-	84.000

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period
Quoted to domestic stock <sup>(1)</sup>	2.240.689	814.812
Quoted foreign stock exchange	-	-

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

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

None.

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

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

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

a) Maturity structure of investments on financial lease:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.418.220	1.074.572	1.289.704	1.053.283
Between 1-4 years	2.312.601	1.728.743	1.748.564	1.413.713
More than 4 years	1.077.725	843.739	415.070	349.495
<b>Total</b>	<b>4.808.546</b>	<b>3.647.054</b>	<b>3.453.338</b>	<b>2.816.491</b>

b) Information on gross investments of financial lease:

	Current Period	Prior Period
Gross financial lease investment	4.808.546	3.453.338
Unearned revenues from financial lease	(1.161.492)	(636.847)
<b>Total</b>	<b>3.647.054</b>	<b>2.816.491</b>

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

	Current Period	Prior Period
Financial lease receivables with limited collectability	374	7.866
Financial lease receivables with doubtful collectability	8.425	2.517
Uncollectible financial lease receivables	566.505	563.940
Provisions	(480.598)	(429.208)
<b>Total</b>	<b>94.706</b>	<b>145.115</b>

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

None.

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

(12) Information on tangible assets:

<b>Current Period</b>	<b>Balance at the end of the prior period</b>	<b>Additions</b>	<b>Revaluation Increase</b>	<b>Disposals(-)</b>	<b>Transfer</b>	<b>Balance at the end of the period</b>
<b>Cost</b>						
Immovable	3.500.266	421.362	517.695	60.490	(15.364)	4.363.469
Right of Used Assets	817.177	606.221	-	205.270	-	1.218.128
Tangible assets purchased through financial lease	24.111	-	-	4.340	(19.771)	-
Office machines	939.133	274.165	-	20.193	-	1.193.105
Fixed assets obtained due to non-performing loans	4.892.672	1.197.322	-	1.364.780	(35.194)	4.690.020
Lease hold improvements costs	251.269	74.203	-	-	-	325.472
Other	363.240	71.928	-	9.843	7.343	432.668
<b>Total Cost</b>	<b>10.787.868</b>	<b>2.645.201</b>	<b>517.695</b>	<b>1.664.916</b>	<b>(62.986)</b>	<b>12.222.862</b>
<b>Accumulated depreciation (-)</b>						
Immovable	280.431	26.637	59.012	12.834	(53)	353.193
Right of Used Assets	189.457	238.298	-	65.176	-	362.579
Tangible assets purchased through financial lease	23.958	-	-	4.537	(19.421)	-
Office machines	534.983	171.002	-	20.546	-	685.439
Fixed assets obtained due to non-performing loans	22.525	19.265	-	18.491	-	23.299
Lease hold improvements costs	150.921	40.879	-	-	-	191.800
Other	264.985	33.480	-	7.351	19.421	310.535
<b>Total Accumulated Depreciation</b>	<b>1.467.260</b>	<b>529.561</b>	<b>59.012</b>	<b>128.935</b>	<b>(53)</b>	<b>1.926.845</b>
<b>Provision for impairment (-)</b>						
Immovable	6.670	-	6.104	-	-	12.774
Fixed assets obtained due to non-performing loans	4.965	-	-	610	-	4.355
<b>Total provision for impairment (-)</b>	<b>11.635</b>	<b>-</b>	<b>6.104</b>	<b>610</b>	<b>-</b>	<b>17.129</b>
<b>Net Book Value</b>	<b>9.308.973</b>	<b>2.115.640</b>	<b>452.579</b>	<b>1.535.371</b>	<b>(62.933)</b>	<b>10.278.888</b>



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

(12) Information on tangible assets (continued):

<b>Prior Period</b>	<b>Balance at the end of the prior period</b>	<b>Additions</b>	<b>Revaluation Increase</b>	<b>Disposals(-)</b>	<b>Transfer</b>	<b>Balance at the end of the period</b>
<b>Cost</b>						
Immovable	3.173.927	139.382	232.398	15.020	(30.421)	3.500.266
Right of Used Assets	-	1.037.737	-	201.345	(19.215)	817.177
Tangible assets purchased through financial lease	25.302	-	-	1.191	-	24.111
Office machines	765.511	245.496	-	55.721	(16.153)	939.133
Fixed assets obtained due to non-performing loans	1.241.730	4.039.812	-	388.870	-	4.892.672
Lease hold improvements costs	201.413	52.596	-	458	(2.282)	251.269
Other	339.713	33.898	-	3.845	(6.526)	363.240
<b>Total Cost</b>	<b>5.747.596</b>	<b>5.548.921</b>	<b>232.398</b>	<b>666.450</b>	<b>(74.597)</b>	<b>10.787.868</b>
<b>Accumulated depreciation (-)</b>						
Immovable	234.249	16.822	32.911	2.913	(638)	280.431
Right of Used Assets	-	226.402	-	31.255	(5.690)	189.457
Tangible assets purchased through financial lease	24.731	-	-	773	-	23.958
Office machines	452.905	121.643	-	28.232	(11.333)	534.983
Fixed assets obtained due to non-performing loans	19.106	12.880	-	9.461	-	22.525
Lease hold improvements costs	118.955	36.532	-	2.695	(1.871)	150.921
Other	245.766	27.192	-	7.056	(917)	264.985
<b>Total Accumulated Depreciation</b>	<b>1.095.712</b>	<b>441.471</b>	<b>32.911</b>	<b>82.385</b>	<b>(20.449)</b>	<b>1.467.260</b>
<b>Provision for impairment (-)</b>						
Immovable	4.634	-	2.036	-	-	6.670
Fixed assets obtained due to non-performing loans	7.364	-	-	2.399	-	4.965
<b>Total provision for impairment (-)</b>	<b>11.998</b>	<b>-</b>	<b>2.036</b>	<b>2.399</b>	<b>-</b>	<b>11.635</b>
<b>Net Book Value</b>	<b>4.639.886</b>	<b>5.107.450</b>	<b>197.451</b>	<b>581.666</b>	<b>(54.148)</b>	<b>9.308.973</b>

(13) Information on intangible assets:

