

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

Türkiye Halk Bankası Anonim Şirketi

**Unconsolidated Financial Statements
As of 31 December 2020
With Auditor' Report Report Thereon**
*(Convenience Translation of Unconsolidated
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; "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising of 140 pages.

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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Financial Statements

1) Qualified Opinion

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

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

2) Basis for Qualified Opinion

The Bank reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost as at 31 December 2020 amounted to TRY 18.215.607 thousand. If such classification were not made, total assets and shareholders’ equity, excluding tax effect, 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 Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Independent Auditors (“Code of Ethics”) published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Emphasis of Matter

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

On 15 October 2019, the New York Southern District Attorney General of the United States (“US”) Department of Justice prepared an indictment and filed a lawsuit against the 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 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 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 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 Bank's Management state that there is no penalty, compensation, sanction or other measure arising from the ongoing criminal and civil lawsuits against the Bank. There is an uncertainty with respect to any decisions by the US authorities that may adversely affect the financial position of the Bank. No provision has been made in the accompanying unconsolidated financial statements related to these matters. Our opinion is not modified in respect of these matters.

4) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p data-bbox="199 546 804 611"><i>Impairment of loans in accordance with TFRS 9 “Financial Instruments Standard”</i></p> <p data-bbox="199 651 804 882">Impairment of loans is a key area of judgement for the management. The Bank has the total loans amounting to TRY 449.745.215 thousand, which comprise 66% of the Bank’s total assets in its unconsolidated financial statements and the total provision for expected credit loss amounting to TRY 16.632.208 as at 31 December 2020.</p> <p data-bbox="199 922 804 1352">As of 1 January 2018, the Bank recognizes provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. Applied accounting policies are explained in detail in the Section 3 Note VIII. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.</p> <p data-bbox="199 1393 804 1688">The Bank exercises significant decisions using judgement, interpretation and assumptions over calculating loan impairments. These judgements, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans. 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 1729 804 1991">There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of the TFRS 9. Failure in determining the loans that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter.</p>	<p data-bbox="831 586 1358 651">As part of our audit work, the following procedures were performed:</p> <p data-bbox="831 692 1358 922">We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Bank with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.</p> <p data-bbox="831 963 1358 1088">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 1128 1358 1391">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 1431 1358 1928">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>Related explanations relating to the impairment of loans are presented in Section 5 Note I.5.</p>	<p>We have tested historical loss data to validate the completeness and accuracy of key parameters.</p> <p>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>Based on our discussions with the Bank 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 financial statements of the Bank with respect to loans and related impairment provisions.</p>
<p>Key Audit Matter</p>	<p>How the matter was addressed in the audit</p>
<p><i>Valuation of Pension Fund Obligations</i></p> <p>Defined benefit pension plan that the Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı and T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı (“Plan”) which were established by the 20th provisional article of the Social Security Law numbered 506 (the “Law”).</p> <p>As disclosed in the Section III Note XVII to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation (“SSF”) as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds’ members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation deed.</p> <p>As of 31 December 2020, the Bank’s transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the</p>	<p>Our audit work included the following procedures:</p> <p>We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates.</p> <p>It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.</p> <p>In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank’s actuary.</p> <p>We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable. In addition, we have reviewed the sufficiency of disclosures prepared with this regard.</p>

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.

As described in Section Five Note II.9.f considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this as a key audit matter.

5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor’s report is 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 financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified and reflected in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the Bank’s financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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

Müjde Aslan
Partner

Istanbul, 15 February 2021

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

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

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

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

The unconsolidated financial statements for the 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 the Audit Committee</i>	<i>Financial Management and Planning Vice Chief Executive Officer</i>	<i>Financial Accounting Department Head</i>

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

Name/Title : Arman Acar / Manager
Tel : 0216 503 57 19
Fax No : 0212 340 09 90

SECTION ONE

General Information About the Bank

	Page No
I. Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including The Changes of These Articles	3
II. Capital Structure of the Bank, Shareholders That Retain Direct or Indirect Control and Management of the Bank, Solely or Together, Changes About These Issues During the Year and Disclosures About The Group	3
III. Explanations Regarding the Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents and Their Shares Attributable to the Bank, if any	4
IV. Information About the Persons and Institutions that Have Qualified Shares Attributable to the Bank	4
V. Explanations on the Bank's Functions and Lines of Activity	5
VI. Differences Between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which are Deducted From Equity or Not Included in These Three Methods	6
VII. The Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholder's Equity Between the Bank and Its Subsidiaries or the Reimbursement of Liabilities	7

SECTION TWO

Unconsolidated Financial Statements

I. Balance Sheet (Statement of Financial Position)	9
II. Statement of Off-Balance Sheet Items	11
III. Statement of Profit or Loss	12
IV. Statement of Profit or Loss and Other Comprehensive Income	13
V. Statement of Changes in Shareholders' Equity	14
VI. Statement of Cash Flows	15
VII. Statement of Profit Distribution	16

SECTION THREE

Explanations on Accounting Policies

I. Explanations on Basis of Presentation	17
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	20
III. Explanations on Associates, Subsidiaries and Joint Ventures	20
IV. Explanations on Forward and Option Contracts and Derivative Products	20
V. Explanations on Interest Income and Expenses	21
VI. Explanations on Fee and Commission Income and Expenses	21
VII. Explanations on Financial Assets	21
VIII. Explanations on Impairment of Financial Assets	26
IX. Explanations on Offsetting Financial Instruments	29
X. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	29
XI. Explanations on Assets Held For Sale, Assets of Discontinued Operations and Related Liabilities	29
XII. Explanations on Goodwill and Other Intangible Assets	29
XIII. Explanations on Property, Plant and Equipment	30
XIV. Explanations on Investment Properties	30
XV. Explanations on Leasing Transactions	31
XVI. Explanations on Provisions and Contingent Liabilities	32
XVII. Explanations on Employee Benefit Liabilities	33
XVIII. Explanations on Taxation	34
XIX. Additional Explanations on Borrowings	35
XX. Explanations on Shares Issued	35
XXI. Explanations on Bill Guarantees and Acceptances	35
XXII. Explanations on Government Incentives	35
XXIII. Explanations on Segment Reporting	35
XXIV. Explanations on Other Matters	35

SECTION FOUR

Information Related to Financial Position and Risk Management of the Bank

I.	Explanations on Capital	36
II.	Explanations on Credit Risk	44
III.	Explanations on Currency Risk	56
IV.	Explanations on Interest Rate Risk	58
V.	Explanations on Position Risk of Shares	62
VI.	Explanations on Liquidity Risk Management and Liquidity Coverage Ratio	63
VII.	Explanations on Leverage Ratio	70
VIII.	Explanations on Business Segmentation	70
IX.	Explanations on Presentation of Financial Assets and Liabilities at Fair Value	74
X.	Explanations on Transactions Made on Behalf of Others and Transactions Based on Trust	77
XI.	Explanations on Risk Management and Risk Weighted Amounts	78
XII.	Explanations on Remuneration Policies	92

SECTION FIVE

Explanations and Notes Related to the Unconsolidated Financial Statements

I.	Explanation and Notes Related to the Assets	94
II.	Explanation and Notes Related to the Liabilities	115
III.	Explanation and Notes Related to the Off-Balance Sheet Items	125
IV.	Explanation and Notes Related to the Income Statement	128
V.	Explanation and Notes Related to the Statement of Changes in Shareholders' Equity	133
VI.	Explanation and Notes Related to the Cash Flow Statements	134
VII.	Explanations Related to the Risk Group of the Bank	135
VIII.	Explanation and Notes Related to the Banks' domestic, foreign, coastal banking regions or subsidiaries and foreign representations	137
IX.	Explanations Related to the Subsequent Events	138

SECTION SIX

Other Explanations

I.	Other Explanations on the Banks' Activity	139
----	---	-----

SECTION SEVEN

Auditor's Report

I.	Explanations on Independent Auditor's Report	140
II.	Explanations and Notes Prepared by the Independent Auditors	140

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

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

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

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

⁽²⁾ TRY 80 of the shares included in the “Other Shareholders” group belong to shareholders whose shares do not trade on the exchange.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

Name	Title
Recep Süleyman ÖZDİL	Chairman of the Board of Directors, Chairman of the Audit Committee
Himmet KARADAĞ	Vice Chairman of the Board of Directors, Independent Member of the Board 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 Bank's capital.

- a) The Bank's top management members 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 (P.P.)	Celal CANDAN	25 September 2020

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

V. EXPLANATIONS ON THE BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General information about the Bank:

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

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

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

As per the Higher Council of Privatization decision numbered 2006/69 dated 11 August 2006, the public shares were transferred to the Privatization Administration and 99,9% of the Bank shares were decided to be sold before 25 May 2008 using the block sale method. 13th Department of Council of State with its decision numbered 2006/4258 dated 29 November 2006 to cease the execution of the High Council of Privatization's decision numbered 2006/69 dated 11 August 2006. Thereupon, as per the decision of the Higher Council of Privatization numbered 2007/8 dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24,98% was completed in the first week of May 2007 and Halkbank shares were started to trade on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decision of the Higher Council of Privatization numbered 2012/150 dated 4 October 2012; 23,92% of the public shares held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

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

As of 31 December 2020, the 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 Bank has also 3 representative offices in England, Singapore and Iran.

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

Immediate transfer of the equity between the Bank and its subsidiaries is not in question. Dividend distribution from equity is made according to the related regulations.

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

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

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Note	Audited Current Period			Audited Prior Period		
		31 December 2020			31 December 2019		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. DEPOSITS	(1)	262.090.112	195.196.183	457.286.295	166.473.587	131.260.589	297.734.176
II. FUNDS BORROWED	(3)	380.664	10.006.335	10.386.999	530.197	10.486.644	11.016.841
III. MONEY MARKETS		102.841.789	1.114.631	103.956.420	50.249.750	2.951.294	53.201.044
IV. SECURITIES ISSUED (Net)	(4)	5.641.402	7.553.277	13.194.679	7.078.757	10.512.530	17.591.287
4.1 Bills		3.551.547	-	3.551.547	4.682.528	-	4.682.528
4.2 Assets Backed Securities		1.011.622	-	1.011.622	1.011.493	-	1.011.493
4.3 Bonds		1.078.233	7.553.277	8.631.510	1.384.736	10.512.530	11.897.266
V. FUNDS	(5)	3.617.303	-	3.617.303	3.209.004	-	3.209.004
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		3.617.303	-	3.617.303	3.209.004	-	3.209.004
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(2)(8)	20.113	513.928	534.041	334	353.384	353.718
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		20.113	513.928	534.041	334	353.384	353.718
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(7)	760.766	22.120	782.886	525.530	54.395	579.925
X. PROVISIONS	(9)	2.084.453	-	2.084.453	1.663.354	-	1.663.354
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.469.151	-	1.469.151	1.105.771	-	1.105.771
10.3 Insurance for Technical Provision (Net)		-	-	-	-	-	-
10.4 Other Provisions		615.302	-	615.302	557.583	-	557.583
XI. CURRENT TAX LIABILITY	(10)	741.197	59	741.256	1.298.409	77	1.298.486
XII. DEFERRED TAX LIABILITIES	(10)	331.752	-	331.752	309.861	-	309.861
XIII. NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	6.036.525	8.824.063	14.860.588	6.037.858	6.146.988	12.184.846
14.1 Loans		-	8.824.063	8.824.063	-	6.146.988	6.146.988
14.2 Other Debt Instruments		6.036.525	-	6.036.525	6.037.858	-	6.037.858
XV. OTHER LIABILITIES	(6)	27.856.164	1.462.755	29.318.919	24.623.421	1.082.612	25.706.033
XVI. SHAREHOLDERS' EQUITY	(13)	42.299.664	630.840	42.930.504	31.744.821	452.005	32.196.826
16.1 Paid-in Capital		2.473.776	-	2.473.776	1.250.000	-	1.250.000
16.2 Capital Reserves		6.745.068	164.993	6.910.061	1.088.227	60.293	1.148.520
16.2.1 Share Premium		5.776.224	-	5.776.224	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		968.844	164.993	1.133.837	1.088.227	60.293	1.148.520
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		5.136.475	696.265	5.832.740	3.641.906	512.845	4.154.751
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(77.633)	(230.418)	(308.051)	342.755	(121.133)	221.622
16.5 Profit Reserves		25.421.933	-	25.421.933	23.701.624	-	23.701.624
16.5.1 Legal Reserves		2.418.760	-	2.418.760	2.252.739	-	2.252.739
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		22.955.992	-	22.955.992	21.401.704	-	21.401.704
16.5.4 Other Profit Reserves		47.181	-	47.181	47.181	-	47.181
16.6 Income or (Loss)		2.600.045	-	2.600.045	1.720.309	-	1.720.309
16.6.1 Prior Periods' Income or (Loss)		-	-	-	-	-	-
16.6.2 Current Period Income or (Loss)		2.600.045	-	2.600.045	1.720.309	-	1.720.309
16.7 Minority Shares		-	-	-	-	-	-
TOTAL LIABILITIES		454.701.904	225.324.191	680.026.095	293.744.883	163.300.518	457.045.401

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

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

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

II. STATEMENT OF OFF BALANCE SHEET ITEMS

OFF-BALANCE SHEET	Note	Audited			Audited		
		Current Period			Prior Period		
		TRY	FC	TOTAL	TRY	FC	TOTAL
		31 December 2020			31 December 2019		
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		115.469.508	122.345.534	237.815.042	84.003.573	109.842.637	193.846.210
I. GUARANTEES AND WARRANTIES	(1)	55.280.784	59.274.553	114.555.337	40.671.074	49.246.594	89.917.668
1.1 Letters of guarantee		50.275.455	50.551.647	100.827.102	38.023.134	38.396.087	76.419.221
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	10.982.989	11.134.879	193.126	8.683.376	8.876.502
1.1.3 Other letters of guarantee		47.254.608	33.535.851	80.790.459	35.754.795	23.974.508	59.729.303
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	-
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	2.352.972	2.408.221	16.891	3.806.338	3.823.229
1.3.1 Documentary letters of credit		55.249	2.352.972	2.408.221	16.891	3.806.338	3.823.229
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed refinancing		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		4.764.178	60.241	4.824.419	2.622.789	90.431	2.713.220
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		42.401.518	4.054.304	46.455.822	28.057.633	2.567.647	30.625.280
2.1 Inevocable commitments	(1)	41.793.629	2.136.956	43.930.585	27.742.136	1.761.667	29.503.803
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	681.263	4.594.177	2.564.640	496.575	3.061.215
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for Cheques		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	-	27.941.932	16.709.743	-	16.709.743
2.1.10 Commitments for credit cards and banking services promotions		22.752	-	22.752	24.943	-	24.943
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other inevocable commitments		4.948.441	-	4.948.441	4.172.444	-	4.172.444
2.2 Revocable commitments		607.889	1.917.348	2.525.237	315.497	805.980	1.121.477
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		607.889	1.917.348	2.525.237	315.497	805.980	1.121.477
III. DERIVATIVE FINANCIAL INSTRUMENTS		17.787.206	59.016.677	76.803.883	15.274.866	58.028.396	73.303.262
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	59.016.677	76.803.883	15.274.866	58.028.396	73.303.262
3.2.1 Forward foreign currency buy/sell transactions		203.727	2.589.660	2.793.387	1.508.922	3.822.829	5.331.751
3.2.1.1 Forward foreign currency transactions-buy		114.039	2.395.844	2.509.883	779.407	1.489.169	2.268.576
3.2.1.2 Forward foreign currency transactions-sell		89.688	193.816	283.504	729.515	2.333.660	3.063.175
3.2.2 Currency and interest rate swaps		17.149.875	47.177.049	64.326.924	12.849.494	48.364.708	61.214.202
3.2.2.1 Currency swap-buy		-	18.445.551	18.445.551	432.526	15.601.222	16.033.748
3.2.2.2 Currency swap-sell		15.739.875	4.575.468	20.315.343	11.996.968	5.475.984	17.472.952
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. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		1.491.710.972	495.489.123	1.987.200.095	1.206.385.046	359.967.108	1.566.352.154
IV. CUSTODIES		626.949.054	61.067.078	688.016.132	567.016.912	50.583.195	617.600.107
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		123.005.587	2.619.679	125.625.266	203.825.309	1.420.996	205.246.305
4.3 Cheques in collection process		20.519.482	44.502.496	65.021.978	15.390.122	31.703.135	47.093.257
4.4 Commercial notes in collection process		427.042.837	9.150.085	436.192.922	289.691.963	7.013.429	296.705.392
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		2.318.514	1.143.741	3.462.255	4.005.722	810.205	4.815.927
4.8 Custodians		54.062.634	3.651.077	57.713.711	54.103.796	9.635.430	63.739.226
V. PLEDGED ASSETS		864.761.918	434.422.045	1.299.183.963	639.368.134	309.383.913	948.752.047
5.1 Marketable securities		6.448.999	1.582.195	8.031.194	5.413.902	1.067.288	6.481.190
5.2 Collateral notes		7.863.081	1.575.367	9.438.448	7.199.337	1.207.048	8.406.385
5.3 Commodity		25.813	-	25.813	25.813	-	25.813
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		650.415.346	333.631.298	984.046.644	500.960.484	251.445.308	752.405.792
5.6 Other pledged assets		169.327.906	56.874.518	226.202.424	120.638.529	42.752.213	163.390.742
5.7 Pledges		30.680.773	40.758.667	71.439.440	5.130.069	12.912.056	18.042.125
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1.607.180.480	617.834.657	2.225.015.137	1.290.388.619	469.809.745	1.760.198.364