<b>Current Period</b>	<b>Balance at the end of the prior period</b>	<b>Current Year Additions</b>	<b>Current Year Disposals</b>	<b>Transfers</b>	<b>Balance at the end of the period</b>
<b>Cost:</b>					
Other intangible assets	421.528	563.799	4.340	-	980.987
<b>Total Cost</b>	<b>421.528</b>	<b>563.799</b>	<b>4.340</b>	<b>-</b>	<b>980.987</b>
<b>Accumulated Depreciation (-)</b>					
Other intangible assets	216.269	126.010	-	-	342.279
<b>Total Accumulated Depreciation (-)</b>	<b>216.269</b>	<b>126.010</b>	<b>-</b>	<b>-</b>	<b>342.279</b>
<b>Net Book Value</b>	<b>205.259</b>	<b>437.789</b>	<b>4.340</b>	<b>-</b>	<b>638.708</b>

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

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

<b>Prior Period</b>	<b>Balance at the end of the prior period</b>	<b>Current Year Additions</b>	<b>Current Year Disposals</b>	<b>Transfers</b>	<b>Balance at the end of the period</b>
<b>Cost:</b>					
Other intangible assets	359.047	93.092	518	(30.093)	421.528
<b>Total Cost</b>	<b>359.047</b>	<b>93.092</b>	<b>518</b>	<b>(30.093)</b>	<b>421.528</b>
<b>Accumulated Depreciation (-)</b>					
Other intangible assets	175.636	65.919	9	(25.277)	216.269
<b>Total Accumulated Depreciation (-)</b>	<b>175.636</b>	<b>65.919</b>	<b>9</b>	<b>(25.277)</b>	<b>216.269</b>
<b>Net Book Value</b>	<b>183.411</b>	<b>27.173</b>	<b>509</b>	<b>(4.816)</b>	<b>205.259</b>

(14) Information on investment property:

	<b>Current Period</b>	<b>Priod Period</b>
<b>Cost</b>		
<b>Opening Balance</b>	<b>1.194.428</b>	<b>1.057.058</b>
Acquisitions	95.261	86.070
Transfer	15.364	51.300
Disposals	1.312	-
Impairment Provisions	-	-
<b>Ending Balance</b>	<b>1.303.741</b>	<b>1.194.428</b>
<b>Accumulated De prec iation</b>		
<b>Opening Balance</b>	<b>89.965</b>	<b>83.657</b>
Additions	6.503	5.874
Disposals (-)	41	-
Impairment Provisions (-)	-	-
Transfer	53	434
<b>Ending Balance</b>	<b>96.480</b>	<b>89.965</b>
<b>Net Book Value</b>	<b>1.207.261</b>	<b>1.104.463</b>

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

(15) Information on tax assets:

Please refer to Section Five Explanations related to the Liabilities, footnote (10)

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

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

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

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

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

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

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 5.695.763 and does not exceed 10% of the balance sheet total (31 December 2019: TRY 4.574.989).

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

(1) Information on deposit / funds collected:

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

**Current period:**

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	11.028.480	-	10.547.317	61.271.001	4.063.473	894.825	1.528.413	123.289	89.456.798
Foreign currency deposits	35.168.062	-	18.113.997	96.866.133	5.253.095	4.109.940	9.424.284	13.273	168.948.784
<i>Residents in Turkey</i>	28.297.921	-	14.179.996	92.415.789	3.611.688	1.929.613	4.390.421	12.693	144.838.121
<i>Residents abroad</i>	6.870.141	-	3.934.001	4.450.344	1.641.407	2.180.327	5.033.863	580	24.110.663
Public sector deposits	3.708.109	-	13.485.208	4.173.024	442.413	161.066	13.676	-	21.983.496
Commercial inst. deposits	11.726.342	-	32.521.802	49.196.778	825.344	604.306	2.994.737	-	97.869.309
Other inst. deposits	1.105.021	-	3.660.760	20.127.802	2.481.584	452.782	4.469.915	-	32.297.864
Precious metals	18.324.815	-	134.150	3.375.240	382.651	75.080	147.787	-	22.439.723
Interbank deposits	9.514.652	-	14.656.243	10.645.338	180.835	2.291	66.495	-	35.065.854
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	86.802	-	12.009.319	7.107.240	150.308	-	-	-	19.353.669
<i>Foreign banks</i>	6.948.850	-	182.773	3.315.793	30.527	2.291	66.495	-	10.546.729
<i>Participation banks</i>	2.479.000	-	2.464.151	222.305	-	-	-	-	5.165.456
<b>Total</b>	<b>90.575.481</b>	<b>-</b>	<b>93.119.477</b>	<b>245.655.316</b>	<b>13.629.395</b>	<b>6.300.290</b>	<b>18.645.307</b>	<b>136.562</b>	<b>468.061.828</b>

**Prior period:**

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

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**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	40.394.097	36.907.556	48.828.336	30.985.259
Foreign currency saving deposits	31.941.835	20.906.734	68.137.764	39.681.492
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	410.927	311.411	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

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

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

	Current Period	Prior Period
Foreign branches' saving deposits and other accounts	235.014	225.517
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	10.157	7.073
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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**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	-	26.206	-	26.906
Swap transactions	19.744	480.694	51	323.606
Future transactions	-	-	-	-
Options	369	7.212	283	2.872
Other	-	-	-	-
<b>Total</b>	<b>20.113</b>	<b>514.112</b>	<b>334</b>	<b>353.384</b>

(3) Information on funds borrowed:

a) Information on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	706.399	2.498.369	1.410.975	2.834.411
Foreign banks, institutions and funds	-	10.049.754	-	9.922.484
<b>Total</b>	<b>706.399</b>	<b>12.548.123</b>	<b>1.410.975</b>	<b>12.756.895</b>

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	601.693	811.014	1.410.645	1.677.419
Medium and long term	104.706	11.737.109	330	11.079.476
<b>Total</b>	<b>706.399</b>	<b>12.548.123</b>	<b>1.410.975</b>	<b>12.756.895</b>

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

Main liability of the Group is deposits, which is composed of 19,11% of saving deposits and 36,10% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Group borrows loans from interbank money markets.

The Group's 42,36% of bank deposits and 44,20% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

	Current period		Prior period	
	TRY	FC	TRY	FC
Bills	3.655.382	-	4.745.320	-
Asset Back Securities	1.958.530	-	2.651.546	-
Bonds	1.078.233	7.553.277	1.384.736	10.512.530
<b>Total</b>	<b>6.692.145</b>	<b>7.553.277</b>	<b>8.781.602</b>	<b>10.512.530</b>

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

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Technology, Ministry of Treasury and Finance, and other funds.

a) Maturity structure of funds:

	<b>Current Period</b>	<b>Prior Period</b>
Short Term	1.201	1.135
Long Term	3.616.102	3.207.869
<b>Total</b>	<b>3.617.303</b>	<b>3.209.004</b>

(6) Information on other liabilities:

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

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

(7) Information on finance lease payables (Net):

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

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

b) Explanation on finance lease payables:

None (31 December 2019: None).

c) Explanations regarding operational leases:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 year	29.347	29.162	69.587	60.938
Between 1-4 years	312.254	268.799	213.886	176.372
More than 4 years	826.943	595.813	667.444	406.749
<b>Total</b>	<b>1.168.544</b>	<b>893.774</b>	<b>950.917</b>	<b>644.059</b>

(8) Information on derivative financial liabilities for hedging purposes:

None.

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

(9) Explanations on provisions:

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

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

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

As of 31 December 2020, the Group's specific provision for unindemnified non-cash loans balance is TRY 150.942 (31 December 2019: TRY 114.712).

c) Information on other provisions:

Total other provision balance amounting to TRY 636.547 (31 December 2019: TRY 562.945) consists of TRY 150.942 for specific provisions of unindemnified and unfunded non-cash loans (31 December 2019: TRY 114.712), TRY 308.709 for stage 1 and stage 2 expected credit loss amount of non-cash loans (31 December 2019: TRY 173.769), TRY 99.928 for legal cases filed against the Group (31 December 2019: TRY 78.634), and TRY 77.968 of other provisions (31 December 2019: TRY 195.830).

d) Movement of employee termination benefits:

Severance indemnity provision of the Parent Bank as of 31 December 2020 is calculated by an independent company by using the actuarial conjectures.

The amount calculated for the employee termination benefits of the Parent Bank as a result of the actuarial valuation according to TAS 19, is as follows;

	<b>Current Period</b>	<b>Prior Period</b>
Inflation Rate	9,50%	8,20%
Discount Rate	12,80%	12,10%
Estimated Real Wage Growth Rate	9,70%	8,40%

Calculated amounts as a result of actuarial conjectures are as follows:

	<b>Current Period</b>	<b>Prior Period</b>
As of January 1	722.286	539.986
Charge for the year	70.613	57.512
Interest Expense	85.813	85.555
Actuarial (gain)/loss	99.629	86.777
Prior period service cost composed current period	2.584	1.632
Payment/The limitation of benefits/Loss (Gain) therefore discharge	5.839	5.390
Benefits paid within the period(-)	(45.482)	(54.566)
<b>Total</b>	<b>941.282</b>	<b>722.286</b>



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

(9) Explanations on provisions (continued):

e) Liabilities for employee benefits:

As of 31 December 2020, unused vacation accruals are TRY 180.226, personnel dividend provision is TRY 381.892, severance indemnity provision for Group personnel is TRY 905.180 and severance indemnity provision for outsourcing firms is TRY 36.102 (31 December 2019: TRY 137.260 for unused vacation accruals; TRY 694.391 for severance indemnity provision for Group personnel; TRY 27.895 for severance indemnity provision for outsources; TRY 274.202 for personnel dividend provision).

The Group's accounts for actuarial gains / losses under equity commencing from 1 January 2013.

f) Liabilities arising from retirement benefits:

f.1. Liabilities of pension funds founded as per the Social Security Institution:  
None.

f.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees:

Based on the results of the actuarial reports prepared as of 31 December 2020, it was determined that there is no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı and T.C. Ziraat Bankası ve Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

The above mentioned actuarial review, which was made in accordance with the principles of the related law, measures the present value of the liability as of 31 December 2020, in other words; it measures the amount to be paid to the Social Security Institution by the Parent Bank. Actuarial assumptions used in the calculation are given below.

<b>Assumptions</b>	<b>Current Period</b>	<b>Prior Period</b>
Discount Rate	9,8%	9,8%
Mortality Rate	CSO 1980 kadın/erkek	CSO 1980 kadın/erkek

Some of the Bank's personnel are the members of T. Halk Bankası Çalışanları Emekli Sandığı Vakfı, ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2020 the number of personnel who benefit from the Fund is 38.069 (31 December 2019: 36.625).

Below table shows the present values of premiums and salary payments as of 31 December 2020, by taking into account the health expenses within the Social Security Institution limits.

<b>Transferable Pension and Medical Benefits:</b>	<b>Current Period</b>	<b>Prior Period</b>
Net Present Value of Total Liabilities Other Than Health	(3.853.779)	(3.113.389)
Net Present Value of Long Term Insurance Line Premiums	4.204.433	3.321.573
<b>Net Present Value of Total Liabilities Other Than Health</b>	<b>350.654</b>	<b>208.184</b>
Net Present Value of Health Liabilities	(838.882)	(659.388)
Net Present Value of Health Premiums	2.626.604	2.075.379
<b>Net Present Value of Health Liabilities</b>	<b>1.787.722</b>	<b>1.415.991</b>
<b>Pension Fund Assets</b>	<b>4.276.670</b>	<b>3.304.716</b>
General Administration Expenses (1%)	(46.927)	(37.728)
<b>Amount of Actuarial and Technical Deficit</b>	<b>6.368.119</b>	<b>4.891.163</b>

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

(9) Explanations on provisions (continued):

f) Liabilities arising from retirement benefits (continued):

f.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees (continued):

<b>Total Assets</b>	<b>Current Period</b>	<b>Prior Period</b>
Banks	3.125.060	1.890.018
Marketable Securities	916.070	1.136.573
Property and Equipment	128.147	104.141
Other	107.393	173.984
<b>Total</b>	<b>4.276.670</b>	<b>3.304.716</b>

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follows:

**Change in Assumptions (%)**

<b>Assumptions</b>	<b>Death Benefits</b>	<b>Medical Benefits</b>	<b>Total</b>
Discount rate +1%	(19,8%)	(19,5%)	(19,5%)
Discount rate -1%	27,3%	26,8%	26,8%
Inflation rate +1%	27,4%	33,2%	33,2%
Inflation rate -1%	(20,1%)	(23,1%)	(23,1%)

g) Insurance Technical Provisions (Net):

	<b>Current Period</b>	<b>Prior period</b>
Life-Mathematical Provisions	-	-
Provisions for unearned premium claims	51.174	26.900
Provision for outstanding claims	42.464	26.752
Provisions for unexpired risk reserves	-	-
Other	-	-
<b>Total</b>	<b>93.638</b>	<b>53.652</b>