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

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

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

III. STATEMENT OF PROFIT OR LOSS

			Audited Current Period	Audited Prior Period
			1 January- 31 December 2020	1 January- 31 December 2019
INCOME AND EXPENSES		Note		
I.	INTEREST INCOME	(1)	53.738.351	46.730.182
1.1	Interest on Loans		38.123.042	37.070.330
1.2	Interest on Reserve Requirements		1.073	95.508
1.3	Interest on Banks		272.044	341.253
1.4	Interest on Money Market Transactions		-	-
1.5	Interest on Marketable Securities Portfolio		15.269.392	9.160.898
1.5.1	Fair Value Through Profit or Loss		2.870	10.163
1.5.2	Fair Value Through Other Comprehensive Income		4.532.819	1.497.658
1.5.3	Measured at Amortized Cost		10.733.703	7.653.077
1.6	Financial Lease Interest Income		-	-
1.7	Other Interest Income		72.800	62.193
II.	INTEREST EXPENSE (-)	(2)	34.985.167	36.118.146
2.1	Interest on Deposits		22.435.747	23.537.115
2.2	Interest on Funds Borrowed		250.746	301.477
2.3	Interest Expense on Money Market Transactions		8.715.752	9.343.201
2.4	Interest on Securities Issued		2.467.474	2.582.362
2.5	Interest on Leases		74.760	94.269
2.6	Other Interest Expenses		1.040.688	259.722
III.	NET INTEREST INCOME (I - II)		18.753.184	10.612.036
IV.	NET FEES AND COMMISSIONS INCOME		2.614.865	2.778.218
4.1	Fees and Commissions Received		3.577.368	3.879.937
4.1.1	Non – cash Loans		944.331	925.901
4.1.2	Other	(12)	2.633.037	2.954.036
4.2	Fees and Commissions Paid (-)		962.503	1.101.719
4.2.1	Non – cash Loans		269	151
4.2.2	Other	(12)	962.234	1.101.568
V.	DIVIDEND INCOME	(3)	511.111	421.825
VI.	TRADING INCOME / LOSS (Net)	(4)	(5.281.418)	(3.267.096)
6.1	Trading Gains / (Losses) on Securities		55.922	293.392
6.2	Gains / (Losses) on Derivate Financial Transactions		2.725.944	(1.499.435)
6.3	Foreign Exchange Gains / (Losses)		(8.063.284)	(2.061.053)
VII.	OTHER OPERATING INCOME	(5)	1.441.217	2.407.440
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		18.038.959	12.952.423
IX.	EXPECTED LOSS PROVISIONS (-)	(6)	6.830.591	4.551.745
X.	OTHER PROVISION EXPENSES (-)	(6)	17.408	146.153
XI.	PERSONNEL EXPENSE (-)		3.578.795	2.854.246
XII.	OTHER OPERATING EXPENSES (-)	(7)	4.382.265	3.432.022
XIII.	NET OPERATING INCOME /LOSS (IX-X-XI)		3.229.900	1.968.257
XIV.	INCOME AFTER MERGER			
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION			
XVII.	PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(8)	3.229.900	1.968.257
XVIII.	TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(9)	(629.855)	(247.948)
18.1	Current Tax Provision		491.513	435.511
18.2	Deferred Tax Income Effect (+)		848.133	1.200.560
18.3	Deferred Tax Expense Effect (-)		709.791	1.388.123
XIX.	CURRENT PERIOD PROFIT /LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(10)	2.600.045	1.720.309
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from Non-Current Assets Held for Sale		-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3	Income from Other Discontinued Operations		-	-
XXI.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses for Non-current Assets Held for Sale		-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3	Expenses for Other Discontinued Operations		-	-
XXII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (IXX-XX)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Expense Effect (+)		-	-
23.3	Deferred Tax Income Effect (-)		-	-
XXIV.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)		-	-
XXV.	NET PROFIT/(LOSS) (XVIII+XXIII)	(11)	2.600.045	1.720.309
25.1	Profit / (Loss) of Group		2.600.045	1.720.309
25.2	Profit / (Loss) of Minority Shares (-)		-	-
	Profit / (Loss) Per Share (full TRY)		1.3006874	1.3762472

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER
2020

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited	Audited
		Current Period	Prior Period
		1 January - 31 December	1 January - 31 December
STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		2020	2019
I.	CURRENT PERIOD INCOME/LOSS	2.600.045	1.720.309
II.	OTHER COMPREHENSIVE INCOME	1.148.316	1.537.936
2.1	Not Reclassified Through Profit or Loss	1.677.989	1.124.541
2.1.1	Property and Equipment Revaluation Increase/Decrease	234.056	44.359
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(99.034)	(86.753)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	1.546.566	1.154.020
2.1.5	Tax on Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(3.599)	12.915
2.2	Reclassified Through Profit or Loss	(529.673)	413.395
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	(653.499)	475.357
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Loss	-	-
2.2.6	Tax on Other Comprehensive Income Items Reclassified Through Profit or Loss	120.050	(57.570)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	3.748.361	3.258.245

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2020
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss					Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss					Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Expect Minority Shares	Minority Shares	Total Equity	
	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other(Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Reclassified Through Profit or (Loss)							
Audited (1 January- 31 December 2019)																	
I. Prior Period End Balance	1.250.000	-	-	1.230.674	1.324.802	9.543	1.695.865	(1.454)	(190.319)	-	20.475.295	704.534	2.521.795	29.020.735	-	29.020.735	
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I-II)	1.250.000	-	-	1.230.674	1.324.802	9.543	1.695.865	(1.454)	(190.319)	-	20.475.295	704.534	2.521.795	29.020.735	-	29.020.735	
IV. Total Comprehensive Income	-	-	-	-	39.923	(69.402)	1.154.020	(4.392)	417.787	-	-	-	1.720.309	3.258.245	-	3.258.245	
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase / Decrease by Other Changes	-	-	-	(82.154)	-	-	-	-	-	-	-	-	2.521.795	(82.154)	-	(82.154)	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	3.226.329	(3.226.329)	-	-	-	-	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3.226.329	(3.226.329)	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period End Balance (III+IV+.....+X+XI)	1.250.000	-	-	1.148.520	1.364.725	(59.859)	2.849.885	(5.846)	227.468	-	23.701.624	-	1.720.309	32.196.826	-	32.196.826	
Audited (1 January - 31 December 2020)																	
I. Prior Period End Balance	1.250.000	-	-	1.148.520	1.364.725	(59.859)	2.849.885	(5.846)	227.468	-	23.701.624	-	1.720.309	32.196.826	-	32.196.826	
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I-II)	1.250.000	-	-	1.148.520	1.364.725	(59.859)	2.849.885	(5.846)	227.468	-	23.701.624	-	1.720.309	32.196.826	-	32.196.826	
IV. Total Comprehensive Income	-	-	-	-	210.650	(79.227)	1.546.566	3.776	(533.449)	-	-	-	2.600.045	3.748.361	-	3.748.361	
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	-	-	-	(14.683)	-	-	-	-	-	-	-	1.720.309	(1.720.309)	(14.683)	-	(14.683)	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	1.720.309	(1.720.309)	-	-	-	-	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	1.720.309	(1.720.309)	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period End Balance (III+IV+.....+X+XI)	2.473.776	5.776.224	-	1.133.837	1.575.375	(139.086)	4.396.451	(2.070)	(305.981)	-	25.421.933	-	2.600.045	42.930.504	-	42.930.504	

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

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

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

VI. STATEMENT OF CASH FLOWS

	Note	Audited	Audited
		Current Period	Prior Period
		1 January- 31 December 2020	1 January- 31 December 2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		2.490.712	(2.145.713)
1.1.1 Interest received		44.671.033	41.515.749
1.1.2 Interest paid		(34.527.954)	(36.317.492)
1.1.3 Dividend received		511.111	421.825
1.1.4 Fees and commissions received		4.205.664	3.860.772
1.1.5 Other income		666.102	1.028.267
1.1.6 Collections from previously written off loans		1.768.110	1.724.309
1.1.7 Cash payments to personnel and service suppliers		(3.620.623)	(2.897.048)
1.1.8 Taxes paid		(1.109.345)	(328.962)
1.1.9 Other	(1)	(10.073.386)	(11.153.133)
1.2 Changes in Assets and Liabilities Subject to Banking Operations		58.086.259	14.067.152
1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss		588.726	(1.770.628)
1.2.2 Net (increase) / decrease in due from banks		-	4.310
1.2.3 Net (increase) / decrease in loans		(145.672.767)	(53.305.408)
1.2.4 Net (increase) / decrease in other assets		(11.560.622)	3.092.729
1.2.5 Net increase / (decrease) in bank deposits		7.390.796	(3.440.223)
1.2.6 Net increase / (decrease) in other deposits		152.208.641	52.512.213
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		(1.066.966)	(1.061.618)
1.2.9 Net increase / (decrease) in matured payables		-	-
1.2.10 Net increase / (decrease) in other liabilities	(1)	56.198.451	18.035.777
I. Net cash provided from banking operations		60.576.971	11.921.439
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net cash provided from/ (used in) investing activities		(42.973.466)	(21.001.315)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(183.498)	(91.724)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		225.190	39.375
2.3 Fixed assets purchases		(324.188)	(312.283)
2.4 Fixed assets sales		1.820.236	703.331
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income		(52.675.154)	(20.221.954)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income		10.726.224	11.491.552
2.7 Cash paid for purchase of investment securities		(15.691.928)	(16.370.108)
2.8 Cash obtained from sale of investment securities		13.636.481	3.823.785
2.9 Other		(506.829)	(63.289)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		1.262.487	7.174.667
3.1 Cash obtained from loans borrowed and securities issued		9.668.550	11.916.250
3.2 Cash used for repayment of loans borrowed and securities issued		(15.150.013)	(4.478.815)
3.3 Bonds issued		7.000.000	-
3.4 Dividends paid		-	-
3.5 Payments for leases		(256.050)	(262.768)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		(1.317.260)	2.395.944
V. Net increase / (decrease) in cash and cash equivalents		17.548.732	490.735
VI. Cash and cash equivalents at beginning of the period	(4)	24.122.354	23.631.619
VII. Cash and cash equivalents at end of the period	(5)	41.671.086	24.122.354

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
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*	31 December 2019
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
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
A. Net Profit For The Period (1.1-1.2)	2.600.045	1.720.309
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	76.637
1.5. Other Statutory Reserves (-)	-	-
B. Net Profit Available for Distribution [(A-(1.3+1.4+1.5)] **	-	1.456.109
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. Status Reserves (-)	-	-
1.11. Extraordinary Reserves	-	1.456.109
1.12. Other Reserves	-	-
1.13. Special Funds	-	-
II. Distribution of Reserves		
2.1. Appropriated Reserves	-	-
2.2. Dividends to Shareholders (-)	-	-
2.2.1. To Owners of Ordinary Shares	-	-
2.2.2. To Owners of Privileged Shares	-	-
2.2.3. To Owners of Redeemed Shares	-	-
2.2.4. To Profit Sharing Bonds	-	-
2.2.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.3. Dividends to Personnel (-)	-	-
2.4. Dividends to Board of Directors (-)	-	-
III. Earnings per Share		
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 (%)	-	-
IV. Dividend per Share		
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 (%)	-	-

* General Assembly meeting has not held as of 31 December 2020 financial reporting date.

** In accordance with the Circular no 2004/3 of the BRSA, TRY 187.563 of deferred tax asset income has been deducted.

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

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

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

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

Effects of COVID-19

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

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

1. With the 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, the period for the classification of loans has 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
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 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 (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 which 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 to 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 the 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 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 (continued)

Effects of COVID-19 (continued)

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

As regards to the consideration of macroeconomic factors, the Bank 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 Bank's financial statements are regularly monitored by the relevant Units and the Bank Management.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

a) The Bank's strategy on financial instruments:

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

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

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

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

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

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

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

III. EXPLANATIONS ON ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

Associates and subsidiaries are accounted for the "Turkish Accounting Standard on Separate Financial Statements Standard" (TAS 27), "Turkish Accounting Standard for Investments in Associates and Joint Ventures" (TAS 28) and TFRS 9 "Financial instruments: Turkish Financial Reporting Standards" in unconsolidated financial statements.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

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

Explanations related to credit derivatives and its risk exposures:

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Bank, if the Bank is a legal party of these financial assets.

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

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

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

Assessment of Business Model

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

The Bank's business model is related with how the Bank manages its financial assets to generate cash flows. In other terms, the source of cash flows depends on the Bank's business model whether the cash flow is generated from contractual terms or through sale of financial asset or both. Classification of financial assets is made at initial recognition considering the aim of purchase of the financial asset. The Bank's business models are classified in three main categories in accordance with TFRS 9.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Assessment of Business Model (continued)

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

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

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

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

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

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

3. Other Business Models:

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Measurement Categories of Financial Assets and Liabilities

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

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

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

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

1. Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Measurement Categories of Financial Assets and Liabilities (continued)

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

According to TFRS 9, the financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss. However, the Bank may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

Cash Equivalents and Banks

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

Loans and Receivables

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

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

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

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

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign exchange gain and loss line in the statement of profit or loss.

Associates and subsidiaries:

As of 1 January 2012, the Bank changed its accounting policy of Turkish Lira denominated subsidiaries, and as of 18 June 2015 the Bank changed its accounting policy of foreign currency denominated subsidiaries and associates, and started to measure related subsidiaries and associates with their fair values. Foreign currency denominated associates and subsidiaries are converted into TRY by using the exchange rates at the date of which the fair value is determined. Fair values of the subsidiaries, whose shares are unquoted on an active market (stock exchange) are determined with the valuation reports that are prepared by an independent valuation company and fair values of the subsidiaries, whose shares are quoted on an active market (stock exchange) are determined by taking into account values at stock exchange, and valuation differences are added to the subsidiaries values and correspondingly recorded in the "Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss" under the shareholders' equity.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

Calculation of Expected Credit Losses

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Probability of Default (PD)

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

Loss given Default (LGD)

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

Exposure at Default (EAD)

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

12 Month Expected Credit Losses

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

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

Lifetime Expected Credit Losses

It is the estimated probability of default occurring over the remaining life of the financial instrument. According to TFRS 9 standard, in case of a significant increase in credit risk for a financial instrument since its initial recognition, the Bank shall measure provision for loss of related financial instrument as equal as expected lifetime expected credit loss amount.

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

TFRS 9 Standard does not include a direct definition of default, but requires a consistent definition of default to be used in credit risk management. The Bank is considering qualitative indicators (e.g. financial commitments), if appropriate, when defining a default according to TFRS 9, for the purpose of determining the risk of business default and adopts a definition of default, consistent with the definition used for in-house credit risk management purposes for the relevant financial instruments. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Lifetime Expected Credit Losses (continued)

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

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

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

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

Within the scope of the measures taken by the BRSA in order to reduce the effects of the COVID-19 outbreak, the delinquency period of classification to loans under follow-up has been extended from 90 days to 180 days until 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 Bank extended the delinquency period for classification to loans under follow-up from 90 days to 180 days and for classification to loans under close monitoring from 30 days to 90 days. As stated in the BRSA announcement for the mentioned loans, provisions are continued to be set within the framework of the Bank’s risk model, for loans overdue 30-90 days in 12-Month Expected Credit Loss Provision (Stage 1), and for loans overdue 90-180 days in Expected Credit Loss for Significant Increase in Credit Risk (Stage 2) have been calculated.

Low Credit Risk

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

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

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

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

c) Treasury Loans

d) Loans guaranteed by Treasury of Republic of Turkey

The Rules of Significant Increase in Credit Risk

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

As of 1 April 2015, the Bank adopted the revaluation method for buildings in tangible assets in accordance with the Standard on Property, Plant and Equipment (TAS 16). Expertise values determined by independent appraisal companies are reflected to the financial statements. Revaluation differences are recorded in shareholders' equity.

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

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

	Estimated useful lives (Year)	Depreciation rate
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 useful lives on a straight-line basis. In any case useful life cannot exceed the lease period. If the duration of lease agreement is not determined or longer than five years, depreciation duration is considered as five years.

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

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

Classification of Investment Properties:

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

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

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

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

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

Existence of right-of-use:

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

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

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

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

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

The Lease Obligations:

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON LEASING TRANSACTIONS (continued)

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

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

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

XVI. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 “Employee Benefits”. According to related legislation and union agreements, the Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees who resigns subsequent to her marriage within one year. The Bank provides provision by estimating the present value of the future retirement pay liability.

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

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

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

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

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the present value of the actuarial liabilities will be calculated with the technical interest rate of 9,8%. Moreover, after the transfer to Social Insurance Institution, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2020 no technical deficit has been reported.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON TAXATION

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

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

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

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

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

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

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

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

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

The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains.

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

First period advance corporate tax return for the period of 1 January 2020 – 31 March 2020 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIX. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

XX. EXPLANATIONS ON SHARES ISSUED

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

In accordance with the decision of the Higher Council of Privatization dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Bank shares were registered with the Capital Markets Board as per the CMB decision dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa İstanbul A.Ş. as of 10 May 2007.

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

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

XXI. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXIII. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXV. EXPLANATIONS ON OTHER MATTERS

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

I. EXPLANATIONS ON CAPITAL

Equity amount and capital adequacy standard ratio calculation is made within the framework of “Regulation on Equities of the Banks” and “Regulation on Measurement and Evaluation of Banks’ Capital Adequacy” and in accordance with the amendments announced by the BRSA in the 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 Bank were realized as 15,23% (31 December 2019: 14,33%) and TRY 61.044.888 (31 December 2019: TRY 46.543.894) which were calculated within the scope of the above-mentioned regulation amendments.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items:

Current Period	Amount	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	3.694.227	
Share Premium	5.776.224	
Reserves	25.421.933	
Other Comprehensive Income according to TAS	6.255.348	
Profit	2.600.045	
Current Period Profit	2.600.045	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	261.028	
Common Equity Tier I Capital Before Deductions	44.008.805	
Deductions from Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	611.148	
Leasehold Improvements on Operational Leases (-)	107.985	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	572.925	572.925
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	351.767	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	1.643.825	
Total Common Equity Tier I Capital	42.364.980	

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items (continued):

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	8.175.150
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	8.175.150
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
Items to be Deducted from Tier I Capital during the Transition Period	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions From Additional Tier I Capital	-
Total Additional Tier I Capital	8.175.150
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	50.540.130
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	4.579.261
Tier II Capital Before Deductions	10.509.056
Deductions From Tier II Capital	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	10.509.056
Total Equity (Total Tier I and Tier II Capital)	61.049.186
Total Tier I and Tier II Capital (Total Equity)	
Loans Granted against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be defined by the BRSA	4.298

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items (continued):

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	
The Sum of net long positions of investments in the common stock of banking, financial and insurance	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	61.044.888
Total Risk Weighted Assets	400.934.749
Capital Adequacy Ratios	
CET I Capital Ratio (%)	10,57
Tier I Capital Ratio (%)	12,61
Capital Adequacy Ratio (%)	15,23
BUFFERS	
Bank-specific total CET I Capital Ratio (a+b+c)	2,508
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,008
c) Systemic significant bank buffer ratio %	-
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 (%)	6,067
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	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	1.894.476
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5.919.770
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.579.261
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
(effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items (continued):

Prior Period	Amount	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	23.701.624	
Other Comprehensive Income according to TAS	4.563.269	
Profit	1.720.309	
Current Period Profit	1.720.309	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	184.549	
Common Equity Tier 1 Capital Before Deductions	32.640.202	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital		
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	180.992	
Leasehold Improvements on Operational Leases	79.399	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	162.053	162.053
Net Deferred Tax Asset/Liability	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	262.384	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	
Mortgage Servicing Rights not deducted	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions from Common Equity Tier I Capital	684.828	
Total Common Equity Tier I Capital	31.955.374	

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items (continued):

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.958.900
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	5.958.900
Deductions from Additional Tier I Capital	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
Items to be Deducted from Tier I Capital during the Transition Period	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	5.958.900
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	37.914.274
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.711.157
Total Deductions from Tier II Capital	8.640.952
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	8.640.952
Total Equity (Total Tier I and Tier II Capital)	46.555.226
Total Tier I Capital and Tier II Capital (Total Equity)	
Loans Granted against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be Defined by the BRSA	11.332

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items (continued):

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	46.543.894
Total Risk Weighted Assets	324.748.061
CAPITAL ADEQUACY RATIOS	
CET1 Capital Ratio (%)	9,84
Tier I Capital Ratio (%)	11,67
Capital Adequacy Ratio (%)	14,33
BUFFERS	
Bank-specific total CET1 Capital Ratio	2,528
Capital Conservation Buffer Ratio (%)	2,500
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,028
Systemic Bank Buffer Ratio (%)	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,34
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	147.693
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	496.684
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.338.931
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.711.157
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.711.157
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

I. EXPLANATIONS ON CAPITAL (continued)

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

Details on Subordinated Liabilities:				
Issuer	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	Türkiye Varlık Fonu
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHAL2716	TRSTHAL62811	TRSTHAL92826	-
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA Legislation
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	No	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Bond	Bond	Bond	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980	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	-	-	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon	No Coupon Payment
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %	5 years 25,38%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	-	-	-	-
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK

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

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

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

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

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

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

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

The Bank's largest 100 and 200 cash loan customers compose 23,44% and 27,98% of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 39,01% and 50,35% of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 15,76% and 19,85% 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 5.583.058 (31 December 2019: TRY 2.519.002).