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2020, the Group's corporate tax payable is amounting to TRY 4.498 and accounted for under corporate tax provision at the related date. (31 December 2019 corporate tax payable: TRY 431.563)

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

(10) Explanations related to tax liabilities (continued):

a) Information on current tax liability (continued):

a.2. Information on taxes payable:

	<b>Current Period</b>	<b>Prior Period</b>
Corporate taxpayable	4.498	431.563
Income on securities tax	475.152	625.775
Property income tax	1.719	2.199
Banking and insurance transactions tax (BITT)	157.964	162.114
Foreign exchange transactions tax	9.021	4.360
Value added taxpayable	4.810	3.830
Other	73.321	62.557
<b>Total</b>	<b>726.485</b>	<b>1.292.398</b>

a.3. Information on premiums:

	<b>Current Period</b>	<b>Prior Period</b>
Social insurance premiums-employee	291	261
Social insurance premiums-employer	830	745
Bank social aid pension fund premium-employee	18.063	14.605
Bank social aid pension fund premium-employer	28.084	21.370
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	1.311	1.078
Unemployment insurance-employer	2.634	2.167
Other	715	663
<b>Total</b>	<b>51.928</b>	<b>40.889</b>

b) Explanations related to deferred tax liability:

	<b>Current Period</b>	<b>Prior Period</b>
<b>Deffered Tax Asset/(Liability)</b>		
Provisions <sup>(1)</sup>	1.529.133	879.633
Valuation of Financial Assets	(1.322.586)	(735.286)
Other	(498.350)	(409.467)
<b>Net Deffered Tax Asset/(Liability)<sup>(2)</sup></b>	<b>(291.803)</b>	<b>(265.120)</b>
<b>Deffered Tax Accounting Under Equity</b>	<b>(11.841)</b>	<b>(134.878)</b>
Fair Value of Security Internal Efficiency Market Value Difference Through Other Comprehensive Income	128.429	1.698
Actuarial Loss/Earning	34.772	15.060
Real Estate Revaluation	(175.042)	(151.636)

<sup>(1)</sup> Consists of employee rights obligations and other provisions.

<sup>(2)</sup> Net deferred tax liability amounting to TRY 291.803 consists of TRY 42.101 deferred tax asset and TRY 333.904 deferred tax liability.

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

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

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

(12) Explanations on the number of subordinated loans the Group used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any<sup>(\*)</sup>:

Information on Subordinated Loans	Current Period		Prior Period	
	TRY	FC	TRY	FC
To be included in the calculation of additional capital borrowings instruments	-	8.824.063	-	6.146.988
Subordinated loans	-	8.824.063	-	6.146.988
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.036.525	-	6.037.858	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.036.525	-	6.037.858	-
<b>Total</b>	<b>6.036.525</b>	<b>8.824.063</b>	<b>6.037.858</b>	<b>6.146.988</b>

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

(13) Information on shareholders' equity

a) Presentation of paid-in capital:

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

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

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

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

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

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)**

(13) 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 – 31 December 2020, the Parent Bank has resold previously acquired shares amounting to TRY 1.500 and repurchased shares amounting to TRY 18.339 within the scope of the Board of Directors' decision dated 29 August 2018 and 17 March 2020.

g) Indicators of the Group's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Group's equity due to the uncertainty of these indicators:  
The Group has sustainable profitability and equity structure. There are no uncertainties that would impact the current position.

h) Information on preferred shares:  
None.

i) Information on marketable securities revaluation fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	15.040	5.107	45.126	2.157
Valuation differences	15.040	5.107	45.126	2.157
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	(220.937)	(218.119)	337.320	(83.834)
Valuation differences	(220.937)	(216.049)	337.320	(77.988)
Exchange rate difference	-	(2.070)	-	(5.846)
<b>Total</b>	<b>(205.897)</b>	<b>(213.012)</b>	<b>382.446</b>	<b>(81.677)</b>

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

(13) Information on shareholders' equity (continued)

j) Information on Legal Reserves

	<b>Current Period</b>	<b>Prior Period</b>
I. Legal Reserve	1.491.581	1.477.618
II. Legal Reserve	621.138	686.765
Special Reserves	67.674	62.758
Share Buyback Reserve Fund	351.767	262.384
<b>Total</b>	<b>2.532.160</b>	<b>2.489.525</b>

k) Information on Extraordinary Reserves:

	<b>Current Period</b>	<b>Prior Period</b>
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	22.835.488	21.261.779
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital (-)	-	-
<b>Total</b>	<b>22.835.488</b>	<b>21.261.779</b>

(14) Information on minority interest shares:

	<b>Current Period</b>	<b>Prior Period</b>
Paid-in Capital	203.804	211.047
Export Premium	10.306	10.389
Share Cancellation Profits	(27.346)	(26.162)
Marketable Securities Revaluation Fund	42	48
Legal Reserves	5.662	5.982
Extraordinary Reserves	10.071	9.196
Retained Earnings	48.853	48.662
Other Profit Reserves	3.573	1.928
Other Capital Reserves	1.192	898
Net Period Profit / Loss	7.223	25.265
<b>Closing Balance</b>	<b>263.380</b>	<b>287.253</b>

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

<b>Types of irrevocable commitments</b>	<b>Current Period</b>	<b>Prior Period</b>
Commitments for credit card expenditure limits	28.032.142	16.772.843
Payment commitments for cheques	4.472.298	3.219.679
Loan granting commitments	4.721.315	3.138.339
Two days forward foreign exchange buy/sell transactions	1.826.745	2.232.623
Forward deposit purchase and sale commitments	-	-
Commitments for credit cards and banking services promotions	22.752	24.943
Tax and fund liabilities from export commitments	124.240	83.156
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	5.321.136	4.406.707
<b>Total</b>	<b>44.520.628</b>	<b>29.878.290</b>

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of credit	2.609.382	3.901.651
Bank acceptances	6.495.595	6.961.998
Other guarantees	4.862.463	2.807.693
<b>Total</b>	<b>13.967.440</b>	<b>13.671.342</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of certain guarantees	17.484.487	16.502.447
Letters of advance guarantees	5.376.409	4.510.376
Letters of tentative guarantees	2.239.074	761.085
Letters of guarantee given to customs offices	2.706.492	1.940.202
Other letters of guarantee	74.729.949	53.632.378
<b>Total</b>	<b>102.536.411</b>	<b>77.346.488</b>

b.3. Total non-cash loans:

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans for providing cash loans	14.320.385	9.474.261
<i>Within one year or less original maturity</i>	<i>1.895.645</i>	<i>2.389.105</i>
<i>Within more than one year maturity</i>	<i>12.424.740</i>	<i>7.085.156</i>
Other non-cash loans	102.183.466	81.543.569
<b>Total</b>	<b>116.503.851</b>	<b>91.017.830</b>

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**III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)**

- (1) Information on off-balance sheet liabilities (continued):
- b) Amount and nature of probable losses and commitments from the off-balance sheet items (continued):
- b.4. Sectoral risk concentration of non-cash loans

<b>Current Period</b>				
	<b>TRY</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>
Agriculture	178.288	0,32	182.732	0,29
<i>Farming and Stockbreeding</i>	127.020	0,23	15.110	0,02
<i>Forestry</i>	1.542	-	27	-
<i>Fishery</i>	49.726	0,09	167.595	0,27
Manufacturing	11.874.058	21,56	27.334.702	44,49
<i>Mining and Quarrying</i>	221.231	0,40	1.034.911	1,68
<i>Production</i>	10.066.831	18,28	24.729.631	40,25
<i>Electricity, Gas and Water</i>	1.585.996	2,88	1.570.160	2,56
Construction	17.550.791	31,88	13.371.311	21,76
Services	23.463.372	42,61	20.194.698	32,87
<i>Wholesale and Retail Trade</i>	14.830.746	26,94	7.423.192	12,08
<i>Accommodation and Dining</i>	315.979	0,57	3.921.210	6,38
<i>Transportation and Telecom.</i>	1.063.530	1,93	6.946.739	11,31
<i>Financial Institutions</i>	3.777.373	6,86	172.834	0,28
<i>Real Estate and Rental Services</i>	2.869.168	5,21	1.510.509	2,46
<i>Professional Services</i>	13.891	0,03	43.748	0,07
<i>Educational Services</i>	100.317	0,18	103.009	0,17
<i>Health and Social Services</i>	492.368	0,89	73.457	0,12
Other	1.990.613	3,62	363.286	0,59
<b>Total</b>	<b>55.057.122</b>	<b>100,00</b>	<b>61.446.729</b>	<b>100,00</b>
<b>Prior Period</b>				
	<b>TRY</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>
Agriculture	99.163	0,24	235.498	0,46
<i>Farming and Stockbreeding</i>	73.632	0,18	12.440	0,02
<i>Forestry</i>	715	-	-	-
<i>Fishery</i>	24.816	0,06	223.058	0,44
Manufacturing	8.403.481	20,80	23.770.562	46,98
<i>Mining and Quarrying</i>	164.007	0,41	505.185	1,00
<i>Production</i>	6.417.873	15,88	21.833.097	43,15
<i>Electricity, Gas and Water</i>	1.821.601	4,51	1.432.280	2,83
Construction	12.363.810	30,59	11.646.393	23,02
Services	17.803.261	44,05	14.506.963	28,67
<i>Wholesale and Retail Trade</i>	10.642.848	26,33	6.482.681	12,81
<i>Accommodation and Dining</i>	257.825	0,64	2.467.457	4,88
<i>Transportation and Telecom.</i>	605.619	1,50	4.399.013	8,69
<i>Financial Institutions</i>	3.540.351	8,76	50.906	0,10
<i>Real Estate and Rental Services</i>	2.269.193	5,61	948.855	1,88
<i>Professional Services</i>	14.340	0,04	745	0,00
<i>Educational Services</i>	100.488	0,25	82.850	0,16
<i>Health and Social Services</i>	372.597	0,92	74.456	0,15
Other	1.748.351	4,32	440.348	0,87
<b>Total</b>	<b>40.418.066</b>	<b>100,00</b>	<b>50.599.764</b>	<b>100,00</b>



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**III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)**

- (1) Information on off-balance sheet liabilities (continued):
- b) Amount and nature of probable losses and commitments from the off-balance sheet items (continued):
- b.5. Non-cash loans classified under I. and II. Group

	Group I		Group II	
	TRY	FC	TRY	FC
<b>Non-Cash Loans</b>	<b>53.219.317</b>	<b>59.628.068</b>	<b>1.837.805</b>	<b>1.818.661</b>
Letters of Guarantee	48.226.574	50.673.678	1.825.219	1.810.940
Bills of Exchange and Bank Acceptances	185.902	6.301.972	-	7.721
Letters of Credit	42.663	2.554.133	12.586	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	4.764.178	98.285	-	-

- c) Information on derivative financial instruments:

	Derivative transactions according to purposes	
	Derivative Financial Instruments held	
	Trading Derivatives	for Risk Management
	Current Period	Current Period
Types of trading transactions		
<b>Foreign Currency related Derivative Transactions (I):</b>	<b>45.640.124</b>	<b>-</b>
Currency Forwards-Purchases/Sales	2.793.387	-
Currency Swaps-Purchases/Sales	38.972.691	-
Currency Futures-Purchases/Sales	-	-
Currency Options-Purchases/Sales	3.874.046	-
<b>Interest Rate related Derivative Transactions (II)</b>	<b>25.566.030</b>	<b>-</b>
Interest Rate Contracts	-	-
Interest Rate Swaps-Purchases/Sales	25.566.030	-
Interest Rate Options-Purchases/Sales	-	-
Interest Rate Futures-Purchases/Sales	-	-
<b>Other Trading Derivatives (III) <sup>(1)</sup></b>	<b>5.809.526</b>	<b>-</b>
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>77.015.680</b>	<b>-</b>
<b>Derivative Financial Instruments held for Risk Management</b>	<b>-</b>	<b>-</b>
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
FC investment in associates risk hedge	-	-
<b>B. Total Derivative Financial Instruments held for Risk Management</b>	<b>-</b>	<b>-</b>
<b>Total Derivative Transactions (A+B)</b>	<b>77.015.680</b>	<b>-</b>

<sup>(1)</sup> Other trading derivative transactions include forward precious metal purchase transactions amounting to TRY 42.111, forward precious metal sale transactions amounting to TRY 2.787.355, and swap precious metal purchase transactions amounting to TRY 3.480.060.