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK (continued)

Exposure Categories:	Current Period Credit Risk Amount⁽¹⁾	Current Period Average Risk Amount	Prior Period Risk Amount⁽¹⁾	Prior Period Average Risk Amount
Conditional and unconditional exposures to central governments or central banks	190.998.990	149.674.233	124.049.755	123.083.343
Conditional and unconditional exposures to regional governments or local authorities	2.487.551	2.811.085	3.097.478	3.401.161
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1.819.365	1.112.566	683.403	1.005.144
Conditional and unconditional exposures to multilateral development banks	25.119	36.069	61.820	69.304
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	6.255.886	5.784.488	8.657.377	9.815.847
Conditional and unconditional exposures to corporates	194.726.399	179.575.532	159.760.536	151.341.491
Conditional and unconditional retail exposures	140.427.761	122.093.638	86.993.317	83.159.330
Conditional and unconditional exposures secured by real estate property	93.926.112	83.930.576	73.935.115	69.060.245
Past due items	5.711.373	6.087.632	6.746.506	4.192.562
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	6.389.475	4.739.228	3.991.139	5.000.428
Other Receivables	22.407.015	21.724.204	21.125.589	18.063.884

⁽¹⁾ Includes the risk amounts after credit conversions.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK (continued)

Profile of significant exposures in major regions:

	Risk Classifications ⁽¹⁾											Past due receivables	Items in regulatory high-risk categories	Stock Investments	Other	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									
Current Period																	
1. Domestic	190.998.963	2.487.551	1.819.365	25.119	2.686.745	193.760.723	140.414.876	93.770.838	5.711.308	-	-	22.406.639	654.082.127				
2. European Union (EU) Countries	17	-	-	-	2.531.258	199.802	6.743	8.888	42	-	-	84	2.746.834				
3. OECD Countries ⁽²⁾	-	-	-	-	136.002	-	498	1.590	-	-	-	-	138.090				
4. Off-Shore Banking Regions	-	-	-	-	298	47.562	1.020	-	-	-	-	-	48.880				
5. USA, Canada	-	-	-	-	251.115	-	973	446	-	-	-	-	252.534				
6. Other Countries	10	-	-	-	650.468	718.312	3.651	144.350	23	-	-	292	1.517.106				
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	6.389.475	-	6.389.475				
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total	190.998.990	2.487.551	1.819.365	25.119	6.255.886	194.726.399	140.427.761	93.926.112	5.711.373	-	6.389.475	22.407.015	665.175.046				
Prior Period																	
1. Domestic	124.049.755	3.097.478	683.403	61.820	3.343.156	157.117.906	86.985.801	73.863.163	6.746.421	-	3.991.139	21.125.485	481.065.527				
2. European Union (EU) Countries	-	-	-	-	2.980.205	187.015	5.262	8.637	44	-	-	92	3.181.255				
3. OECD Countries ⁽²⁾	-	-	-	-	176.530	-	179	1.700	-	-	-	-	178.409				
4. Off-Shore Banking Regions	-	-	-	-	606	1.851.015	134	-	-	-	-	12	1.851.767				
5. USA, Canada	-	-	-	-	1.671.037	-	216	243	-	-	-	-	1.671.496				
6. Other Countries	-	-	-	-	485.843	604.600	1.725	61.372	41	-	-	-	1.153.581				
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-				
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-				
Total	124.049.755	3.097.478	683.403	61.820	8.657.377	159.760.536	86.993.317	73.935.115	6.746.506	-	3.991.139	21.125.589	489.102.035				

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

⁽²⁾ OECD Countries other than the EU Countries, USA and Canada.

⁽³⁾ Assets and liabilities that are not consistently allocated.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK (continued)

Profile of significant exposures by sectors:

Current Period	Risk Classifications ⁽¹⁾											Stock Investments	Other	TRY	FC	Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to Multilateral Development Banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories						
Agriculture	300.091	-	1.314	-	-	571.226	851.555	222.575	28.789	-	-	191.570	1.922.107	245.013	2.167.120	
<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>	99.382	-	1	-	-	38.726	388.437	76.029	9.150	-	-	71.827	676.940	6.612	683.552	
<i>Fishery</i>	71.338	-	-	-	-	272.061	42.219	26.952	9.948	-	-	4	300.845	121.677	422.522	
Manufacturing	16.602.929	-	24.989	12.294	-	72.711.202	17.604.190	18.133.801	1.608.543	-	-	45.930	83.128.280	43.615.598	126.743.878	
<i>Mining and Quarrying</i>	331.183	-	-	172	-	3.699.242	250.040	295.373	28.556	-	-	22	1.531.111	3.073.477	4.604.588	
<i>Production</i>	16.069.615	-	24.989	12.122	-	53.429.628	17.224.835	17.034.129	1.262.047	-	-	45.908	76.798.104	28.305.169	105.103.273	
<i>Electricity, Gas and Water</i>	202.131	-	-	-	-	15.582.332	129.315	804.299	317.940	-	-	-	4.799.065	12.236.952	17.036.017	
Construction	4.345.495	-	-	9.093	-	23.335.047	3.508.545	8.368.073	1.786.801	-	-	93.398	32.396.694	9.049.758	41.446.452	
Services	107.767.299	2.429.705	1.792.305	3.517	5.100.406	91.542.810	68.231.803	29.570.684	2.010.189	-	-	2.886.855	216.596.473	94.739.100	311.335.573	
<i>Wholesale and Retail Trade</i>	14.751.065	107	2.554	2.352	-	24.287.290	40.666.745	12.416.145	1.047.561	-	-	16.463	85.974.365	7.215.917	93.190.282	
<i>Accommodation and Dining</i>	2.417.068	10	-	-	-	9.912.455	3.920.249	8.622.706	191.113	-	-	95	9.274.003	15.789.693	25.063.696	
<i>Transportation and Telecom.</i>	862.094	-	4	38	-	9.767.522	17.188.047	1.127.121	102.999	-	-	539	20.312.135	8.736.229	29.048.364	
<i>Financial Institutions</i>	862.679	-	9	-	5.100.406	7.253.496	96.457	885.638	1.382	-	-	6.699	8.945.307	5.261.459	14.206.766	
<i>Real Estate and Rental</i>	1.097.033	-	87	1.127	-	37.179.360	3.514.492	4.003.828	597.454	-	-	110.684	14.964.621	31.539.444	46.504.065	
Services	266.645	-	-	-	-	48	1.847.216	184.868	4.166	-	-	407	2.303.228	122	2.303.350	
<i>Professional Services</i>	346.566	-	1.137.437	-	-	427.785	385.040	637.050	33.817	-	-	11	2.357.302	610.404	2.967.706	
<i>Educational Services</i>	87.164.149	2.429.588	652.214	-	-	2.714.854	613.557	1.693.328	31.697	-	-	2.751.957	72.465.512	25.585.832	98.051.344	
<i>Health and Social</i>	61.983.176	57.846	757	215	1.155.480	6.566.114	50.231.668	37.630.979	277.051	-	-	6.389.475	19.189.262	124.878.030	58.603.993	
<i>Other</i>	190.998.990	2.487.551	1.819.365	25.119	6.255.886	194.726.399	140.427.761	93.926.112	5.711.373	-	-	6.389.475	22.407.015	458.921.584	206.253.462	
Toplam	190.998.990	2.487.551	1.819.365	25.119	6.255.886	194.726.399	140.427.761	93.926.112	5.711.373	-	-	6.389.475	22.407.015	458.921.584	206.253.462	665.175.046

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK (continued)

Profile of significant exposures by sectors (continued):

Prior Period	Risk Classifications ⁽¹⁾											Other	TRY	FC	Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to Multilateral Development Banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Stock Investments				
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 Electricity, Gas and Water</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>Construction</i>	178.788	-	-	-	-	12.266.648	87.780	2.082.314	389.569	-	-	-	4.011.269	10.993.830	15.005.099
Services	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
<i>Wholesale and Retail Trade</i>	83.060.482	3.018.319	659.286	19.814	8.035.273	74.336.753	41.244.813	23.331.115	2.603.701	-	-	2.607.332	151.740.899	87.175.989	238.916.888
<i>Accommodation and Dining</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>Transportation and Telecom. Financial</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>Institutions</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>Real Estate and Rental Services</i>	201.259	-	31	-	8.035.273	5.004.228	64.402	797.631	1.673	-	-	5.213	6.721.436	7.388.274	14.109.710
<i>Professional 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>Educational Services</i>	8.583	-	2	-	-	-	1.042.923	144.582	5.910	-	-	608	1.202.497	111	1.202.608
<i>Health and Social 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>Other</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	31.294.989	79.159	290	568	622.104	6.829.596	30.058.014	27.583.923	351.733	-	3.991.139	18.235.162	80.743.427	38.303.250	119.046.677
Toplam	124.049.755	3.097.478	683.403	61.820	8.657.377	159.760.536	86.993.317	73.935.115	6.746.506	-	3.991.139	21.125.589	308.336.944	180.765.091	489.102.035

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK (continued)

Analysis of maturity-bearing exposures according to remaining maturities ^(*):

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	58.155.999	2.898.457	3.884.004	3.777.154	122.283.376
2. Conditional and unconditional exposures to regional governments or local authorities	39.761	24.177	14.905	142.068	2.266.640
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	118.707	64.206	11.396	122.869	1.502.187
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	4.039.611	60.663	466.714	33.145	1.655.753
6. Conditional and unconditional exposures to corporates	22.608.260	12.693.537	11.446.823	30.658.730	117.319.049
7. Conditional and unconditional retail exposures	15.513.485	2.969.760	4.775.864	12.158.371	105.010.281
8. Conditional and unconditional exposures secured by real estate property	4.194.330	2.104.435	2.573.258	8.134.840	76.919.249
9. Past due items	5.711.373	-	-	-	-
10. Items in Regulatory High-Risk Categories	-	-	-	-	-
11. Stock Investments	6.389.475	-	-	-	-
12. Other Items	18.987.356	48	71	208.312	3.211.228
Total	135.758.765	20.815.433	23.177.412	55.241.302	430.182.134

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

^(*) Includes risk amounts after the effect of credit risk mitigation and after the credit conversions.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK (continued)

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

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

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

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

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

In the 26th Article of the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies, IIRA grades are used in the below table of maturity in determining the credit quality level of the country grades, central government and central banks receivables. In the case of other risk classes included in the table, Fitch Ratings notes are taken into account if the rated party is a foreign resident, the supervisor of the relevant country has equivalent regulation and supervision structure, authorized in the country notes.

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK (continued)

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

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

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

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
TURKEY	340.895.868	-	340.895.868
CYPRUS	672.946	-	672.946
MALTA	199.782	-	199.782
KYRGYZSTAN	70.246	-	70.246
MARSHALL ISLANDS	47.562	-	47.562
OTHER ^(*)	851	-	851

* Risk-Weighted Assets below TRY 5 Million (Full TRY) are grouped under otherheadings.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK (continued)

Exposures by 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	155.633.165	-	4.772.527	-	7.619.303	238.980.710	267.412.036	509.154	-	605.354	1.275	-	4.298
2. Exposures after Credit Risk Mitigation	204.408.232	-	4.772.527	56.545.200	39.677.097	140.589.010	218.125.450	450.901	-	605.354	1.275	-	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	95.291.879	-	4.964.133	-	29.077.255	151.061.005	214.873.541	784.740	-	496.684	447	-	11.332
2. Exposures after Credit Risk Mitigation	110.185.189	-	4.964.123	43.874.539	62.149.497	87.090.093	179.712.282	629.181	-	496.684	447	-	11.332

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK (continued)

Information by major sectors and type of counterparties:

Current Period	Credits		
	Significant Increase in Credit Risk (Stage II) ⁽¹⁾	Credit – Impaired Losses (Stage III) ⁽²⁾	Expected Credit Loss (IFRS 9) ⁽³⁾
Major Sectors /Counterparties			
Agriculture	264.649	112.441	139.170
<i>Farming and Stockbreeding</i>	255.784	84.361	119.720
<i>Forestry</i>	670	459	484
<i>Fishery</i>	8.195	27.621	18.966
Manufacturing	8.535.878	5.195.136	4.385.759
<i>Mining and Quarrying</i>	75.786	188.147	155.357
<i>Production</i>	3.908.378	4.463.067	3.506.005
<i>Electricity, Gas and Water</i>	4.551.714	543.922	724.397
Construction	4.712.383	3.061.414	1.946.817
Services	18.374.864	5.282.493	5.119.887
<i>Wholesale and Retail Trade</i>	4.707.806	2.921.974	2.314.323
<i>Accommodation and Dining</i>	6.153.667	584.237	893.538
<i>Transportation and</i>			
<i>Telecommunication</i>	464.061	221.995	151.229
<i>Financial Institutions</i>	548.796	9.070	96.182
<i>Real Estate and Rental Services</i>	6.138.164	986.770	1.141.788
<i>Professional Services</i>	51.947	10.451	10.132
<i>Educational Services</i>	84.500	433.084	406.993
<i>Health and Social Services</i>	225.923	114.912	105.702
Other	4.079.849	1.080.902	1.120.191
Total	35.967.623	14.732.386	12.711.824

⁽¹⁾ Income accruals amounting to TRY 1.785.069 are not included in the table.

⁽²⁾ Income accruals amounting to TRY 2.185.408 are not included in the table.

⁽³⁾ The provision for accruals of stage three loans amounting to TRY 1.508.764 and the provision for accruals of stage two loans amounting to TRY 147.070 are not included in the table.

Prior Period	Credits		
	Significant Increase in Credit Risk (Stage II) ⁽¹⁾	Credit – Impaired Losses (Stage III) ⁽²⁾	Expected Credit Loss (IFRS 9)
Major Sectors /Counterparties			
Agriculture	97.776	117.429	94.289
<i>Farming and Stockbreeding</i>	87.996	89.941	77.708
<i>Forestry</i>	370	459	464
<i>Fishery</i>	9.410	27.029	16.117
Manufacturing	4.142.481	4.916.006	2.938.650
<i>Mining and Quarrying</i>	107.619	150.630	137.487
<i>Production</i>	4.015.449	4.227.353	2.544.115
<i>Electricity, Gas and Water</i>	19.413	538.023	257.048
Construction	4.720.039	2.275.794	1.483.567
Services	12.528.002	5.494.438	3.616.147
<i>Wholesale and Retail Trade</i>	4.510.825	2.980.233	2.104.393
<i>Accommodation and Dining</i>	1.664.203	662.986	433.876
<i>Transportation and</i>			
<i>Telecommunication</i>	654.303	197.165	127.724
<i>Financial Institutions</i>	598.581	14.320	24.648
<i>Real Estate and Rental Services</i>	4.761.555	1.073.968	627.818
<i>Professional Services</i>	69.481	13.135	10.273
<i>Educational Services</i>	102.297	428.836	192.519
<i>Health and Social Services</i>	166.757	123.795	94.896
Other	2.667.812	1.131.851	849.670
Total	24.156.110	13.935.518	8.982.323

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

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

⁽³⁾ The provision for accruals of stage three loans amounting to TRY 1.048.853 and the provision for accruals of stage two loans amounting to TRY 66.942 are not included in the table.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK (continued)

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	8.882.662	3.521.415	(1.354.927)	-	11.049.150
2. Stage I and Stage II expected credit loss	2.519.002	3.100.833	(36.777)	-	5.583.058

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Stage III expected credit loss	6.283.292	3.978.543	(1.379.173)	-	8.882.662
2. Stage I and Stage II expected credit loss	2.167.221	534.215	(182.434)	-	2.519.002

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK (continued)

The net value of collaterals which amounts to TRY 35.967.623 for loans under close monitoring by type distinction are disclosed in the table below (31 December 2019: TRY 24.156.110).

Collateral Types	Net Value of Collateral Current Period⁽¹⁾
Real estate mortgage	8.794.443
Salary pledge, vehicle pledge and pledge of commercial undertaking	343.278
CGF	2.814.323
Cheque / bills	74.687
Sureties	16.347.357
Other	7.593.535
Total	35.967.623

⁽¹⁾ Income accruals amounting TRY 1.785.069 are not included in the table.

⁽²⁾ Comprised of share certificates, blockage on receivables, uncollateralized etc.

Collateral Types	Net Value of Collateral Prior Period⁽¹⁾
Real estate mortgage	11.114.990
Salary pledge, vehicle pledge and pledge of commercial undertaking	332.982
CGF	2.465.470
Cheque / bills	119.840
Sureties	4.054.828
Other	6.068.000
Total	24.156.110

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

⁽²⁾ Comprised of share certificates, blockage on receivables, uncollateralized etc.

The net value and type of collaterals belongs to loans amounted TRY 14.732.386 followed under non-performing loans section is below (31 December 2019: TRY 13.935.518).

Collateral Types	Net Value of Collateral Current Period⁽²⁾
Cash	5.324
Mortgage	3.487.992
Pledge	403.656
Cheque / bills	430
Sureties	7.838.793
Other ⁽¹⁾	2.996.191
Total	14.732.386

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

⁽²⁾ Income accruals amounting to TRY 2.185.408 are not included in the table.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS ON CREDIT RISK (continued)

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

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

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

III. EXPLANATIONS ON CURRENCY RISK

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

In accordance with “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”, the foreign currency position risk of the Bank 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 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 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 Bank as at financial statement date and the previous five working days in full TRY are as follows:

	24.12.2020	25.12.2020	26.12.2020	27.12.2020	30.12.2020	31.12.2020
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
EURO	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 Bank for the thirty days before the financial statement date are as follows:

	Monthly Average Buying rate of exchange
USD	7,6656522
CHF	8,6170652
GBP	10,2906435
JPY	0,0736755
EUR	9,3330652

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

III. EXPLANATIONS ON CURRENCY RISK (continued)

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	9.671.364	30.133.679	15.275.258	55.080.301
Banks	1.075.632	437.518	383.318	1.896.468
Financial assets at fair value through profit and loss	103	1.246	-	1.349
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income ⁽⁵⁾	9.003.247	11.505.972	824.289	21.333.508
Loans ⁽²⁾	54.149.753	38.334.537	1.235.926	93.720.216
Subsidiaries, associates and entities under common control	674.237	-	2.140.652	2.814.889
Financial assets measured at amortised cost ⁽⁶⁾	8.824.065	14.953.586	3.471.174	27.248.825
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	255	255
Intangible assets	-	-	-	-
Other assets ⁽³⁾	1.080.075	1.889.437	8.582	2.978.094
Total assets	84.478.476	97.255.975	23.339.454	205.073.905
Liabilities				
Bank deposits	9.348.484	5.069.754	352.595	14.770.833
Foreign currency deposits	66.199.392	90.282.509	23.943.449	180.425.350
Money market balances	-	1.114.631	-	1.114.631
Funds provided from other financial institutions	6.316.487	3.687.799	2.049	10.006.335
Bonds issued	-	7.553.277	-	7.553.277
Sundry creditors	251.161	438.007	195	689.363
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	9.217.636	833.632	82.294	10.133.562
Total liabilities	91.333.160	108.979.609	24.380.582	224.693.351
Net balance sheet position	(6.854.684)	(11.723.634)	(1.041.128)	(19.619.446)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	7.325.960	14.550.855	4.749.937	26.626.752
Financial derivative liabilities ⁽⁴⁾	1.063.207	5.248.540	3.377.841	9.689.588
Non-cash loans ⁽¹⁾	36.659.770	19.919.355	2.695.428	59.274.553
Prior period				
Total assets	73.371.806	67.292.723	6.895.123	147.559.652
Total liabilities	82.555.919	71.494.882	8.797.712	162.848.513
Net balance sheet position	(9.184.113)	(4.202.159)	(1.902.589)	(15.288.861)
Net off-balance sheet position				
Financial derivative assets	9.671.543	8.010.056	3.971.397	21.652.996
Financial derivative liabilities	1.377.305	8.076.083	899.602	10.352.990
Non-cash loans ⁽¹⁾	28.499.086	18.424.330	2.323.178	49.246.594

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

⁽²⁾ Includes TRY 45.321 of foreign currency indexed loans and their accruals.

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", prepaid expenses (TRY 819) in assets; and shareholders' equity (TRY 630.840) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 42.111 and swap precious metal purchase transactions amounted to TRY 3.480.060. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.287.355. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

IV. EXPLANATIONS ON INTEREST RATE RISK

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

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

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

Current period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	6.746.564	-	-	-	-	56.729.655	63.476.219
Banks and financial institutions	955.685	-	-	-	-	1.189.966	2.145.651
Financial assets at fair value through profit and loss	-	3	31.047	998	248	15.645.225	15.677.521
Money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	4.610.223	13.672.230	24.746.697	13.783.850	1.633.588	454.542	58.901.130
Loans	65.965.653	88.121.057	126.945.155	112.472.087	30.883.227	25.358.036	449.745.215
Financial assets measured at amortised cost	398.529	29.081.839	7.125.477	16.984.428	31.030.758	-	84.621.031
Other assets ⁽⁴⁾	412.482	3.514	7.982	22.707	-	5.012.643	5.459.328
Total assets	79.089.136	130.878.643	158.856.358	143.264.070	63.547.821	104.390.067	680.026.095
Liabilities							
Bank deposits	21.151.261	4.168.538	-	-	-	9.661.988	34.981.787
Other deposits	239.070.343	86.949.641	15.745.027	591.030	-	79.948.467	422.304.508
Money market balances	103.086.844	740.000	-	-	-	129.576	103.956.420
Miscellaneous Payables	4.446.355	-	-	-	-	4.496.131	8.942.486
Bonds issued	647.000	7.081.452	4.280.000	1.000.000	-	186.227	13.194.679
Funds provided from other financial institutions ⁽³⁾	284.731	4.807.253	2.332.423	2.212.957	700.215	49.420	10.386.999
Other liabilities ⁻⁽¹⁾⁽²⁾	1.000.000	-	15.499.625	8.175.150	4.929.795	56.654.646	86.259.216
Total liabilities	369.686.534	103.746.884	37.857.075	11.979.137	5.630.010	151.126.455	680.026.095
Balance sheet long position	-	27.131.759	120.999.283	131.284.933	57.917.811	-	337.333.786
Balance sheet short position	(290.597.398)	-	-	-	-	(46.736.388)	(337.333.786)
Off-balance sheet long position	16.716.872	9.555.803	6.740.958	243.667	5.940.341	-	39.197.641
Off-balance sheet short position	(16.039.228)	(7.691.802)	(7.051.134)	(883.737)	(5.940.341)	-	(37.606.242)
Total position	(289.919.754)	28.995.760	120.689.107	130.644.863	57.917.811	(46.736.388)	1.591.399

⁽¹⁾ TRY 331.752 of net deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

⁽⁴⁾ Provision amounts are included in the non-bearing interest column.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

IV. EXPLANATIONS ON INTEREST RATE RISK (continued)

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	1.100.270	-	-	-	-	33.388.311	34.488.581
Banks and financial institutions	2.080.201	-	-	-	-	1.670.266	3.750.467
Financial assets at fair value through profit and loss	265	-	16.774	64	-	16.249.683	16.266.786
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	3.309	3.049.156	4.378.714	5.837.986	757.544	232.075	14.258.784
Loans	77.301.990	47.047.508	81.570.652	68.303.275	12.266.909	22.717.767	309.208.101
Held-to-maturity investments	850.392	23.922.480	7.574.636	17.565.511	22.295.336	-	72.208.355
Other assets ⁽⁴⁾	168.294	2.510	6.464	20.048	196	6.666.815	6.864.327
Total assets	81.504.721	74.021.654	93.547.240	91.726.884	35.319.985	80.924.917	457.045.401
Liabilities							
Bank deposits	13.101.753	8.494.169	6.000	-	-	5.994.270	27.596.192
Other deposits	156.220.542	47.710.682	17.980.829	254.048	-	47.971.883	270.137.984
Money market balances	52.577.061	590.314	-	-	-	33.669	53.201.044
Sundry creditors	3.195.695	-	-	-	-	3.103.837	6.299.532
Bonds issued	1.491.954	8.244.110	690.764	6.895.630	-	268.829	17.591.287
Funds provided from other financial institutions ⁽³⁾	470.581	4.428.248	3.109.478	2.126.207	809.331	72.996	11.016.841
Other liabilities ⁽¹⁾⁽²⁾	1.000.000	-	16.104.082	-	10.888.695	43.209.744	71.202.521
Total liabilities	228.057.586	69.467.523	37.891.153	9.275.885	11.698.026	100.655.228	457.045.401
Balance sheet long position	-	4.554.131	55.656.087	82.450.999	23.621.959	-	166.283.176
Balance sheet short position	(146.552.865)	-	-	-	-	(19.730.311)	(166.283.176)
Off-balance sheet long position	16.522.714	4.712.560	10.147.950	90.946	5.546.352	-	37.020.522
Off-balance sheet short position	(15.945.233)	(3.457.449)	(10.281.891)	(1.051.815)	(5.546.352)	-	(36.282.740)
Total position	(145.975.384)	5.809.242	55.522.146	81.490.130	23.621.959	(19.730.311)	737.782

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

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

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

(4) Provision amounts are included in the non-bearing interest column.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

IV. EXPLANATIONS ON INTEREST RATE RISK (continued)

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

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	-	-	12,00
Due from other banks and financial institutions ⁽¹⁾	0,19	0,75	-	15,80
Financial assets at fair value through profit and loss ⁽⁶⁾	1,56	4,12	-	8,92
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,28	2,94	-	13,84
Loans ⁽²⁾	5,11	5,98	-	11,31
Financial assets measured at amortised cost	4,87	5,62	-	17,56
Liabilities				
Bank deposits ⁽⁴⁾	0,94	1,61	-	17,42
Other deposits ⁽⁴⁾	0,99	2,40	0,01	14,05
Money market borrowings	-	5,11	-	17,40
Sundry creditors ⁽³⁾	-	-	-	5,00
Bonds issued	-	4,75	-	14,11
Funds provided from other financial institutions	0,92	1,54	-	10,70

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

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

⁽³⁾ Declared maximum TRY deposits interest rate with a maturity of twelve months as of 31 December 2020.

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

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

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

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

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

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

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

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

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

IV. EXPLANATIONS ON INTEREST RATE RISK (continued)

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

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

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

According to the mentioned regulation, 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 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 BRSA. 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.

Current Period				
Currency	Applied Shock (+/- x basis point)	Gains/(Losses)	Gains/Shareholders' Equity – Losses/Shareholders' Equities	
1 TRY	500	(11.814.957)	(19,34%)	
	(400)	11.722.450	19,19%	
2 EUR*	200	2.798.078	4,58%	
	(200)	(4.088.887)	(6,69%)	
3 USD	200	(2.050.333)	(3,36%)	
	(200)	2.830.762	4,63%	
Total (For negative shocks)		10.464.325	17,13%	
Total (For positive shocks)		(11.067.212)	(18,12%)	

Prior Period				
Currency	Applied Shock (+/- x basis point)	Gains/(Losses)	Gains/Shareholders' Equity – Losses/Shareholders' Equities	
1 TRY	500	(7.837.303)	(16,84%)	
	(400)	7.628.456	16,39%	
2 EUR*	200	1.367.969	2,94%	
	(200)	(1.859.217)	(3,99%)	
3 USD	200	(1.558.638)	(3,35%)	
	(200)	2.184.010	4,69%	
Total (For negative shocks)		7.953.249	17,09%	
Total (For positive shocks)		(8.027.972)	(17,25%)	

* Other currencies are shown under EUR

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

V. EXPLANATIONS ON POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Carrying Value	Comparison		Capital Requirements
		Fair Value Change ⁽²⁾	Market Value	
Investment in Shares-Grade A	2.240.689	2.240.689	2.240.689	179.255
Quoted Securities ⁽¹⁾	2.240.689	2.240.689	2.240.689	179.255
Investment in Shares-Grade B	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares-Grade C	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares- Grade D	-	-	-	-
Other	4.198.953	4.008.703	-	418.207

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

⁽²⁾ Investments that are not measured at fair value are not included in the table above.

Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in Common Equity and Tier II Capital:

Portfolio	Revaluated appreciation in the fair value			Unrealized gains and losses		
	Realized gains/ losses in the current period	Total	Included To Supplementary Capital	Total	Included To total Core Capital	Included to Supplementary Capital
1. Private equity investments	-	-	-	-	-	-
2. Share certificates quoted on a stock exchange ⁽¹⁾	-	1.542.571	1.542.571	-	-	-
3. Other share certificates	-	1.239.590	1.239.590	-	-	-
Total	-	2.782.161	2.782.161	-	-	-

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

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

According to the BRSA's "Regulation for Banks' Liquidity Coverage Ratio Calculations" published in the Official Gazette No. 28948 dated 21 March 2014, FC and TRY+FC liquidity coverage ratios are calculated by using high quality liquid assets divided by net cash outflows. Within this context, the Bank is required to have the ability to cover net cash outflows with high quality liquid assets and its related ratios should be in compliance with the legal limits. According to the mentioned Regulation, the legal minimum limits of liquidity coverage ratios calculated by taking the monthly simple arithmetic average on a consolidated basis. Within the scope of the measures regarding the Covid-19 outbreak in 2020, deposit and participation banks is exempt from the liability to comply with the minimum legal limits set as 100% and 80% for TRY + FC and FC liquidity coverage ratios, respectively, with the resolution of BRSA numbered 8967 and dated 26 March 2020, until 31 December 2020. The exemption has been terminated as of 31 December 2020 with the BRSA resolution numbered 9312 and dated 8 December 2020.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

As part of the important developments regarding liquidity risk; the 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 Bank has taken measures to reduce liquidity risks and to provide the necessary liquidity buffer by effectively using the necessary deposit and fund resources

High quality liquid assets are composed of 44,48% accounts held by the CBRT and the Central Banks of the foreign branches, 50,31% securities considered as high quality liquid assets and 5,21% cash and cash equivalents. The primary funding source for the 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.

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

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

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

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Week	(%)	Related Week	(%)
Maximum	21.12.2020 - 27.12.2020	193,01	21.12.2020 - 27.12.2020	111,4
Minimum	26.10.2020 - 01.11.2020	106,97	16.11.2020 - 22.11.2020	81,76

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			97.157.857	53.229.316
Cash Outflows				
Retail and Small Business Customers, of which:	214.617.526	108.065.692	19.509.278	10.806.569
Stable Deposits	39.049.482	-	1.952.474	-
Less Stable Deposits	175.568.044	108.065.692	17.556.804	10.806.569
Unsecured wholesale funding , of which:	201.001.358	72.362.195	91.225.447	32.527.508
Operational Deposits	35.013.841	9.020.372	8.753.460	2.255.093
Non-operational Deposits	160.030.877	60.784.114	77.462.446	27.794.458
Other Unsecured Funding	5.956.640	2.557.709	5.009.541	2.477.957
Secured Funding			-	-
Other cash outflows, of which:	11.507.266	6.795.634	5.695.885	3.566.414
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	828.276	893.579	828.276	893.579
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	10.678.990	5.902.055	4.867.609	2.672.835
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	143.576.337	55.747.381	11.317.079	4.713.310
Total Cash Outflows			127.747.689	51.613.801
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	33.462.760	11.637.431	21.161.935	8.543.201
Other Cash Inflows	159.799	2.940.010	159.799	2.940.010
Total Cash Inflows	33.622.559	14.577.441	21.321.734	11.483.211
Total Adjusted Value				
Total HQLA Stock			97.157.857	53.229.316
Total Net Cash Outflows			106.425.955	40.130.590
Liquidity Coverage Ratio (%)			91,65%	136,42%

⁽¹⁾ Calculated by simple arithmetic average, weekly average calculated for the last three months of the values.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

Prior Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			70.779.704	37.316.289
Cash Outflows				
Retail and Small Business Customers, of which;	144.569.269	64.357.833	12.699.613	6.435.783
Stable Deposits	35.146.282	-	1.757.314	-
Less Stable Deposits	109.422.987	64.357.833	10.942.299	6.435.783
Unsecured wholesale funding , of which;	112.257.585	53.122.172	52.013.173	22.021.309
Operational Deposits	22.628.118	7.762.181	5.657.030	1.940.545
Non-operational Deposits	84.734.905	43.720.559	42.194.859	18.495.741
Other Unsecured Funding	4.894.562	1.639.432	4.161.284	1.585.023
Secured Funding			-	-
Other cash outflows, of which;	9.048.421	6.191.353	4.644.595	3.861.357
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	949.941	1.929.728	949.941	1.929.728
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	8.098.480	4.261.625	3.694.654	1.931.629
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	106.604.001	44.754.029	8.453.340	3.650.639
Total Cash Outflows			77.810.721	35.969.088
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	24.862.657	7.994.864	16.043.803	6.279.608
Other Cash Inflows	158.710	20.130.861	158.710	20.130.861
Total Cash Inflows	25.021.367	28.125.725	16.202.513	26.410.469
Total Adjusted Value				
Total HQLA Stock			70.779.704	37.316.289
Total Net Cash Outflows			61.608.208	10.574.505
Liquidity Coverage Ratio (%)			115,01%	362,17%

⁽¹⁾ Calculated by simple arithmetic average, weekly average calculated for the last three months of the values.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

1. Presentation of assets and liabilities according to their remaining maturities:

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	4.930.693	58.545.526	-	-	-	-	-	63.476.219
Banks	1.188.418	957.233	-	-	-	-	-	2.145.651
Financial assets at fair value through profit and loss	-	-	3	15.530.733	956	228	145.601	15.677.521
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	735.114	3.931.457	22.250.602	25.222.271	6.307.144	454.542	58.901.130
Loans	20.560.244	29.560.641	33.689.062	108.498.095	202.309.055	55.128.118	-	449.745.215
Financial assets measured at amortised cost	-	5.713.445	5.955.649	8.441.007	25.877.909	38.633.021	-	84.621.031
Other assets ⁽²⁾	1.971	511.455	1.296.001	545.816	99.493	349.143	2.655.449	5.459.328
Total assets	26.681.326	96.023.414	44.872.172	155.266.253	253.509.684	100.417.654	3.255.592	680.026.095
Liabilities								
Bank deposits	9.601.355	21.199.896	4.180.536	-	-	-	-	34.981.787
Other deposits	78.374.345	239.345.732	82.754.216	21.121.872	707.083	1.260	-	422.304.508
Funds provided from other financial institutions ⁽³⁾	-	64.853	172.433	1.438.128	3.562.907	5.148.678	-	10.386.999
Money market balances	-	103.212.440	3.980	-	-	740.000	-	103.956.420
Bonds issued	-	743.164	6.149.313	4.872.202	1.430.000	-	-	13.194.679
Sundry creditors	49.331	3.930.340	249.949	1.234.706	2.850.093	12.677	615.390	8.942.486
Other liabilities ⁽¹⁾	2.347	5.652.834	99.477	16.311.161	9.719.537	8.966.472	45.507.388	86.259.216
Total liabilities	88.027.378	374.149.259	93.609.904	44.978.069	18.269.620	14.869.087	46.122.778	680.026.095
Liquidity gap	(61.346.052)	(278.125.845)	(48.737.732)	110.288.184	235.240.064	85.548.567	(42.867.186)	-
Net off balance sheet position	-	(2.355)	620.001	464.823	508.930	-	-	1.591.399
Derivative financial assets	-	15.936.873	7.826.803	1.916.950	1.636.333	11.880.682	-	39.197.641
Derivative financial liabilities	-	(15.939.228)	(7.206.802)	(1.452.127)	(1.127.403)	(11.880.682)	-	(37.606.242)
Non-cash loans	35.214.740	2.627.378	9.898.398	39.915.526	24.440.044	2.459.251	-	114.555.337
Prior Period								
Total Assets	23.748.554	53.811.141	18.141.032	103.106.937	184.832.518	67.520.756	5.884.463	457.045.401
Total Liabilities	52.457.126	229.940.932	62.412.521	43.682.689	16.699.244	16.795.238	35.057.651	457.045.401
Liquidity Gap	(28.708.572)	(176.129.791)	(44.271.489)	59.424.248	168.133.274	50.725.518	(29.173.188)	-
Net off balance sheet position	-	(12.519)	16.111	161.060	573.130	-	-	737.782
Derivative financial assets	-	15.932.714	3.118.560	5.162.933	1.713.612	11.092.703	-	37.020.522
Derivative financial liabilities	-	(15.945.233)	(3.102.449)	(5.001.873)	(1.140.482)	(11.092.703)	-	(36.282.740)
Non-cash loans	28.217.353	3.032.626	8.898.156	31.352.078	15.861.958	2.555.497	-	89.917.668

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	349.232.291	88.051.439	21.888.862	796.641	1.338	(2.684.276)	457.286.295
Funds provided from other financial intuitions	69.559	187.245	1.492.255	3.728.963	5.636.116	(727.139)	10.386.999
Money market borrowings	103.347.915	4.526	-	-	747.982	(144.003)	103.956.420
Securities issued	791.522	6.353.168	5.065.376	1.531.819	-	(547.206)	13.194.679
Funds	7.800	35	211.490	617.046	3.317.615	(536.683)	3.617.303
Total	453.449.087	94.596.413	28.657.983	6.674.469	9.703.051	(4.639.307)	588.441.696

Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	222.577.025	55.252.031	21.540.761	405.124	1.686	(2.042.451)	297.734.176
Funds provided from other financial intuitions	267.298	658.673	3.091.367	4.880.595	2.966.292	(847.384)	11.016.841
Money market borrowings	52.626.531	9.229	29.918	158.153	748.261	(371.048)	53.201.044
Securities issued	620.548	6.782.823	3.182.234	8.496.753	-	(1.491.071)	17.591.287
Funds	232.809	4.471	26.438	1.627.722	1.317.614	(50)	3.209.004
Total	276.324.211	62.707.227	27.870.718	15.568.347	5.033.853	(4.752.004)	382.752.352

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

Current Period: ⁽¹⁾	Up to 1 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	10.153.294	5.772.068	1.707.242	1.184.000	-	18.816.604
Swaps – Sell	13.412.571	5.354.643	1.243.058	675.070	-	20.685.342
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	-	-	-	-	-	-
Total	33.702.846	15.033.605	3.369.077	2.763.736	23.761.364	78.630.628