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**III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)**

(1) Information on off-balance sheet liabilities (continued):

c) Information on derivative financial instruments (continued):

	Derivative transactions according to purposes	
	Trading Derivatives	Derivative Financial Instruments held for Risk Management
	Prior Period	Prior Period
Types of trading transactions		
<b>Foreign Currency related Derivative Transactions (I):</b>	<b>42.465.369</b>	-
Currency Forwards-Purchases/Sales	5.333.506	-
Currency Swaps-Purchases/Sales	33.611.349	-
Currency Futures-Purchases/Sales	-	-
Currency Options-Purchases/Sales	3.520.514	-
<b>Interest Rate related Derivative Transactions (II)</b>	<b>27.707.502</b>	-
Interest Rate Contracts	-	-
Interest Rate Swaps-Purchases/Sales	27.707.502	-
Interest Rate Options-Purchases/Sales	-	-
Interest Rate Futures-Purchases/Sales	-	-
<b>Other Trading Derivatives (III)<sup>(1)</sup></b>	<b>3.236.795</b>	-
<b>A. Total Trading Derivatives (I+II+III)</b>	<b>73.409.666</b>	-
<b>Derivative Financial Instruments held for Risk Management</b>	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
FC investment in associates risk hedge	-	-
<b>B. Total Derivative Financial Instruments held for Risk Management</b>	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>73.409.666</b>	-

<sup>(1)</sup> Other trading derivative transactions include forward precious metal purchase transactions amounting to TL 954.621, forward precious metal sale transactions amounting to TL 132.599, and swap precious metal purchase transactions amounting to TL 2.149.575.

d) Information on contingent liabilities and assets:

Group's commitments for the cheques given to customers are TRY 4.472.298 (31 December 2019: TRY 3.219.679).

e) Services provided on behalf of others:

None.

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT**  
**OF PROFIT OR LOSS**

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
<b>Interest on loans<sup>(1)</sup></b>				
Short term loans	5.700.913	418.410	9.478.759	658.879
Medium and long term loans	26.132.241	5.647.948	20.851.434	5.322.112
Interest on non-performing loans	399.263	265	909.582	717
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>32.232.417</b>	<b>6.066.623</b>	<b>31.239.775</b>	<b>5.981.708</b>

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

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
CBRT	238.787	-	229.026	36.754
Domestic banks	25.314	1.392	26.307	4.034
Overseas banks	9.876	3.308	21.059	26.929
Head office and branches	-	-	-	-
<b>Total</b>	<b>273.977</b>	<b>4.700</b>	<b>276.392</b>	<b>67.717</b>

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets at fair value through profit or loss	29.847	13	15.265	1.292
Financial assets at fair value through other comprehensive income	4.217.753	352.892	1.361.763	160.953
Financial assets measured at amortised cost	9.463.974	1.273.145	6.810.309	847.795
<b>Total</b>	<b>13.711.574</b>	<b>1.626.050</b>	<b>8.187.337</b>	<b>1.010.040</b>

d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	637	-

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)**

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	147.989	255.976	221.700	311.751
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	147.989	83.497	206.292	78.351
<i>Overseas banks</i>	-	172.479	15.408	233.400
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	9	23.488	10	18.678
<b>Total</b>	<b>147.998</b>	<b>279.464</b>	<b>221.710</b>	<b>330.429</b>

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	9.881	18.726

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	1.646.165	834.713	1.929.024	708.748
<b>Toplam</b>	<b>1.646.165</b>	<b>834.713</b>	<b>1.929.024</b>	<b>708.748</b>

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)**

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
<b>Current Period</b>									
<b>TRY</b>									
Bank deposits	124	1.302.671	547.428	21.060	526	-	-	1.871.809	
Saving deposits	170	699.878	5.406.941	535.631	82.413	419.816	10.410	7.155.259	
Public deposits	45	1.255.214	266.960	37.481	27.792	669	-	1.588.161	
Commercial deposits	746	2.976.075	3.968.658	156.009	60.825	662.152	-	7.824.465	
Other deposits	1	317.081	1.470.403	181.899	41.783	235.361	-	2.246.528	
7 days call accounts	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>1.086</b>	<b>6.550.919</b>	<b>11.660.390</b>	<b>932.080</b>	<b>213.339</b>	<b>1.317.998</b>	<b>10.410</b>	<b>20.686.222</b>	
<b>Foreign currency</b>									
Deposits	1.500	146.586	1.184.177	53.121	42.480	107.257	-	1.535.121	
Bank deposits	13	135.177	-	285	-	402	-	135.877	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	719	9.596	1.835	399	1.013	-	13.562	
<b>Total</b>	<b>1.513</b>	<b>282.482</b>	<b>1.193.773</b>	<b>55.241</b>	<b>42.879</b>	<b>108.672</b>	<b>-</b>	<b>1.684.560</b>	
<b>Grand total</b>	<b>2.599</b>	<b>6.833.401</b>	<b>12.854.163</b>	<b>987.321</b>	<b>256.218</b>	<b>1.426.670</b>	<b>10.410</b>	<b>22.370.782</b>	

Account name	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
<b>Prior Period</b>									
<b>TRY</b>									
Bank deposits	465	1.270.555	691.658	29.048	2.538	-	-	1.994.264	
Saving deposits	143	449.004	7.452.676	1.116.182	319.321	369.889	11.916	9.719.131	
Public deposits	41	391.095	517.626	144.028	62.663	2.479	-	1.117.932	
Commercial deposits	3	1.749.694	2.850.955	353.036	256.672	374.563	-	5.584.923	
Other deposits	2	86.266	1.012.290	613.921	173.823	112.053	-	1.998.355	
7 days call accounts	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>654</b>	<b>3.946.614</b>	<b>12.525.205</b>	<b>2.256.215</b>	<b>815.017</b>	<b>858.984</b>	<b>11.916</b>	<b>20.414.605</b>	
<b>Foreign currency</b>									
Deposits	1.464	299.333	1.667.899	149.603	68.129	168.281	-	2.354.709	
Bank deposits	45	232.691	-	-	-	-	-	232.736	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	53	7.188	972	520	1.106	-	9.839	
<b>Total</b>	<b>1.509</b>	<b>532.077</b>	<b>1.675.087</b>	<b>150.575</b>	<b>68.649</b>	<b>169.387</b>	<b>-</b>	<b>2.597.284</b>	
<b>Grand total</b>	<b>2.163</b>	<b>4.478.691</b>	<b>14.200.292</b>	<b>2.406.790</b>	<b>883.666</b>	<b>1.028.371</b>	<b>11.916</b>	<b>23.011.889</b>	