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

Prior Period: ⁽¹⁾	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	1.625.156	882.251	879.250	2.279	-	3.388.936
Forward Contracts – Sell	1.974.568	1.317.050	881.542	2.278	-	4.175.438
Swaps – Buy	11.610.340	1.099.441	1.789.967	1.534.000	-	16.033.748
Swaps – Sell	13.791.267	1.094.198	1.626.617	960.870	-	17.472.952
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	508.892	445.729	-	-	-	954.621
Forward Precious Metal - Sell	132.599	-	-	-	-	132.599
Money Buy Options	1.085.237	675.013	-	-	-	1.760.250
Money Sell Options	1.086.024	674.240	-	-	-	1.760.264
Swaps Interest – Buy	20.000	70.000	2.493.714	177.333	11.092.704	13.853.751
Swaps Interest – Sell	20.000	70.000	2.493.714	177.333	11.092.704	13.853.751
Swaps Precious Metal - Buy	2.149.575	-	-	-	-	2.149.575
Swaps Precious Metal - Sell	-	-	-	-	-	-
Total	34.003.658	6.327.922	10.164.804	2.854.093	22.185.408	75.535.885

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

VII. EXPLANATIONS ON LEVERAGE RATIO

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

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance Sheet Items		
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	675.612.548	449.580.786
2. Assets that are deducted from core capital	(665.184)	(217.070)
3. Total on balance sheet exposures	674.947.364	449.363.716
Derivative exposures and credit derivatives		
4. Replacement cost associated with derivative financial instruments and credit derivatives	2.968.464	1.128.580
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	509.366	537.343
6. The total amount of risk on derivative financial instruments and credit derivatives	3.477.830	1.665.923
Investment securities or commodity collateral financing transactions		
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.770.902	3.055.227
8. Risk amount of exchange brokerage operations		-
9. Total risks related with securities or commodity financing transactions	1.770.902	3.055.227
Off-Balance Sheet Items		
10. Gross notional amount of off-balance sheet items	161.158.994	117.633.355
11. Adjustments for conversion to credit equivalent amounts	(2.315.652)	-
12. The total risk of off-balance sheet items	158.843.342	117.633.355
Capital and Total Exposures		
13. Tier 1 Capital	49.675.826	36.962.755
14. Total Exposures	839.039.438	571.718.221
Leverage Ratio		
15. Leverage Ratio	5,92%	6,47%

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

VIII. EXPLANATIONS ON BUSINESS SEGMENTATION

The Bank's operations are grouped under the corporate, commercial, integrated banking and treasury/investment banking categories.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

VIII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

VIII. EXPLANATIONS ON 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.

Current Period (1 January-31 December 2020)	Commercial/ Corporate	Integrated	Treasury/ Investment	Total
OPERATING INCOME/ EXPENSES				
Interest income	12.228.868	25.712.589	15.796.894	53.738.351
<i>Interest on loans</i>	12.174.758	25.610.947	337.337	38.123.042
<i>Interest income on marketable securities</i>	-	84.220	15.185.172	15.269.392
<i>Interest received from banks</i>	-	-	272.044	272.044
<i>Other interest income</i>	54.110	17.422	2.341	73.873
Interest expense	10.765.060	11.228.426	12.991.681	34.985.167
<i>Interest on deposits</i>	10.194.276	10.857.240	1.384.231	22.435.747
<i>Interest on borrowings</i>	39.204	66.802	144.740	250.746
<i>Interest on money market borrowings</i>	-	38.529	8.677.223	8.715.752
<i>Interest on marketable bonds issued</i>	-	-	2.467.474	2.467.474
<i>Other interest expense</i>	531.580	265.855	318.013	1.115.448
Net interest income	1.463.808	14.484.163	2.805.213	18.753.184
Net fees and commissions income	976.093	1.542.501	96.271	2.614.865
Net trading profit / (loss)	12.426	1.728.209	(7.022.053)	(5.281.418)
Dividend income	-	-	511.111	511.111
Other income	322.020	706.039	413.158	1.441.217
Expected loss provisions	2.118.715	1.234.783	3.477.093	6.830.591
Other expenses	397.264	3.430.025	4.151.179	7.978.468
Income before taxes	258.368	13.796.104	(10.824.572)	3.229.900
Income tax provision	-	-	(629.855)	(629.855)
Net profit for the period	258.368	13.796.104	(11.454.427)	2.600.045
SEGMENT ASSETS (31 December 2020)				
Marketable securities ⁽¹⁾	-	2.005.568	157.183.377	159.188.945
Derivative financial assets held for trading	-	447.253	1.899.936	2.347.189
Banks and money market receivables	-	284	2.145.200	2.145.484
Associates and subsidiaries (net)	-	-	6.249.392	6.249.392
Loans ⁽¹⁾	145.410.763	285.849.473	1.852.771	433.113.007
Other assets	3.836.074	4.737.307	68.408.697	76.982.078
TOTAL ASSETS	149.246.837	293.039.885	237.739.373	680.026.095
SEGMENT LIABILITIES (31 December 2020)				
Deposits	172.945.135	259.510.901	24.830.259	457.286.295
Derivative financial liabilities	-	309.375	224.666	534.041
Money market balances	-	1.114.631	102.841.789	103.956.420
Borrowing funding loans	675.438	868.174	8.843.387	10.386.999
Bonds issued	-	-	13.194.679	13.194.679
Other liabilities	2.273.342	11.535.395	34.770.959	48.579.696
Provisions and tax payable	247.237	239.340	2.670.884	3.157.461
Shareholders' equity	1.159.958	14.033.456	27.737.090	42.930.504
TOTAL LIABILITIES	177.301.110	287.611.272	215.113.713	680.026.095
OFF-BALANCE SHEET ITEMS (31 December 2020)				
Guarantees and sureties	60.975.156	37.275.102	16.305.079	114.555.337
Commitments	862.674	12.634.337	32.958.811	46.455.822
Derivative financial instruments	-	13.586.811	63.217.072	76.803.883
TOTAL OFF-BALANCE SHEET ITEMS	61.837.830	63.496.250	112.480.962	237.815.042

⁽¹⁾ TFRS 9 Expected Credit Loss provisions are presented in related lines.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

VIII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)

Prior Period (1 January-31 December 2019)	Commercial/ Corporate	SME/ Integrated	Treasury/ Investment	Total
OPERATING INCOME/ EXPENSES				
Interest income	12.545.001	24.910.172	9.275.009	46.730.182
<i>Interest on loans</i>	12.542.532	24.451.585	76.213	37.070.330
<i>Interest income on marketable securities</i>	-	440.623	8.720.275	9.160.898
<i>Interest received from banks</i>	-	-	341.253	341.253
<i>Other interest income</i>	2.469	17.964	137.268	157.701
Interest expense	7.748.765	14.622.240	13.747.141	36.118.146
<i>Interest on deposits</i>	7.704.419	14.165.507	1.667.189	23.537.115
<i>Interest on borrowings</i>	34.472	75.019	191.986	301.477
<i>Interest on money market borrowings</i>	-	189.927	9.153.274	9.343.201
<i>Interest on marketable bonds issued</i>	-	-	2.582.362	2.582.362
<i>Other interest expense</i>	9.874	191.787	152.330	353.991
Net interest income	4.796.236	10.287.932	(4.472.132)	10.612.036
Net fees and commissions income	1.080.148	1.383.476	314.594	2.778.218
Net trading profit / (loss)	25.263	554.155	(3.846.514)	(3.267.096)
Dividend income	-	-	421.825	421.825
Other income	1.018.591	583.321	805.528	2.407.440
Expected loss provisions	2.157.124	1.934.567	460.054	4.551.745
Other expenses	148.426	2.478.234	3.805.761	6.432.421
Income before taxes	4.614.688	8.396.083	(11.042.514)	1.968.257
Income tax provision	-	-	(247.948)	(247.948)
Net profit for the period	4.614.688	8.396.083	(11.290.462)	1.720.309
SEGMENT ASSETS (31 December 2019)				
Marketable securities ⁽¹⁾	-	4.833.999	97.890.183	102.724.182
Derivative financial assets held for trading	-	211.149	940.885	1.152.034
Banks and money market receivables	-	570	3.749.680	3.750.250
Associates and subsidiaries (net)	-	-	3.749.667	3.749.667
Loans ⁽¹⁾	115.269.461	179.703.613	2.833.363	297.806.437
Other assets	3.903.011	3.381.194	40.578.626	47.862.831
TOTAL ASSETS	119.172.472	188.130.525	149.742.404	457.045.401
SEGMENT LIABILITIES (31 December 2019)				
Deposits	105.106.115	174.651.324	17.976.737	297.734.176
Derivative financial liabilities	-	148.937	204.781	353.718
Money market balances	-	2.951.294	50.249.750	53.201.044
Borrowing funding loans	1.028.956	1.150.633	8.837.252	11.016.841
Bonds issued	-	-	17.591.287	17.591.287
Other liabilities	1.667.559	8.660.217	31.352.032	41.679.808
Provisions and tax payable	229.542	288.258	2.753.901	3.271.701
Shareholders' equity	4.053.543	7.964.223	20.179.060	32.196.826
TOTAL LIABILITIES	112.085.715	195.814.886	149.144.800	457.045.401
OFF-BALANCE SHEET ITEMS (31 December 2019)				
Guarantees and sureties	47.716.159	27.348.373	14.853.136	89.917.668
Commitments	645.977	9.433.236	20.546.067	30.625.280
Derivative financial instruments	-	17.613.566	55.689.696	73.303.262
TOTAL OFF-BALANCE SHEET ITEMS	48.362.136	54.395.175	91.088.899	193.846.210

⁽¹⁾ TFRS 9 Expected Credit Loss provisions is presented in related lines.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

	Current Period		Prior Period	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets	641.930.307	620.123.947	419.959.999	419.576.250
Cash and Balances with the Central Bank of Turkey	63.476.219	63.476.219	34.488.581	34.488.581
Financial assets at fair value through P&L ^{(3) (4)}	3.504	3.504	547	547
Banks	2.145.651	2.144.265	3.750.467	3.750.219
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income ⁽¹⁾	58.856.481	58.856.481	14.239.466	14.239.466
Other Financial Assets Measured at Amortised Cost	84.621.031	79.295.045	72.208.355	71.794.693
Loans ⁽²⁾	432.827.421	416.348.433	295.272.583	295.302.744
Financial Liabilities	595.083.806	595.225.672	386.776.517	387.269.307
Deposits	457.286.295	457.401.311	297.734.176	298.039.708
Derivative financial liabilities held for trading	534.041	534.041	353.718	353.718
Funds provided from other financial institutions	10.386.999	10.703.195	11.016.841	11.369.633
Money market borrowings	103.956.420	103.851.632	53.201.044	53.422.883
Securities issued	13.194.679	13.010.122	17.591.287	17.203.914
Miscellaneous payables	8.942.486	8.942.486	6.299.526	6.299.526
Leasing payables	782.886	782.886	579.925	579.925

⁽¹⁾ As of 31 December 2020, TRY44.649 (31 December 2019: TRY 19.318) of "equity investments not quoted on stock exchange" followed in financial assets at fair value through other comprehensive income are not included.

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

⁽³⁾ As of 31 December 2020, marketable securities amounting to TRY 174.392 (31 December 2019: TRY 162.158) that are not valued with market price, are not included in financial assets at fair value through Profit and Loss.

⁽⁴⁾ Securities lending transactions amounting to TRY 15.499.625 (31 December 2019: TRY 16.104.081) is not included in the financial assets at fair value through P&L.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

As of 31 December 2020, fair values of Associates and Subsidiaries are shown at section 5 footnote 7 and 8. The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

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

Classification of Fair Value Measurement

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

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

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

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

Classification requires using observable market data if possible.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value:				
Financial Assets Measured at Fair Value through Profit/Loss ^{(2) (4)}	3.504	-	-	3.504
Derivative financial assets	-	2.347.189	-	2.347.189
Financial Assets at Fair Value through Other Comprehensive Income ⁽¹⁾	58.856.481	-	-	58.856.481
Subsidiaries	2.240.689	-	3.256.393	5.497.082
Associates ⁽³⁾	-	-	674.237	674.237
Non-Current Assets Held For Sale and Discontinued Operations	-	-	-	-
Total Financial Assets	61.100.674	2.347.189	3.930.630	67.378.493

Financial Liabilities Measured at Fair Value:

Derivative financial liabilities	-	534.041	-	534.041
Total Financial Liabilities	-	534.041	-	534.041

⁽¹⁾ As of 31 December 2020, share certificates amounting to TRY 44.649 of “securities not quoted on the stock exchange” in financial assets at fair value through other comprehensive income are not included in the above table.

⁽²⁾ As of 31 December 2020, marketable securities amounting to TRY 174.392 that are not valued at fair value, are not included in financial assets at fair value through profit or loss.

⁽³⁾ Bank’s associates which are shown with their cost values in the accompanying financial statements as no fair values are available, Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş. (TRY 11.518), Bileşim Finansal Teknolojiler ve Ödeme Sis. A.Ş. (TRY 62.989), Kredi Kayıt Bürosu A.Ş. (TRY 2.516) and Platform Ortak Katlı Sistemler A.Ş. (TRY 1.050) and Keskinöğlü Tavukçuluk ve Damızlık A.Ş. are not included in the table.

⁽⁴⁾ As of 31 December 2020, 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.

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

Financial Liabilities Measured at Fair Value:

Derivative financial liabilities	-	353.718	-	353.718
Total Financial Liabilities	-	353.718	-	353.718

⁽¹⁾ As of 31 December 2019, share certificates amounting to TRY 19.318 of “securities not quoted on the stock exchange” in financial assets at fair value through other comprehensive income are not included in the above table.

⁽²⁾ As of 31 December 2019, marketable securities amounting to TRY 162.158 that are not valued at fair value, are not included in financial assets at fair value through profit or loss.

⁽³⁾ Bank’s associates which are shown with their cost values in the accompanying financial statements as no fair values are available, Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş. (TRY 11.518), Bankalararası Kart Merkezi A.Ş. (TRY 6.836), Kredi Kayıt Bürosu A.Ş. (TRY 2.516) Türk P&I Sigorta A.Ş. TRY (2.495) and Platform Ortak Katlı Sistemler A.Ş. (TRY 1.750) are not included in the table.

⁽⁴⁾ As of 31 December 2019, the securities lending transactions amounting to TRY 16.104.081 followed in financial assets at fair value through profit or loss are not included in the table.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

The movement of financial assets classified as level three are as follows:

	Current Period
Balance at the beginning of the period	4.909.740
Purchases during the year	148.506
Non-paid up shares	-
Valuation Difference	956.384
Transfers	(27.997)
Redemption or Sales	(2.056.003)
Period End Balance	3.930.630

	Prior Period
Balance at the beginning of the period	3.823.124
Purchases during the year	89.974
Non-paid up shares	59.881
Valuation Difference	936.761
Transfers	-
Redemption or Sales	-
Period End Balance	4.909.740

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

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

The Bank does not engage in fiduciary transactions.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS

Explanations Related To Risk Management

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

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

The structure of the internal systems determines the level of risk by identifying the risks that the bank is exposed to. In this direction, the relevant units are responsible for monitoring, controlling and reporting risks, limited to their areas of responsibility. Outside of internal systems, Top Management is directly responsible to the Board of Directors for the risks to which the Bank is exposed in relation to its duties.

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

Overview of Risk Weighted Amounts^(*):

		Risk Weighted Amounts		Minimum Capital Requirements	
		Current Period	Prior Period	Current Period	Prior Period
1	Credit risk (excluding counterparty credit risk) (CCR) (**)	360.766.586	287.606.055	28.861.327	23.008.484
2	Standardized approach (SA)	360.766.586	287.606.055	28.861.327	23.008.484
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk (**)	4.060.871	5.791.239	324.870	463.299
5	Standardized approach for counterparty credit risk (SA-CCR)	4.060.871	5.791.239	324.870	463.299
6	Internal model method (IMM)	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies look-through approach	-	-	-	-
9	Investments made in collective investment companies mandate-based approach	-	-	-	-
10	Investments made in collective investment companies 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization positions in banking accounts	-	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-	-
16	Market risk	14.804.413	11.483.275	1.184.353	918.662
17	Standardized approach (SA)	14.804.413	11.483.275	1.184.353	918.662
18	Internal model approaches (IMM)	-	-	-	-
19	Operational Risk	19.789.493	18.625.782	1.583.159	1.490.063
20	Basic Indicator Approach	19.789.493	18.625.782	1.583.159	1.490.063
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.513.386	1.241.710	121.071	99.337
24	Floor adjustment	-	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	400.934.749	324.748.061	32.074.780	25.979.845

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

(**) According to the BRSA's decision dated 8 December 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

Assets	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				Not subject to capital requirements or subject to deduction from capital
		Credit Risk	Counterparty credit risk	Securitization positions	Market Risk	
Cash and Balances with the Central Bank	63.468.259	63.468.259	-	-	-	-
Derivative Financial Assets	2.347.189	-	2.347.189	-	10.133	-
Financial assets at fair value through profit and loss	15.677.521	174.392	-	-	3.504	15.499.625
Banks	2.145.484	2.145.484	-	-	-	-
Receivables from Money markets	-	-	-	-	-	-
Financial assets at fair value through OCI (net)	58.901.130	44.648	-	-	58.446.590	-
Loans	433.113.007	433.108.709	-	-	-	4.298
Receivables from factoring	-	-	-	-	-	-
Financial assets measured at amortised cost (net)	84.610.294	84.610.294	-	-	-	-
Subsidiaries (net)	752.310	752.310	-	-	-	-
Associates (net)	5.497.082	5.497.082	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-
Finance lease receivables	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Tangible Assets (net)	7.877.293	7.877.293	-	-	-	-
Intangible Assets (net)	572.925	-	-	-	-	572.925
Real estate for investment purpose (net)	353.647	353.647	-	-	-	-
Tax asset	326.239	326.239	-	-	-	-
Deferred Tax Assets	-	-	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	-	-	-	-	-	-
Other assets	4.383.715	4.383.316	-	-	399	-
Total Assets	680.026.095	602.741.673	2.347.189	-	58.460.626	16.076.848
Liabilities						457.286.295
Deposits	457.286.295	-	-	-	-	457.286.295
Derivative financial liabilities	534.041	-	-	-	9.019	525.022
Loans	10.386.999	-	-	-	-	10.386.999
Money market borrowings	103.956.420	-	33.940.694	-	-	70.015.726
Securities issued	13.194.679	-	-	-	-	13.194.679
Funds	3.617.303	-	-	-	-	3.617.303
Other liabilities	29.318.919	-	-	-	193	29.318.726
Factoring payables	-	-	-	-	-	-
Finance lease payables	782.886	-	-	-	-	782.886
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Provisions	2.084.453	-	-	-	-	2.084.453
Tax Liability	741.256	-	-	-	-	741.256
Deferred Tax Liability	331.752	-	-	-	-	331.752
Liabilities regarding assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Subordinated Loans	14.860.588	-	-	-	-	14.860.588
Shareholders' equity	42.930.504	-	-	-	-	42.930.504
Total liabilities	680.026.095	-	33.940.694	-	9.212	646.076.189

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

	Total	Credit risk	Securitization positions	Counterparty credit risk	Market Risk
Asset carrying value amount under scope of					
1 regulatory consolidation	680.026.095	602.741.673	-	2.347.189	58.460.626
Liabilities carrying value amount under					
2 regulatory scope of consolidation	-	-	-	33.940.694	9.212
Total net amount under regulatory scope of					
3 consolidation	680.026.095	602.741.673	-	36.287.883	58.469.838
4 Off-balance Sheet Amounts ^(*)	237.815.042	161.011.159	-	76.803.883	4.296.455
5 Differences in valuations	-	-	-	-	-
Differences due to different netting rules, other					
6 than those already included in row 2	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to prudential filters	-	-	-	-	-
9 Differences due to risk reduction	-	763.752.835	-	113.091.766	62.766.293

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

Explanations Related to Counterparty Credit Risk

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

Counterparty Credit Risk (CCR) Approach Analysis:

	Replacement cost	Potential Future exposure	EEPE ^(*)	Alpha used for computing regulatory EAD	EAD post-CRM	Risk Weighted Assets
Standardised Approach - CCR (for derivatives)	2.161.147	455.297		1,4	2.616.444	1.338.325
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)					2.406.791	2.004.194
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
Total					5.023.235	3.342.519

^(*) 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	2.616.444	718.313
Total subject to the CVA capital obligation	2.616.444	718.313

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

Risk weight / Risk Classifications	Risk weight / Risk Classifications										Total Credit Risk
	0%	10%	20%	50%	75%	100%	150%	2%	4%		
Claims on sovereigns and Central Banks	777.504	-	-	-	-	-	-	-	-	-	777.504
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	-	-	734.992	627.006	-	570.404	-	-	-	-	1.932.402
Claims on corporates	-	-	-	-	-	3.024.808	-	-	-	-	3.024.808
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*	-	-	-	-	-	13	-	1.275	-	-	1.288
Toplam	777.504	-	734.992	627.055	6.765	3.595.246	-	1.275	-	-	5.742.837

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

Collaterals for Counterparty Credit Risk:

	Collateral for derivative transactions				Collateral for other transactions	
	Received Collaterals		Given Collaterals		Received Collaterals	Given Collaterals
	Segregated	Nonsegregated	Segregated	Nonsegregated		
Cash-domestic currency	-	-	-	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	-	-	-	-	-	-
Total	-	564.049	-	174.558	10.554	203.936

Counterparty Credit Risk-Credit Derivatives:

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

Exposures to Central Counterparty (CCP):

	Exposure post-CRM	RWA
Total Exposure to Qualified Central Counterparties (QCCPs)		39
Exposures for trades with QCCPs (excluding initial margin and guarantee fund)	1.275	26
(i) Over the counter derivative financial instruments	1.275	26
(ii) Other derivative financial instruments	-	-
(iii) Repo-reverse repo transactions, margin trading and securitites or commodity lending or borrowing	-	-
(iv) Counterparties where cross product netting applied	-	-
Reserved initial collateral	57	
Unreserved initial collateral	-	-
Pre-funded guarantee fund contributions	500	13
Unfunded guarantee fund contributions	-	-
Total Exposures to Non-QCCPs		-
Exposures for trades with QCCPs (excluding initial margin and guarantee fund)	-	-
(i) Over the counter derivative financial instruments	-	-
(ii) Other derivative financial instruments	-	-
(iii) Repo-reverse repo transactions, margin trading and securitites or commodity lending or borrowing	-	-
(iv) Counterparties where cross product netting applied	-	-
Reserved initial collateral	-	-
Unreserved initial collateral	-	-
Pre-funded guarantee fund contributions	-	-
Unfunded guarantee fund contributions	-	-

Explanations on securitization:

There is no explanation.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

Qualitative Disclosure on Credit Risk:

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

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

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

The Bank, in the credit allocation process, restricts its risk exposure by working with highly creditworthy banks and institutions considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk is concentrated in Turkey.

Limits are determined based on the type of loans and customers and risk and limit information is controlled periodically. Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically, concerning the off-balance sheet operations based on the customers and banks.

Credit Quality of Assets

	Gross carrying value as per TAS		Allowances/amortisation and impairments	Net values
	Defaulted	Non-Defaulted		
1 Loans	16.917.794	432.827.421	16.632.208	433.113.007
2 Debt Securities ^(*)	-	143.915.300	225.980	143.689.320
3 Off-balance sheet exposures	-	161.011.159	457.166	160.553.993
4 Total	16.917.794	737.753.880	17.315.354	737.356.320

^(*) 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 Defaulted Loans and Debt Securities

1	Defaulted loans and debt securities at end of the previous reporting period	15.920.081
2	Loans and debt securities defaulted since the last reporting period	5.309.403
3	Receivables back to performing status	(165.483)
4	Amounts written off	(593.315)
5	Other changes	(3.552.892)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	16.917.794

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

Additional Disclosure Related To The Credit Quality Of Assets:

Breakdown According to Maturity:

31 December 2020	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total
Loans	20.560.244	29.560.641	33.689.062	108.498.095	202.309.055	55.128.118	449.745.215

Exposures Provisioned Against By Major Regions:

31 December 2020	Non-Performing Loans	ECL (Stage 3)
Domestic	16.851.399	11.024.854
European Union (EU) Countries	124	84
OECD Countries	-	-
Off-Shore Banking Regions	-	-
USA, Canada	10	9
Other Countries	66.261	24.203
Total	16.917.794	11.049.150

Exposures Provisioned Against By Sectors:

Explained in Section 4-II Information According to Sectors and Counterparties

Aging analysis of overdue but not impaired financial assets:

31 December 2020	
30-60 days overdue	1.905.189
60-90 days overdue	1.624.679
Total	3.529.868

* 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 4.123.679

** Rediscounts are included in the amount.

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

31 December 2020	
Loans Structured from Standard Loans	629.582
Loans Composed of Follow-up Loans	13.827.145
Loans Restructured from Non-Performing Loans	2.447.810

* Rediscounts are not included in the amount.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

Qualitative Disclosure on Credit Risk Mitigation Techniques

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

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

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

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

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

The volatility in the real estate market is closely monitored by the Bank and fluctuations that may occur depending on the market movements related to the mentioned risk class, are taken into account according to the principles stated in the related regulation.

In the portfolios where the comprehensive financial guarantee method is used, the risk mitigating effects of collateral are determined through standard volatility adjustments.

Concentration checks are conducted on guarantors and collateral providers.

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

Credit Risk Mitigation Techniques - Overview

	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 ⁽²⁾	201.170.752	231.942.255	147.818.759	59.900.735	48.242.716	-	-
2 Debt Instruments ⁽¹⁾	143.700.057	-	-	-	-	-	-
3 Total	344.870.809	231.942.255	147.818.759	59.900.735	48.242.716	-	-
4 Of which defaulted	2.610.864	3.257.780	2.723.636	785.749	709.729	-	-

⁽¹⁾ 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.

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

Standardised Approach- Credit Risk Exposure and Credit Risk Mitigation Techniques

Risk Classification	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns and Central Banks	142.009.285	478.088	190.054.340	944.650	172.391	0,09%
Claims on regional governments or local authorities	2.451.794	103.753	2.446.938	40.613	1.243.775	50,00%
Claims on administrative bodies and other non-commercial undertakings	1.663.272	427.578	1.625.978	193.387	1.819.365	100,00%
Claims on multilateral development banks	-	-	24.642	477	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	4.688.438	2.154.041	4.688.438	1.567.448	3.444.228	55,06%
Claims on corporates	159.325.594	86.126.399	139.073.742	55.652.657	190.966.607	98,07%
Claims included in the regulatory retail portfolios	167.636.075	49.971.260	131.534.448	8.893.313	105.320.821	75,00%
Claims secured by residential property	54.882.083	3.481.790	54.882.083	1.663.117	19.790.820	35,00%
Claims secured by commercial property	33.187.450	6.272.926	33.187.450	4.193.462	21.572.152	57,71%
Overdue loans	5.801.967	1.367.588	5.085.094	626.279	4.191.855	73,39%
Higher risk categories decided by the Board	-	-	-	-	-	0,00%
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	6.389.475	-	6.389.475	-	7.297.506	114,21%
Equity share investments	22.397.175	2.450.157	22.397.175	9.840	10.521.323	46,96%
Total	600.432.608	152.833.580	591.389.803	73.785.243	366.340.843	55,07%

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

Standardised Approach- Claims By Risk Classification And Risk Weights

Risk Classification	0%	10%	20%	35%*	50%	75%	100%	150%	200%	250%	2%	4%	Total risk amount (pt-CCF and RM)
Claims on sovereigns and Central Banks	190.790.712	-	44.859	-	-	-	163.419	-	-	-	-	-	190.998.990
Claims on regional governments or local authorities	-	-	-	-	2.487.551	-	-	-	-	-	-	-	2.487.551
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	1.819.365	-	-	-	-	-	1.819.365
Claims on multilateral development banks	25.119	-	-	-	-	-	-	-	-	-	-	-	25.119
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	7.025	-	2.665.273	-	1.342.330	-	2.239.983	-	-	-	1.275	-	6.255.886
Claims on corporates	2.924.871	-	581.302	-	739.759	-	190.480.467	-	-	-	-	-	194.726.399
Claims included in the regulatory retail portfolios	-	-	-	-	-	140.427.761	-	-	-	-	-	-	140.427.761
Claims secured by residential property	-	-	-	56.545.200	-	-	-	-	-	-	-	-	56.545.200
Claims secured by commercial property	-	-	-	-	31.617.519	-	5.763.393	-	-	-	-	-	37.380.912
Overdue loans	-	-	-	-	3.489.938	-	1.770.534	450.901	-	-	-	-	5.711.373
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	-	-	-	-	-	-	5.784.121	-	-	605.354	-	-	6.389.475
Other receivables	10.660.505	-	1.481.093	-	-	161.249	10.104.168	-	-	-	-	-	22.407.015
Total	204.408.232	-	4.772.527	56.545.200	39.677.097	140.589.010	218.125.450	450.901	-	605.354	1.275	-	665.175.046

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

Publicly Announced Qualitative Disclosure on Market Risk

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

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

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

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

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

Market Risk: Standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	8.756.275
Equity risk (general and specific)	819.775
Foreign exchange risk	5.201.025
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	27.338
Scenario approach	-
Securitization	-
Total	14.804.413

Information related to Operational Risk

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

	2 PP Amount	1 PP Amount	CP Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	10.210.808	10.771.098	10.681.283	10.554.396	15	1.583.159
Amount at Operational Risk (Total * 12,5)						19.789.493

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

XII. EXPLANATIONS ON REMUNERATION POLICIES

1. Disclosures related with Remuneration Committee

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

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

The 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 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 Bank gives importance to identify and separate key personnel.

Positions specified below are considered as key personnel by the 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

XII. 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 Bank's ethical values, internal balances and strategic objectives and cannot be associated only with the short term performance of the 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 in 2020 to the members of the Bank's Board of Directors, senior management and other staff are in line with the Bank's ethical values, internal balances and strategic objectives. Regardless of the performance of the units that are audited by internal audit, the benefits of are determined on the basis of the general wage increase rate set by the Bank.

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

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.736.896	3.042.808	1.370.216	2.295.551
CBRT	6.659.022	52.037.405	1.102.242	29.720.567
Other	-	88	-	5
Total	8.395.918	55.080.301	2.472.458	32.016.123

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

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

⁽¹⁾ Reserve deposits kept in the CBRT.

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

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

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	15.026.478	-	13.534.565	-
Total	15.026.478	-	13.534.565	-

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	16.265	-	53.558
Swap transactions	5.418	2.324.636	3.695	1.091.646
Futures transactions	-	-	-	-
Options	335	535	1	3.134
Other	-	-	-	-
Total	5.753	2.341.436	3.696	1.148.338

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	145.365	111.752	302.313	1.115.022
Foreign banks	103.818	1.784.716	205.103	2.128.029
Branches and offices abroad	-	-	-	-
Total	249.183	1.896.468	507.416	3.243.051

b) Information on foreign banks:

	Current Period		Prior Period	
	Unrestricted Balance	Restricted Balance	Unrestricted Balance	Restricted Balance
EU Countries	330.087	-	1.226.105	-
USA and Canada	265.812	-	207.280	-
OECD Countries ⁽¹⁾	212.941	-	176.127	-
Offshore Banking Regions	167	-	314	-
Other	1.079.527	-	723.306	-
Total	1.888.534	-	2.333.132	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

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

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

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

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

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

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

	Current Period	Prior Period
Debt securities	58.644.550	14.026.728
<i>Quoted on a stock exchange</i>	58.644.550	14.026.728
<i>Not quoted</i>	-	-
Equity Securities	471.823	249.356
<i>Quoted on a stock exchange</i>	409.893	212.757
<i>Not quoted</i>	61.930	36.599
Impairment provision (-)	215.243	17.300
Total	58.901.130	14.258.784

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-Cash loans	Cash loans	Non-Cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	522.920	-	389.804	-
Toplam	522.920	-	389.804	-

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables	
			Subject to Contract Terms	Loans and Receivables with Revised Contract Terms
Non-specialized loans	317.025.266	19.762.489	19.440	13.807.644
<i>Corporation loans</i>	183.148.135	16.197.766	-	13.798.824
<i>Export loans</i>	11.569.029	385.083	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	4.977.710	-	-	-
<i>Consumer loan</i>	75.653.419	1.164.251	18.563	3.809
<i>Credit cards</i>	14.493.768	475.434	877	-
<i>Other</i>	27.183.205	1.539.955	-	5.011
Specialized lending	72.824.894	2.377.989	-	61
Other receivables	-	-	-	-
Accruals	5.224.569	993.335	784	790.950
Total	395.074.729	23.133.813	20.224	14.598.655

- c) Distribution of cash loans by maturity structure:

Current Period	Standard Loans	Loans under close monitoring	
		Loans Not Subject To Restructuring	Restructured
Short Term Loans	56.308.961	2.549.067	53.215
Medium and Long Term Loans	338.765.768	20.584.746	14.565.664
Prior Period			
Short Term Loans	46.922.783	1.631.425	347.622
Medium and Long Term Loans	221.005.346	12.911.817	10.469.027

	Standard Loans		Loans Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months Expected Loss Provision	2.264.550	1.303.546	-	-
Significant Increase in Credit Risk	-	-	3.318.508	1.215.456

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(5) Information on loans (continued):

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

Current Period	Short-term	Medium and long-term	Total
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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	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	214	-	214
<i>Installment</i>	-	-	-
<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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	131.241	-	131.241
<i>Installment</i>	46.527	-	46.527
<i>Non-installment</i>	84.714	-	84.714
Personnel credit cards-FC	43	-	43
<i>Installment</i>	-	-	-
<i>Non-installment</i>	43	-	43
Overdraft accounts-TRY (Retail customers)**)	1.318.207	-	1.318.207
Overdraft accounts-FC (Retail customers)	-	-	-
Total	6.306.331	75.019.308	81.325.639

(*) 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(5) Information on loans (continued):

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(5) Information on loans (continued):

e) Information on commercial installments loans and corporate credit cards^(*):

Current Period	Short-term	Medium and long-term	Total
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	-	14.990	14.990
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	14.990	14.990
<i>Other</i>	-	-	-
Commercial installment loans - FC	28.217	27.519.321	27.547.538
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	28.217	27.519.321	27.547.538
<i>Other</i>	-	-	-
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	-	203
<i>Installment</i>	-	-	-
<i>Non-installment</i>	203	-	203
Overdraft accounts-TRY (Commercial customers)	3.227.895	-	3.227.895
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	14.220.219	65.674.137	79.894.356

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

Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.028.247	37.237.477	38.265.724
<i>Business premises loans</i>	2.997	624.487	627.484
<i>Automobile loans</i>	32.702	671.338	704.040
<i>Consumer loans</i>	992.548	35.941.652	36.934.200
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	43.082	43.082
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	135	135
<i>Consumer loans</i>	-	42.947	42.947
<i>Other</i>	-	-	-
Commercial installment loans - FC	115.130	18.022.986	18.138.116
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	115.130	18.022.986	18.138.116
<i>Other</i>	-	-	-
Corporate credit cards-TRY	2.728.827	-	2.728.827
<i>Installment</i>	1.035.348	-	1.035.348
<i>Non-installment</i>	1.693.479	-	1.693.479
Corporate credit cards-FC	191	-	191
<i>Installment</i>	-	-	-
<i>Non-installment</i>	191	-	191
Overdraft accounts-TRY (Commercial customers)	2.227.970	-	2.227.970
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	6.100.365	55.303.545	61.403.910

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(5) Information on loans (continued):

f) Loans by customers:

	Current Period	Prior Period
Public	6.842.975	6.759.394
Private	425.984.446	286.528.626
Total	432.827.421	293.288.020

g) Domestic and foreign loans^(*):

	Current Period	Prior Period
Domestic loans	431.848.690	290.726.869
Foreign loans	978.731	2.561.151
Total	432.827.421	293.288.020

^(*) Non-performing loans balance is not included in the table above.

h) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	3.164.527	2.331.642
Indirect loans granted to subsidiaries and associates	-	-
Total	3.164.527	2.331.642

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

	Current Period	Prior Period
Loans and receivables with limited collectability	799.164	1.044.059
Loans and receivables with doubtful collectability	270.090	2.001.698
Uncollectible loans and receivables	9.979.896	5.836.905
Total	11.049.150	8.882.662

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

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period			
Gross amounts before the specific provisions	332.359	73.605	2.041.846
Rescheduled loans and other receivables	332.359	73.605	2.041.846
Prior period			
Gross amounts before the specific provisions	134.442	95.916	1.331.355
Rescheduled loans and other receivables	134.442	95.916	1.331.355

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(5) Information on loans (continued):

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Prior period end balance	2.811.379	4.508.885	8.599.817
Additions (+)	3.530.141	148.504	1.630.758
Transfers from other categories of loans under follow-up (+)	-	2.314.879	5.820.793
Transfers to other categories of loans under follow-up (-)	3.181.201	4.954.471	-
Collections (-)	827.268	1.380.786	1.510.321
Write-offs (-)	-	-	593.315
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	2.333.051	637.011	13.947.732
Provision (-)	799.164	270.090	9.979.896
Net balance on balance sheet	1.533.887	366.921	3.967.836
	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period			
Prior period end balance	1.533.724	1.165.570	5.828.554
Additions (+)	7.381.579	869.005	865.958
Transfers from other categories of loans under follow-up (+)	-	5.559.337	2.681.892
Transfers to other categories of loans under follow-up (-)	5.662.391	2.578.838	-
Collections (-)	441.533	506.189	776.587
Write-offs (-)	-	-	-
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Period end balance	2.811.379	4.508.885	8.599.817
Provision (-)	1.044.059	2.001.698	5.836.905
Net balance on balance sheet	1.767.320	2.507.187	2.762.912

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(5) Information on loans (continued):

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

j.3. Information on foreign currency non-performing loans and other receivables^(*):

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	924.035	79.645	4.218.214
Provisions(-)	296.121	34.662	3.466.879
Net balance in the balance sheet	627.914	44.983	751.335
	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period			
Balance at the end of the period	532.183	1.405.092	2.570.885
Provisions(-)	219.456	838.579	1.456.665
Net balance in the balance sheet	312.727	566.513	1.114.220

^(*)Rediscounts are not included.