(3) Information on dividend income:

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	-	485
Financial Assets at Fair Value Through other Comprehensive Income	4.489	2.371
Other	471	11.585
<b>Total</b>	<b>4.960</b>	<b>14.441</b>

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)**

(4) a) Explanations on trading profit/loss (net):

	<b>Current Period</b>	<b>Prior Period</b>
<b>Profit</b>	<b>68.931.835</b>	<b>49.224.043</b>
Profit from the capital market operations	227.118	301.506
Profit on derivative financial instruments	10.558.638	8.953.732
Foreign exchange gains	58.146.079	39.968.805
<b>Loss (-)</b>	<b>74.144.848</b>	<b>52.451.797</b>
Loss from the capital market operations	126.452	6.579
Loss on derivative financial instruments	7.827.041	10.426.874
Foreign exchange losses	66.191.355	42.018.344

b) Information on derivative financial instruments

	<b>Current period</b>	<b>Prior period</b>
<b>Profit on derivative financial instruments</b>	<b>10.558.638</b>	<b>8.953.732</b>
Effect of the change in foreign exchange on profit	9.994.380	8.640.729
Effect of the change in interest rate on profit	564.258	313.003
<b>Loss on derivative financial instruments (-)</b>	<b>7.827.041</b>	<b>10.426.874</b>
Effect of the change in foreign exchange on loss	7.286.086	10.154.504
Effect of the change in interest rate on loss	540.955	272.370
<b>Profit/loss on derivative financial instruments</b>	<b>2.731.597</b>	<b>(1.473.142)</b>

(5) Information on other operating income:

	<b>Current period</b>	<b>Prior Period</b>
Adjustments for prior period expenses	1.084.854	2.197.512
Insurance technical income	84.602	253
Income from the asset sale	316.265	115.340
Rent income	62.037	83.232
Other income	272.306	223.905
<b>Total</b>	<b>1.820.064</b>	<b>2.620.242</b>

(6) Impairment losses on loans and other receivables:

Expected Credit Losses:

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Loss	6.980.823	4.672.517
12 Month Expected Credit Loss (Stage 1)	1.124.573	334.685
Significant Increase in Credit Risk (Stage 2)	2.176.110	200.679
Non – Performing Loans (Stage 3)	3.680.140	4.137.153
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	18.161	147.354
<b>Total</b>	<b>6.998.984</b>	<b>4.819.871</b>

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)**

(7) Information on other operating expenses:

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for employee termination benefits	120.633	101.973
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	6.103	2.036
Depreciation expenses of fixed assets	427.738	372.949
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	104.179	49.080
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets to be sold	-	-
Amortization expenses of assets to be sold	19.265	11.509
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	2.548.420	2.050.428
<i>Leasing Expenses on TFRS 16 Exceptions</i>	83.928	90.104
<i>Maintenance expenses</i>	73.460	69.920
<i>Advertisement expenses</i>	269.608	207.672
<i>Other expenses</i>	2.121.424	1.682.732
Loss on sales of assets	970	225
Other	1.522.844	974.447
<b>Total</b>	<b>4.750.152</b>	<b>3.562.647</b>

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

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

The amount of profit before tax consists TRY 19.531.819 (31 December 2019: TRY 11.661.329) of net interest income and TRY 2.889.949 (31 December 2019: TRY 2.716.482) of net fees and income. The profit from continuing operations before tax is amounting to TRY 3.505.598 (31 December 2019: TRY 2.406.259).

Discontinued operations profit before tax is TRY 987.373 (31 December 2019: TRY 365.154).

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

For the period ended 31 December 2020, the Group's tax provision from continued operations amounting to TRY 752.503 (31 December 2019: TRY 306.921) consists of TRY 602.783 (31 December 2019: TRY 477.171) of current tax charge and TRY 865.404 (31 December 2019: TRY 1.221.643) of deferred tax charge and TRY 715.684 (31 December 2019: TRY 1.391.893) of deferred tax income.

For the period ended 31 December 2020, the Group's tax provision from discontinued operations is amounting to TRY 48.603 (31 December 2019: TRY 171.619) consists of TRY 48.981 (31 December 2019: TRY 176.370) of current tax charge and TRY 378 (31 December 2019: TRY 4.751) of deferred tax income.

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT**  
**OF PROFIT OR LOSS (continued)**

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

As of 31 December 2020, the Group's operating income after tax from continued operations is amounting to TRY 2.753.095 (31 December 2019: TRY 2.099.338).

As of 31 December 2020, the Group's income after tax from discontinued operations is amounting to TRY 938.770 (31 December 2019: TRY 193.535).

- (11) Information on net profit/loss:

- a) Income and expenses from ordinary banking operations:

There is no requirement to make disclosure.

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

There is no requirement to make disclosure.

- (12) Minority interest profit/losses:

	<b>Current Period</b>	<b>Prior Period</b>
Minority interest profit/losses	7.223	25.265

- (13) Other items in the Income Statement:

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



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**V. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT**  
**OF CHANGES IN SHAREHOLDERS' EQUITY**

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was previously recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

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

**VI. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED CASH FLOW STATEMENT**

- (1) Disclosures for the “other” and “the effect of foreign exchange differences on cash and cash equivalents” items of cash flow statement:

The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 54.502.381 (31 December 2019: TRY 19.142.631 increase) increase for the year 2020. The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 8.858.828 cash outflow for the year 2020 (31 December 2019: TRY 12.658.004 cash outflow).

For the year ended 31 December 2020, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 1.597.022 decrease (31 December 2019: TRY 2.353.847 increase). The average exchange rates of last five weekdays were taken into consideration as of the balance sheet date when calculating the effect of change in the exchange rates.