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	1.533.887	366.921	3.967.836
Loans to granted real persons and legal entities (Gross)	2.333.051	637.011	13.947.732
Provisions (-)	799.164	270.090	9.979.896
Loans to granted real persons and legal entities (Net)	1.533.887	366.921	3.967.836
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-
	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period (Net)	1.767.320	2.507.187	2.762.912
Loans to granted real persons and legal entities (Gross)	2.811.379	4.508.885	8.599.817
Specific provisions (-)	1.044.059	2.001.698	5.836.905
Loans to granted real persons and legal entities (Net)	1.767.320	2.507.187	2.762.912
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(5) Information on loans (continued):

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

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	10.059	7.549	659.036
Interest Accruals and Valuation Differences	23.383	25.850	2.136.175
Provision (-)	13.324	18.301	1.477.139
Prior Period (Net)	178.370	480.875	276.465
Interest Accruals and Valuation Differences	297.156	919.194	768.213
Provision (-)	118.786	438.319	491.748

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

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

m) Explanations on write-off policy:

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

The Bank derecognised TRY 593.315 of 5th group 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bills	-	-	-	-
Government bonds and similar securities	31.097.699	20.519.825	3.044.934	9.849.904
Total	31.097.699	20.519.825	3.044.934	9.849.904

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar	18.884.916	1.995.236	35.754.611	4.806.422
Total	18.884.916	1.995.236	35.754.611	4.806.422

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

	Current Period	Prior Period
Government bonds	83.751.989	72.004.446
Treasury bills	-	-
Other public sector debt securities	818.523	153.396
Total	84.570.512	72.157.842

c) Information on financial assets measured at amortised cost:

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

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

	Current Period	Prior Period
Beginning balance	72.208.355	56.073.053
Foreign currency differences on monetary assets	5.473.915	1.290.698
Purchases during the year ⁽¹⁾	20.575.242	18.670.158
Disposals through sales and redemptions	(13.636.481)	(3.825.554)
Impairment provision (-)	-	-
Balance at the end of the period	84.621.031	72.208.355

⁽¹⁾ Interest income accrual differences between 31 December 2020 amounting to TRY 14.515.145 and 31 December 2019 amounting to TRY 9.631.831 has been included in purchases row.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank's share percentage, if different- voting percentage (%)	Bank's risk group share percentage (%)
1. Demir-Halkbank NV ⁽¹⁾	Hollanda	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ ⁽¹⁾	Ankara	31,47	33,12
3. Kredi Kayıt Bürosu AŞ ⁽²⁾	İstanbul	18,18	18,18
4. Platform Ortak Kartlı Sistemler AŞ Bileşim Finansal Teknolojiler ve Ödeme Sis. AŞ ⁽²⁾	İstanbul	20,00	20,00
5. Keskinoglu Tavukçuluk ve Damızlık AŞ ⁽²⁾	Manisa	26,30	26,30

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽³⁾
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	-
3.	431.272	228.107	216.231	6.851	-	55.857	22.180	-
4.	5.250	5.250	-	-	-	-	-	-
5.	189.199	156.928	16.452	2.009	-	2.989	13.252	-
6.	351.828	(620.618)	163.234	791	-	468.531	(1.258.528)	-

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

⁽²⁾ The financial data is obtained from unaudited 31 December 2020 financial statement .

⁽³⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 December2020.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

c) Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	507.786	438.318
Movements during the period	244.524	69.468
<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⁽¹⁾⁽²⁾</i>	10.369	-
<i>Revaluation decrease (-) / increase</i>	191.566	66.843
<i>Impairment provisions (-) / reversals</i>	-	-
Balance at the end of the period	752.310	507.786

Capital commitments

Share percentage at the end of the period (%)

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

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

d) Sectorial information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	674.237	482.671
Insurance companies	-	2.495
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518
Other non- financial investments	66.555	11.102

e) Associates quoted on a stock exchange:

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(8) Information on subsidiaries (Net):

a) Information on subsidiaries⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
COMMON EQUITY							
TIER I CAPITAL							
Paid in Capital	104.000	970.000	323.000	600.732	96.000	213.395	100
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
Other Comprehensive Income according to TAS	17.128	1.063.258	-	6.248	10	13.383	-
Profit/ Loss	186.876	32.549	(2.271)	56.639	94.996	70.494	546
<i>Net Profit</i>	186.876	32.549	72.427	76.005	100.943	35.600	546
<i>Prior Period Profit/Loss</i>	-	-	(74.698)	(19.366)	(5.947)	34.894	-
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
Total Core Capital	360.961	2.188.857	334.261	1.256.724	212.949	918.251	2.336
SUPPLEMENTARY CAPITAL							
CAPITAL	360.961	2.188.857	369.318	1.275.488	228.413	934.532	2.336
NET AVAILABLE CAPITAL							
CAPITAL	360.961	2.188.857	369.318	1.275.488	228.413	934.532	2.336

⁽¹⁾ The information is presented from companies' financial statements as of 31 December 2020.

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

b) Information on subsidiaries:

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

c) Information related to the subsidiaries as shown in (b) ⁽¹⁾:

	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

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

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

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

d) Movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	3.241.881	4.332.481
Movements during the period	2.255.201	(1.090.600)
Purchase ⁽⁴⁾	148.506	89.974
Bonus shares obtained profit from current year's share	30.224	171.789
Dividends from current year income	-	-
Sales ⁽²⁾	(56.003)	-
Transfer ⁽¹⁾⁽³⁾	(27.997)	(2.576.996)
Revaluation increase/decrease	2.160.471	1.039.403
Impairment Provisions (-)/Reversals	-	185.230
Balance at the end of the period	5.497.082	3.241.881
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

⁽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 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 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

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

	Current Period	Prior Period
Banks	2.140.652	1.429.212
Insurance companies	-	-
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 ⁽¹⁾	2.240.689	814.812
Quoted foreign stock exchange	-	-

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

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

None.

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

None.

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

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Revaluation Increase	Disposals (-)	Transfer	Balance at the end of the period
Cost:						
Immovable	1.796.012	40.055	310.409	22.161	-	2.124.315
Tangible assets purchased through financial lease	24.111	-	-	4.340	(19.771)	-
Right of Use Assets	734.098	520.428	-	203.211	-	1.051.315
Office machines	815.306	188.302	-	19.967	-	983.641
Fixed assets obtained due to non-performing loans	4.883.164	1.197.322	-	1.364.780	(35.194)	4.680.512
Lease hold improvements costs	202.803	59.774	-	-	-	262.577
Other	308.840	35.182	-	8.078	19.771	355.715
Total Cost	8.764.334	2.041.063	310.409	1.622.537	(35.194)	9.458.075
Accumulated depreciation (-)						
Immovable	188.578	8.574	59.012	2.180	-	253.984
Tangible assets purchased through financial lease	23.958	-	-	4.537	(19.421)	-
Right of Use Assets	169.306	204.042	-	64.076	-	309.272
Office machines	446.048	125.010	-	20.387	-	550.671
Fixed assets obtained due to non-performing loans	22.525	19.265	-	18.491	-	23.299
Lease hold improvements costs	123.404	31.188	-	-	-	154.592
Other	241.635	17.337	-	6.558	19.421	271.835
Total Accumulated Depreciation	1.215.454	405.416	59.012	116.229	-	1.563.653
Provision for impairment (-)						
Immovable	6.671	-	6.103	-	-	12.774
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	4.963	-	-	608	-	4.355
Total provision for impairment (-)	11.634	-	6.103	608	-	17.129
Net Book Value	7.537.246	1.635.647	245.294	1.505.700	(35.194)	7.877.293

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(13) Information on tangible assets:

Prior Period	Balance at the end of the prior period	Additions	Revaluation Increase	Disposals (-)	Transfer	Balance at the end of the period
Cost:						
Immovable	1.686.166	35.131	88.201	13.486	-	1.796.012
Tangible assets purchased through financial lease	25.302	-	-	1.191	-	24.111
Right of Use Assets	-	934.625	-	200.527	-	734.098
Office machines	648.170	215.220	-	48.084	-	815.306
Fixed assets obtained due to non-performing loans	1.232.222	4.039.812	-	388.870	-	4.883.164
Lease hold improvements costs	163.307	39.496	-	-	-	202.803
Other	292.226	20.018	-	3.404	-	308.840
Total Cost	4.047.393	5.284.302	88.201	655.562	-	8.764.334
Accumulated depreciation (-)						
Immovable	150.586	7.216	32.911	2.135	-	188.578
Tangible assets purchased through financial lease	24.731	-	-	773	-	23.958
Right of Use Assets	-	199.761	-	30.455	-	169.306
Office machines	367.117	93.963	-	15.032	-	446.048
Fixed assets obtained due to non-performing loans	19.106	12.880	-	9.461	-	22.525
Lease hold improvements costs	96.162	29.652	-	2.410	-	123.404
Other	229.780	18.911	-	7.056	-	241.635
Total Accumulated Depreciation	887.482	362.383	32.911	67.322	-	1.215.454
Provision for impairment (-)						
Immovable	4.635	-	2.036	-	-	6.671
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	7.362	-	-	2.399	-	4.963
Total provision for impairment (-)	11.997	-	2.036	2.399	-	11.634
Net Book Value	3.147.914	4.921.919	53.254	585.841	-	7.537.246

(13) Information on intangible assets:

Current Period	Balance at the end of the prior period	Additions	Disposals(-)	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	327.991	511.169	4.340	-	834.820
Total Cost	327.991	511.169	4.340	-	834.820
Accumulated Depreciation (-)					
Other intangible assets	165.938	95.957	-	-	261.895
Total Accumulated Depreciation	165.938	95.957	-	-	261.895
Net Book Value	162.053	415.212	4.340	-	572.925

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(13) Information on intangible assets (continued):

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

(14) Information on investment property:

	Current Period	Prior Period
Cost:		
Opening Balance	434.764	432.347
Acquisitions	875	2.417
Transfer	-	-
Disposals	-	-
Impairment Charge/Reversal	-	-
Ending Balance	435.639	434.764
Accumulated Depreciation (-)		
Opening Balance	78.737	75.499
Amortization Charge	3.255	3.238
Transfer	-	-
Disposals	-	-
Impairment Provisions	-	-
Total Accumulated Depreciation (-)	81.992	78.737
Net Book Value	353.647	356.027

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(15) Information on tax assets:

Please refer to Section 5 Explanations related to the Liabilities, footnote (10).

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

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

Share purchase agreement was signed by and between the 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 Sigorta A.Ş representing 89,18% of its share capital held by the 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 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 Bank, and the mentioned transfer of shares was completed at the same date.

For the total shares held by the Bank in Halk Sigorta A.Ş representing 89,18% of its share capital, the price per share to be paid to the 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 Bank in Halk Hayat ve Emeklilik A.Ş. representing 100% of its share capital, the price per share to be paid to the 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.

Net profit from the sale is accounted under equity.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 4.395.340 and does not exceed 10% of the balance sheet total (31 December 2019: TRY 2.751.529).

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

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

a) Information on deposit / funds collected:

Current period:

	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	11.028.158	-	10.547.317	61.271.001	4.063.473	894.825	1.528.413	123.289	89.456.476
Foreign currency deposits	32.388.126	-	14.493.218	96.236.799	4.090.991	3.154.734	7.608.486	13.273	157.985.627
<i>Residents in Turkey</i>	28.386.432	-	14.179.996	92.415.789	3.611.688	1.929.613	4.390.421	12.693	144.926.632
<i>Residents abroad</i>	4.001.694	-	313.222	3.821.010	479.303	1.225.121	3.218.065	580	13.058.995
Public sector deposits	3.708.109	-	13.485.208	4.173.024	442.413	161.066	13.676	-	21.983.496
Commercial inst. deposits	11.820.116	-	32.587.470	49.309.349	825.344	604.306	2.994.737	-	98.141.322
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	9.601.355	-	14.584.786	10.645.338	150.308	-	-	-	34.981.787
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	86.802	-	12.009.319	7.107.240	150.308	-	-	-	19.353.669
<i>Foreign banks</i>	7.035.553	-	111.316	3.315.793	-	-	-	-	10.462.662
<i>Participation banks</i>	2.479.000	-	2.464.151	222.305	-	-	-	-	5.165.456
Total	87.975.700	-	89.492.909	245.138.553	12.436.764	5.342.793	16.763.014	136.562	457.286.295

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	9.219.590	-	2.990.893	46.343.141	5.295.377	765.203	3.417.350	102.285	68.133.839
Foreign currency deposits	19.029.911	-	6.323.568	70.793.906	5.361.546	2.648.088	6.010.371	10.473	110.177.863
<i>Residents in Turkey</i>	15.608.398	-	5.622.229	64.590.897	4.877.379	1.719.671	3.585.841	9.997	96.014.412
<i>Residents abroad</i>	3.421.513	-	701.339	6.203.009	484.167	928.417	2.424.530	476	14.163.451
Public sector deposits	2.909.252	-	3.985.750	3.029.023	395.542	232.072	7.988	-	10.559.627
Commercial inst. deposits	8.266.663	-	18.452.836	25.788.432	1.233.091	434.244	3.176.049	-	57.351.315
Other inst. deposits	1.046.700	-	674.832	8.370.166	2.934.724	865.690	2.681.793	-	16.573.905
Precious metals	6.004.651	-	12.691	1.032.628	185.750	41.060	64.655	-	7.341.435
Interbank deposits	5.961.576	-	8.686.477	12.676.637	265.123	6.379	-	-	27.596.192
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	102.686	-	4.873.617	8.447.885	-	6.379	-	-	13.430.567
<i>Foreign banks</i>	5.830.054	-	256.737	3.607.708	-	-	-	-	9.694.499
<i>Participation banks</i>	28.836	-	3.556.123	621.044	265.123	-	-	-	4.471.126
Total	52.438.343	-	41.127.047	168.033.933	15.671.153	4.992.736	15.358.206	112.758	297.734.176

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

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	28.680.997	18.785.110	66.880.922	39.155.466
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	3.213	3.188
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

(2) Information on derivative financial liabilities:

Negative differences table related to the derivative financial liabilities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	26.206	-	26.993
Swap transactions	19.744	480.510	51	323.519
Future transactions	-	-	-	-
Options	369	7.212	283	2.872
Other	-	-	-	-
Total	20.113	513.928	334	353.384

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(3) Information on funds borrowed:

a) Information on Banks and other financial institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	380.664	1.564.665	530.197	1.969.879
Foreign banks, institutions and funds	-	8.441.670	-	8.516.765
Total	380.664	10.006.335	530.197	10.486.644

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	380.359	212.013	529.866	726.701
Medium and long-term	305	9.794.322	331	9.759.943
Total	380.664	10.006.335	530.197	10.486.644

c) Additional disclosures related to the concentrations of the Bank's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Bank is deposits, which is composed of 19,56% of saving deposits and 34,55% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets.

The Bank's 42,22% of bank deposits and 42,72% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (net):

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bills	3.551.547	-	4.682.528	-
Bonds	1.078.233	7.553.277	1.384.736	10.512.530
Assets Backed Securities	1.011.622	-	1.011.493	-
Total	5.641.402	7.553.277	7.078.757	10.512.530

(5) Explanations on the funds:

Funds are granted as loans in conformity with the protocols between the Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Technology, Ministry of Treasury and Finance, and other funds.

Maturity structure of funds:

	Current Period	Prior Period
Short Term	1.201	1.135
Long Term	3.616.102	3.207.869
Total	3.617.303	3.209.004

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

- (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 Bank:

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

- b) Explanation on finance lease payables:

None.

- c) Explanations on operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	28.613	28.545	46.461	41.583
1 - 4 years	259.499	227.436	200.231	165.000
More than 4 years	738.599	526.905	630.661	373.342
Total	1.026.711	782.886	877.353	579.925

- (8) Information on derivative financial liabilities for hedging purposes:
None.

- (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 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 Bank'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 615.302 (31 December 2019: TRY 557.583) consists of TRY 150.942 (31 December 2019: TRY 114.712) for specific provisions of unindemnified and unfunded non-cash loans, TRY 306.224 (31 December 2019: 172.593) for stage 1 and stage 2 expected credit loss amount of non-cash loans, TRY 94.052 (31 December 2019: TRY 76.714) for legal cases filed against the Bank, and TRY 64.084 (31 December 2019: TRY 193.564) of other provisions.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(9) Explanations on provisions (continued):

d) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2020 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Inflation Rate	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:

	Current Period	Prior Period
As of January 1	716.240	528.046
Charge for the year	68.632	53.735
Interest Expense	85.653	84.895
Actuarial gain/loss	99.035	86.753
Prior period service cost composed current period	2.584	1.632
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	5.999	6.304
Benefits paid within the period (-)	(45.478)	(45.125)
Total	932.665	716.240

e) Liabilities for employee benefits:

As of 31 December 2020, unused vacation accruals are TRY 175.003, personnel dividend provision is TRY 361.483, severance indemnity provision for Bank personnel is TRY 896.563 and severance indemnity provision for outsourcing firms is TRY 36.102 (31 December 2019: TRY 133.654 for unused vacation accruals; TRY 688.345 for severance indemnity provision for Bank personnel; TRY 27.895 for severance indemnity provision for outsources; TRY 255.877 for personnel dividend provision).

The Bank accounts for actuarial gains / losses under equity commencing from 1 January 2013.

f) Liabilities arising from retirement benefits:

f.1. Liabilities of pension funds founded as per the Social Security Institution:

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(9) Explanations 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:

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 Bank. Actuarial assumptions used in the calculation are given below.

Assumptions	Current Period	Prior Period
Discount Rate	9,8%	9,8%
Mortality Rate	CSO 1980 women/men	CSO 1980 women/men

Some of the Bank's personnel are the members of T. Halk Bankası Çalışanları Emekli Sandığı Vakfı, ("Fund") which was established by 20th provisional article of Social Security Law numbered 506. As of 31 December 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.

	Current Period	Prior Period
Transferable Pension and Medical Benefits:		
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
Net Present Value of Total Liabilities Other Than Health	350.654	208.184
Net Present Value of Health Liabilities	(838.882)	(659.388)
Net Present Value of Health Premiums	2.626.604	2.075.379
Net Present Value of Health Liabilities	1.787.722	1.415.991
Pension Fund Assets	4.276.670	3.304.716
General Administration Expenses (1%)	(46.927)	(37.728)
Amount of Actuarial and Technical Deficit	6.368.119	4.891.163

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(9) Explanations on provisions (continued):

g) Liabilities arising from retirement benefits (continued):

Plan assets are comprised as follows:

Total Assets	Current Period	Prior Period
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
Total	4.276.670	3.304.716

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 (%)

Assumptions	Death Benefits	Medical Benefits	Total
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%)

(10) Explanations related to tax liabilities (continued):

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2020, the Bank's calculated current tax asset is amounting to TRY 326.239 and recognized under corporate tax provision account as of the mentioned date (31 December 2019: TRY 422.949 corporate tax liability).

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(10) Explanations related to tax liabilities (continued):

a) Information on current tax liability (continued):

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate taxpayable	-	422.949
Income on securities tax	475.152	625.775
Property income tax	1.136	2.199
Banking and insurance transactions tax(BITT)	153.656	158.774
Foreign exchange transactions tax	9.021	4.360
Value added taxpayable	-	-
Other	51.929	44.915
Total	690.894	1.258.972

a.3. Information on premiums:

	Current Period	Prior Period
Social insurance premiums -employee	21	22
Social insurance premiums -employer	27	28
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 and provisions-employee	-	-
Pension fund membership fees and provisions-employer	-	-
Unemployment insurance-employee	1.279	1.057
Unemployment insurance-employer	2.526	2.083
Other	362	349
Total	50.362	39.514

b) Information on deferred tax liability:

	Current Period	Prior Period
Deffered Tax Asset/(Liability)		
Provisions ⁽¹⁾	1.501.262	843.555
Valuation of Financial Assets	(1.324.198)	(736.461)
Other	(508.816)	(416.955)
Net Deffered Tax Asset (Liability)	(331.752)	(309.861)
Deffered Tax Accounting Under Equity	(86.970)	(203.421)
Fair Value of Security Internal Efficiency Market		
Value Difference Through Other Comprehensive Income	53.300	(66.750)
Actuarial Loss / Earning	34.772	14.965
Real Estate Revaluation	(175.042)	(151.636)

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

None.