- (2) Items used in determination of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.
- (3) The effect of any change in accounting policies:  
None.
- (4) Cash and cash equivalents balance at the beginning of the period:

	<b>Current period</b>	<b>Prior period</b>
Cash	35.313.987	35.579.724
<i>Cash in TRY and foreign currency</i>	3.861.322	4.591.894
<i>Central Bank and others<sup>(1)</sup></i>	31.452.665	30.987.830
Cash equivalents	4.221.663	5.195.753
<i>Demand and Time Deposits Up to 3 Months</i>	4.134.525	5.130.435
<i>Money Market Placements</i>	87.138	65.318
<b>Total cash and cash equivalents</b>	<b>39.535.650</b>	<b>40.775.477</b>
Reserve deposits in Central Bank of Turkey	(14.726.441)	(16.685.658)
Banks Blocked Amount	(490.951)	(387.741)
Accruals on reserve deposits in Central Bank of Turkey	(19.629)	(223.863)
Accruals on Money Markets Placements	-	-
Accruals on banks	(939)	(29.630)
<b>Total Cash and Cash Equivalents</b>	<b>24.297.690</b>	<b>23.448.585</b>

<sup>(1)</sup> Other items include cheques received and required reserves that are held at The Central Bank of Macedonia and the Central Bank of Serbia.

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**VI. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED CASH**  
**FLOW STATEMENT (continued)**

(5) Cash and cash equivalents balance at the end of the period:

	<b>Current Period</b>	<b>Prior Period</b>
Cash	64.984.442	35.313.987
<i>Cash in TRY and foreign currency</i>	5.062.920	3.861.322
<i>Central Bank and others<sup>(1)</sup></i>	59.921.522	31.452.665
Cash Equivalents	2.903.040	4.221.663
<i>Demand and Time Deposits Up to 3 Months</i>	2.650.043	4.134.525
<i>Money Market Placements</i>	252.997	87.138
<b>Cash and Banks</b>	<b>67.887.482</b>	<b>39.535.650</b>
Reserve deposits in Central Bank of Turkey	(25.055.387)	(14.726.441)
Banks Blocked Amount <sup>(1)</sup>	-	(490.951)
Accruals on reserve deposits in Central Bank of Turkey	(118.855)	(19.629)
Accruals on Money Markets Placements	-	-
Accruals on banks	(1.612)	(939)
<b>Total Cash and Cash Equivalents</b>	<b>42.711.628</b>	<b>24.297.690</b>

<sup>(1)</sup> Other items include cheques received and required reserves that are held at The Central Bank of Macedonia and the Central Bank of Serbia.

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

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

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

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

**Current period:**

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

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Beginning balance	50.673	42.260	-	-	-	-
Closing Balance	-	50.673	-	-	-	-
Interest expense on deposits	-	7.471	-	-	-	-

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

- (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".

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

**VII. 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 30.256 as of 31 December 2020 (31 December 2019: TRY 30.459).

**VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES**

(1) Explanations on the Parent Bank's domestic branches, agencies/branches abroad and off-shore branches

Current Period	Quantity	Number of Employees	Countries		
Domestic Branches	1007	20.098			
Abroad Agencies	3	4	IRAN ENGLAND SINGAPORE		
Overseas Branches	5	66	T.R.N.C	<b>Total Assets</b>	<b>Legal Capital</b>
Off-shore Branches	1	3	BAHRAIN	1.760.646	-
				23.411.017	-
Period Period	Quantity	Number of Employees	Countries		
Domestic Branches	1000	18.895			
Abroad Agencies	3	4	IRAN ENGLAND SINGAPORE		
Overseas Branches	5	65	T.R.N.C	<b>Total Assets</b>	<b>Legal Capital</b>
Off-shore Branches	1	3	BAHRAIN	1.338.340	-
				20.235.920	-

(2) Explanations on branch and agency openings or closings or other significant operational changes of the Parent Bank:

The Parent Bank opened 8 domestic branches during the year 2020.

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

None.

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
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**SECTION VI: OTHER EXPLANATIONS**

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

On October 15, 2019, U.S. Department of Justice, United States Attorney Southern District of New York indicted the Parent Bank by repeating the allegations set forth in the case filed against the former executive of the Parent Bank due to Iranian sanction violations.

First, the Parent Bank applied to the District Court on 4 November 2019, and requested a special appearance to discuss the issues of personal jurisdiction and recusal. On 5 December 2019, the District Court denied the request of special appearance. The Parent Bank objected to the District Court's decision and appealed the decision at the Court of Appeals Second Circuit on 17 December 2019. On 21 February 2020, the Second Circuit denied the Parent Bank's objection.

In the meeting held by the Parent Bank's Board of Directors on 27 March 2020, it was decided to attend the District Court hearing on 31 March 2020, to accept the arraignment and to appoint Williams & Connolly law firm with a proxy to represent the Parent Bank

At the hearing on 31 March 2020, the District Court decided to postpone the hearing initially to 9 June 2020 and subsequently to 30 June 2020 due to the global scale COVID-19 outbreak.

At the hearing held in the District Court on 30 June 2020; the schedule regarding the motion to recuse, discovery motions, and filings of other motions were identified. It was decided that the jury hearing would begin on 1 March 2021 for which the schedule was revised on 26 October 2020. Accordingly, the jury hearings are scheduled to be held on 3 May 2021. In this regard, the Bank filed its recusal motion on 14 July 2020 and its other motions to dismiss the indictment on 10 August 2020 at the District Court.

Bank's recusal motion was denied by the District Court on 24 August 2020 and by the Court of Appeals Second Circuit on 23 December 2020.

District Court denied the Parent Bank's motion to dismiss the indictment on 1 October 2020. The Parent Bank appealed the Court of Appeals Second Circuit for the motion to dismiss the indictment with regard to Foreign Sovereign Immunity Act (exemption from the jurisdiction of the US courts). On 23 December 2020, the Court of Appeals Second Circuit granted the Parent Bank's motion to stay the case pending sovereign immunity appeal. Accordingly, the jury hearings are expected to be rescheduled instead of starting on 3 May 2021.

In addition, a civil case was filed against the Parent Bank on 27 March 2020 with a claim for damages by plaintiffs in the District Court "on the grounds that they (the plaintiffs) could not collect their judgments from Iran due to violations of sanctions" and it was served to the Parent Bank's attorneys on 1 July 2020. The Bank filed a motion at the District Court to dismiss the complaint of plaintiffs on 25 September 2020. The motion process within this scope was completed on 16 December 2020. The civil case is pending at the District Court..

The proceedings of both the criminal case and civil case are closely monitored by the Parent Bank through law firms representing the bank.

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

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: AUDITORS' REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT**

The Parent Bank's publicly available consolidated audited financial statements and footnotes as of 31 December 2020 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 15 February 2021 is presented in front of the financial statements.

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

None.