(12) Explanations on the number of subordinated loans the Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any (*):

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	-
Total	6.036.525	8.824.063	6.037.858	6.146.988

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

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

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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

f) Information on the Bank's acquired shares:

Between 1 January – 31 December 2020, the 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 Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

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

h) Information on preferred shares:

None.

i) Information on marketable securities revaluation fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	2.085.896	696.265	2.337.040	512.845
Valuation differences	2.085.896	696.265	2.337.040	512.845
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	(77.633)	(230.418)	342.755	(121.133)
Valuation differences	(77.633)	(228.348)	342.755	(115.287)
Exchange rate difference	-	(2.070)	-	(5.846)
Total	2.008.263	465.847	2.679.795	391.712

j) Legal Reserves

	Current Period	Prior Period
I. Legal Reserve	1.463.693	1.392.459
II. Legal Reserve	585.488	585.488
Special Reserves	17.812	12.408
Share Buyback Reserve Fund	351.767	262.384
Total	2.418.760	2.252.739

k) Extraordinary Reserves:

	Current Period	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	22.955.992	21.401.704
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital (-)	-	-
Total	22.955.992	21.401.704

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period	Prior Period
Commitments for credit card expenditure limits	27.941.932	16.709.743
Payment commitments for cheques	4.472.298	3.219.679
Loan granting commitments	4.594.177	3.061.215
Forward asset purchase and sale commitments	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	4.948.441	4.172.444
Total	43.930.585	29.503.803

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

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

	Current Period	Prior Period
Letters of credit	2.408.221	3.823.229
Bank acceptances	6.495.595	6.961.998
Other guarantees	4.824.419	2.713.220
Total	13.728.235	13.498.447

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

	Current Period	Prior Period
Letters of certain guarantees	16.981.843	16.257.998
Letters of advance guarantees	5.104.565	4.382.365
Letters of tentative guarantees	2.215.108	713.001
Letters of guarantee given to customs offices	2.706.440	1.939.926
Other letters of guarantee	73.819.146	53.125.931
Total	100.827.102	76.419.221

c) Total non-cash loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	12.107.654	8.095.714
<i>Within one year or less original maturity</i>	786.030	1.646.649
<i>Within more than one year maturity</i>	11.321.624	6.449.065
Other non-cash loans	102.447.683	81.821.954
Total	114.555.337	89.917.668

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

III. EXPLANATION AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)

(1) Information on off-balance sheet liabilities (continued):

d.1. Sectoral risk concentration of non-cash loans

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	178.288	0,32	180.941	0,30	99.163	0,24	233.454	0,47
<i>Farming and Stockbreeding</i>	127.020	0,23	13.346	0,02	73.632	0,18	10.396	0,02
<i>Forestry</i>	1.542	-	-	-	715	0,00	-	0,00
<i>Fishery</i>	49.726	0,09	167.595	0,28	24.816	0,06	223.058	0,45
Manufacturing	11.874.058	21,48	26.933.274	45,45	8.403.481	20,66	23.512.393	47,74
<i>Mining and Quarrying</i>	221.231	0,40	1.029.151	1,74	164.007	0,40	503.437	1,02
<i>Production</i>	10.066.831	18,21	24.400.533	41,17	6.417.873	15,78	21.620.953	43,90
<i>Electricity, Gas and Water</i>	1.585.996	2,87	1.503.590	2,54	1.821.601	4,48	1.388.003	2,82
Construction	17.550.791	31,75	12.737.999	21,49	12.363.810	30,40	11.241.946	22,83
Services	23.687.034	42,85	19.229.647	32,43	18.056.269	44,41	14.105.048	28,64
<i>Wholesale and Retail Trade</i>	14.830.746	26,83	6.887.229	11,62	10.642.848	26,17	6.179.958	12,55
<i>Accommodation and Dining</i>	315.979	0,57	3.908.626	6,59	257.825	0,63	2.463.170	5,00
<i>Transportation and Telecom.</i>	1.063.530	1,92	6.690.395	11,29	605.619	1,49	4.268.126	8,67
<i>Financial Institutions</i>	4.001.035	7,24	84.775	0,14	3.793.359	9,33	108.345	0,22
<i>Real Estate and Rental Services</i>	2.869.168	5,19	1.494.380	2,52	2.269.193	5,58	937.340	1,90
<i>Professional Services</i>	13.891	0,03	459	-	14.340	0,04	745	0,00
<i>Educational Services</i>	100.317	0,18	90.355	0,15	100.488	0,25	72.927	0,15
<i>Health and Social Services</i>	492.368	0,89	73.428	0,12	372.597	0,92	74.437	0,15
Other	1.990.613	3,60	192.692	0,33	1.748.351	4,29	153.753	0,32
Total	55.280.784	100,00	59.274.553	100,00	40.671.074	100,00	49.246.594	100,00

d.2. Non-cash loans classified under I. and II. Group

	Group I		Group II	
	TRY	FC	TRY	FC
Non-Cash Loans	53.442.979	57.456.246	1.837.805	1.818.307
Letters of Guarantee	48.450.236	48.741.061	1.825.219	1.810.586
Bills of Exchange and Bank Acceptances	185.902	6.301.972	-	7.721
Letters of Credit	42.663	2.352.972	12.586	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	4.764.178	60.241	-	-

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

III. EXPLANATION AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS (continued)

(1) Information on off-balance sheet liabilities (continued):

e) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading Derivatives		Derivative Financial Instruments held for Risk Management	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign Currency related Derivative Transactions (I):				
	45.428.327	42.358.965	-	-
Currency Forwards-Purchases/Sales	2.793.387	5.331.751	-	-
Currency Swaps-Purchases/Sales	38.760.894	33.506.700	-	-
Currency Futures-Purchases/Sales	-	-	-	-
Currency Options-Purchases/Sales	3.874.046	3.520.514	-	-
Interest Rate related Derivative Transactions (II)				
	25.566.030	27.707.502	-	-
Interest Rate Contracts	-	-	-	-
Interest Rate Swaps-Purchases/Sales	25.566.030	27.707.502	-	-
Interest Rate Options-Purchases/Sales	-	-	-	-
Interest Rate Futures-Purchases/Sales	-	-	-	-
Other Trading Derivatives (III) ⁽¹⁾	5.809.526	3.236.795	-	-
A. Total Trading Derivatives (I+II+III)	76.803.883	73.303.262	-	-
Derivative Financial Instruments held for Risk Management				
	-	-	-	-
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total Derivative Financial Instruments held for Risk Management	-	-	-	-
Total Derivative Transactions (A+B)	76.803.883	73.303.262	-	-

⁽¹⁾ Other trading derivative transactions include forward precious metal purchase and sale transactions of TRY 42.111 and TRY 2.287.355, respectively, and swap precious metal purchase transactions of TRY 3.480.060.

f) Information on contingent liabilities and assets:

Bank's commitments for the cheques given to customers are TRY 4.472.298 (31 December 2019: TRY 3.219.679).

g) Services provided on behalf of others:

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	5.764.979	356.099	9.496.259	569.749
Medium and long term loans	26.269.402	5.333.299	20.954.208	5.140.532
Interest on non-performing loans	399.263	-	909.582	-
Premiums from resource utilization support fund	-	-	-	-
Total	32.433.644	5.689.398	31.360.049	5.710.281

⁽¹⁾ 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	20.222	654	26.199	4.032
Foreign banks	9.876	2.505	21.059	24.183
Foreign headquarters and branches	-	-	-	-
Total	268.885	3.159	276.284	64.969

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	2.857	13	8.871	1.292
Financial Assets at Fair Value through Other Comprehensive Income	4.217.753	315.066	1.361.763	135.895
Financial Assets Measured at Amortized Cost	9.463.980	1.269.723	6.810.309	842.768
Total	13.684.590	1.584.802	8.180.943	979.955

d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest income from subsidiaries and associates	223.288	147.402

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	45.992	181.257	56.819	225.970
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	45.992	58.896	56.819	51.082
<i>Overseas banks</i>	-	122.361	-	174.888
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	9	23.488	10	18.678
Total	46.001	204.745	56.829	244.648

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses given to subsidiaries and associates	29.348	595.228

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	1.632.761	834.713	1.873.614	708.748
Total	1.632.761	834.713	1.873.614	708.748

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

Current Period	Time deposits						Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year		
TRY								
Bank deposits	160	1.302.671	547.428	21.060	526	-	-	1.871.845
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	2.996.076	3.992.479	188.546	62.634	721.648	-	7.962.129
Other deposits	1	317.081	1.470.403	181.899	41.783	235.361	-	2.246.528
7 days call accounts	-	-	-	-	-	-	-	-
Total	1.122	6.570.920	11.684.211	964.617	215.148	1.377.494	10.410	20.823.922
Foreign currency								
Deposits	43	124.840	1.180.649	48.464	29.287	79.237	-	1.462.520
Bank deposits	4	135.739	-	-	-	-	-	135.743
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	719	9.596	1.835	399	1.013	-	13.562
Total	47	261.298	1.190.245	50.299	29.686	80.250	-	1.611.825
Grand total	1.169	6.832.218	12.874.456	1.014.916	244.834	1.457.744	10.410	22.435.747

Prior Period	Time deposits						Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year		
TRY								
Bank deposits	490	1.270.555	691.658	29.048	2.538	-	-	1.994.289
Saving deposits	143	449.004	7.452.676	1.116.182	319.321	369.889	11.916	9.719.131
Public deposits	41	391.095	517.626	144.028	62.663	2.479	-	1.117.932
Commercial deposits	24	1.770.390	3.139.117	400.863	340.606	503.277	-	6.154.277
Other deposits	2	86.266	1.012.290	613.921	173.823	112.053	-	1.998.355
7 days call accounts	-	-	-	-	-	-	-	-
Total	700	3.967.310	12.813.367	2.304.042	898.951	987.698	11.916	20.983.984
Foreign currency								
Deposits	65	287.755	1.671.209	145.191	61.132	145.957	-	2.311.309
Bank deposits	7	231.976	-	-	-	-	-	231.983
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	53	7.188	972	520	1.106	-	9.839
Total	72	519.784	1.678.397	146.163	61.652	147.063	-	2.553.131
Grand total	772	4.487.094	14.491.764	2.450.205	960.603	1.134.761	11.916	23.537.115

(3) Information on dividend income:

	Current Period	Prior Period
Financial Assets at Fair Value Through Profit or Loss	-	-
Financial Assets at Fair Value Through other Comprehensive Income	7.276	6.944
Other	503.835	414.881
Total	511.111	421.825

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

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

	Current Period	Prior Period
Profit	67.320.643	48.076.102
Profit from the capital market transactions	181.836	299.336
Profit on derivative financial transactions	10.551.518	8.927.439
Foreign exchange gains	56.587.289	38.849.327
Loss (-)	72.602.061	51.343.198
Loss from the capital market transactions	125.914	5.944
Loss from derivative financial transactions	7.825.574	10.426.874
Foreign exchange losses	64.650.573	40.910.380

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	10.551.518	8.927.439
Effect of the change in foreign exchange on profit	9.987.260	8.614.436
Effect of the change in interest rate on profit	564.258	313.003
Loss on derivative financial instruments (-)	7.825.574	10.426.874
Effect of the change in foreign exchange on loss	7.284.619	10.154.504
Effect of the change in interest rate on loss	540.955	272.370
Profit/loss on derivative financial instruments	2.725.944	(1.499.435)

(5) Information on other operating income:

	Current Period	Prior Period
Adjustments for prior period expenses	1.001.826	2.156.048
Income from the asset sale	314.899	115.316
Rent income	45.903	47.187
Other income	78.589	88.889
Total	1.441.217	2.407.440

(6) Impairment losses on loans and other receivables:

	Current Period	Prior Period
Expected Credit Losses	6.830.591	4.551.745
12 Month Expected Credit Loss (Stage 1)	1.080.400	319.366
Significant Increase in Credit Risk (Stage 2)	2.170.642	189.879
Non – Performing Loans (Stage 3)	3.579.549	4.042.500
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	17.408	146.153
Total	6.847.999	4.697.898

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

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

(7) Information on other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	117.391	101.441
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	6.103	2.036
Depreciation expenses of fixed assets	386.151	337.323
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	95.957	41.486
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	2.348.433	1.895.078
<i>Leasing Expenses on TFRS 16 Exceptions</i>	<i>102.234</i>	<i>83.700</i>
<i>Maintenance expenses</i>	<i>50.079</i>	<i>54.145</i>
<i>Advertisement expenses</i>	<i>242.884</i>	<i>191.409</i>
<i>Other expenses</i>	<i>1.953.236</i>	<i>1.565.824</i>
Loss on sales of assets	970	225
Other	1.407.995	1.042.924
Total	4.382.265	3.432.022

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

The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 18.753.184 (31 December 2019: TRY 10.612.036) of net interest income and TRY 2.614.865 (31 December 2019: TRY 2.778.218) of net fees and commissions income. The profit from continuing operations before tax of the Bank is amounting to TRY 3.229.900 (31 December 2019: TRY 1.968.257).

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

For the period then ended 31 December 2020, the Bank's tax provision amounting to TRY 629.855 (31 December 2019: TRY 247.948) consists of TRY 491.513 (31 December 2019: TRY 435.511) of current tax charge and TRY 848.133 (31 December 2019: TRY 1.200.560) of deferred tax charge, TRY 709.791 (31 December 2019: TRY 1.388.123) of deferred tax income.

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

As of 31 December 2020, the Bank's net operating income after tax is amounting to TRY 2.600.045 (31 December 2019: TRY 1.720.309).

(11) Information on net profit/loss:

a) Income and expenses from ordinary banking operations:

There is no issue to be disclosed.

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

There is no issue to be disclosed.

(12) Other items in the income statement:

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was previously recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

- (1) Disclosures for the “other” and “the effect of foreign exchange differences on cash and cash equivalents” items of cash flow statement:

The “net increase in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 56.198.451 increase for the year 2020 (31 December 2019: TRY 18.035.777 increase). "Other" item in operating profit is composed of other operating expenses excluding fees and commissions expense, foreign exchange gain, other operating income and personnel expenses and decrease by TRY 10.073.386 for the year 2020 (31 December 2019: TRY 11.153.133 decrease).

For the year ended 31 December 2020, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 1.317.260 decrease (31 December 2019: TRY 2.395.944 increase). The average exchange rates of last five weekdays were taken into consideration as of the balance sheet date when calculating the effect of change in the exchange rates.

- (2) Items used in determination of cash and cash equivalents: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.
- (3) The effect of any change in accounting policies: None.
- (4) Cash and cash equivalents balance at the beginning of the period:

	Current period	Prior period
Cash	34.488.581	34.957.050
<i>Cash in TRY and foreign currency</i>	3.665.767	4.417.864
<i>Central Bank and others⁽¹⁾</i>	30.822.814	30.539.186
Cash equivalents	3.750.467	5.136.433
<i>Demand and Time Deposits Up to 3 Months</i>	3.750.467	5.136.433
<i>Money Market Placements</i>	-	-
Cash and Banks	38.239.048	40.093.483
Reserve deposits in Central Bank of Turkey	(14.096.591)	(16.237.014)
Accruals on reserve deposits in Central Bank of Turkey	(19.628)	(223.863)
Accruals on banks	(475)	(987)
Accruals on the money market placements	-	-
Total Cash and Cash Equivalents	24.122.354	23.631.619

⁽¹⁾ Others items include cheques received.

- (5) Cash and cash equivalents balance at the end of the period:

	Current Period	Prior Period
Cash	63.476.219	34.488.581
<i>Cash in TRY and foreign currency</i>	4.779.704	3.665.767
<i>Central Bank and others⁽¹⁾</i>	58.696.515	30.822.814
Cash Equivalents	2.145.651	3.750.467
<i>Demand and Time Deposits Up to 3 Months</i>	2.145.651	3.750.467
<i>Money Market Placements</i>	-	-
Cash and Banks	65.621.870	38.239.048
Reserve deposits in Central Bank of Turkey	(23.830.380)	(14.096.591)
Accruals on reserve deposits in Central Bank of Turkey	(118.855)	(19.628)
Accruals on banks	(1.549)	(475)
Accruals on the money market placements	-	-
Total Cash and Cash Equivalents	41.671.086	24.122.354

⁽¹⁾ Others items include cheques received.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK

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

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

Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	2.331.642	313.114	-	-	-	-
Closing balance	3.128.930	264.217				
Interest and commissions income	222.651	830				

Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	1.377.511	224.571	-	-	-	-
Closing balance	2.331.642	313.114	-	-	-	-
Interest and commissions income	147.402	1.687	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	Deposits					
Beginning balance	3.574.573	2.889.487	-	-	-	-
Closing Balance	458.773	3.574.573	-	-	-	-
Interest expense on deposits	19.465	583.973	-	-	-	-

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK (continued)

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

c) Forward and option contracts and similar transactions with the Bank's risk group:

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
Financial Assets At Fv			
Through Profit And Loss	Current Period	Prior Current Period	Current Period
Beginning balance	17.918	109.322	-
Closing Balance	-	17.918	-
Total Profit/Loss	(19)	5.846	-

(2) Disclosures for risk group:

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

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	3.128.930	0,72
Non-cash loans	264.217	0,23
Deposits	458.773	0,10
Forward and option contracts	-	-

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

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:

Explained in b).

d) Transactions accounted under the equity method:
None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 11.431 as of 31 December 2020 (31 December 2019: TRY 10.308).

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

- (1) Explanations on the Bank's domestic branches, agencies/branches abroad and off-shore branches

Current Period	Quantity	Number of Employees	Countries		
Domestic Branch	1007	20.098			
Abroad Agencies	3	4	IRAN		
			ENGLAND		
			SINGAPORE		
Overseas Branch	5	66	T.R.N.C.	Total Assets	Statutory Capital
			BAHRAIN	1.760.646	-
Off-shore Branches	1	3		23.411.017	-

Prior Period	Quantity	Number of Employees	Countries		
Domestic Branch	1000	18.895			
Abroad Agencies	3	4	IRAN		
			ENGLAND		
			SINGAPORE		
Overseas Branch	5	65	T.R.N.C.	Total Assets	Statutory Capital
			BAHRAIN	1.338.340	-
Off-shore Branches	1	3		20.235.920	-

- (2) Explanations on branch and agency openings or closings or other significant operational changes of the Bank:

The Bank opened 8 branches during the year 2020.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

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

I. OTHER EXPLANATIONS

On October 15, 2019, U.S. Department of Justice, United States Attorney Southern District of New York indicted the Bank by repeating the allegations set forth in the case filed against the former executive of the Bank due to Iranian sanction violations.

First, the 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 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 Bank's objection.

In the meeting held by the 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 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 Bank's motion to dismiss the indictment on 1 October 2020. The 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 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 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 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 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
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2020

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

SECTION VII: AUDITORS' REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

The Bank's publicly available unconsolidated 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.