

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

# **Türkiye Halk Bankası Anonim Şirketi**

**Consolidated Financial Statements  
As of 31 March 2021  
With Review Report Thereon**  
*(Convenience Translation of Consolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

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

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

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

### *Introduction*

We have reviewed the accompanying consolidated statement of financial position of Türkiye Halk Bankası A.Ş. (“the Parent Bank”) and its consolidated subsidiaries (together will be referred as “the Group”) as at 31 March 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Parent Bank management is responsible for the preparation and fair presentation of the accompanying consolidated interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

### *Scope of Review*

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

### *Basis for Qualified Conclusion*

The Group reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9 requirements. The government bonds reclassified into financial assets measured at amortised cost amounted to TRY 19.253.201 thousand as at 31 March 2021. If such classification were not made, total assets and shareholders’ equity, excluding tax effect, would have been lower by TRY 3.981.545 thousand as at 31 March 2021.

### *Qualified Conclusion*

Based on our review, except for the effects of the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. and its consolidated subsidiaries as at 31 March 2021, and of the results of its operations and its cash flows for the three-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

### *Emphasis of Matter*

As detailed in Section Five Note Seven, we draw attention to the following:

On 15 October 2019, Department of Justice, United States Attorney Southern District of New York indicted the the Parent Bank in the Southern District of New York Court (“District Court”) for alleged violations of Iranian sanctions. This criminal case is pending at the District Court.

In addition, a civil case was filed against the Parent Bank on 27 March 2020 with a claim for damages by plaintiffs in the Southern District of New York Court "on the grounds that they (plaintiffs) could not collect their judgments from Iran due to violations of sanctions." District Court dismissed the case. Plaintiffs have filed their notice to the US Court of Appeals for the Second Circuit with regard to the decision of the District Court. The appeal is pending.

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

At this stage, the Parent Bank's Management stated that there is no penalty, compensation, sanction or other measure arising from the pending criminal and civil cases against the Parent Bank. There is an uncertainty if any decisions will be made by the US authorities that may adversely affect the financial position of the Parent Bank. No provision has been made in the accompanying consolidated financial statements related to these matters. However, the above mentioned matters do not affect the opinion provided by us.

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

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

*Additional paragraph for English translation:*

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying consolidated interim financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying consolidated financial statements. Accordingly, the accompanying financial statements are not intended to present the Group's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the consolidated interim financial statements and IFRS.

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

Müjde Aslan  
Partner

Istanbul, 7 May 2021

**TÜRKİYE HALK BANKASI AŞ**  
**THE CONSOLIDATED FINANCIAL REPORT**  
**FOR THE THREE-MONTH ENDED 31 MARCH 2021**

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

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

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

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

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

The consolidated financial statements for three-month ended 31 March 2021 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, 7 May 2021

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

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

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

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**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021**

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

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

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

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

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

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

As of 31 March 2021 the shareholders’ structure and their respective ownerships are summarized as follows:

<b>Shareholders</b>	<b>31 March 2021</b>	<b>%</b>	<b>31 December 2020</b>	<b>%</b>
Türkiye Varlık Fonu <sup>(1)</sup>	1.862.602	75,29	1.862.602	75,29
Public shares <sup>(1)</sup>	611.094	24,70	611.094	24,70
Other shareholders <sup>(2)</sup>	80	0,01	80	0,01
<b>Total</b>	<b>2.473.776</b>	<b>100,00</b>	<b>2.473.776</b>	<b>100,00</b>

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

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

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



**TÜRKİYE HALK BANKASI AŞ**  
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**STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021**

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

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

Name	Title
Recep Süleyman ÖZDİL	Chairman of the Board of Directors, Chairman of the Audit Committee
Himmet KARADAĞ	Vice Chairman of the Board of Directors, Independent Member of the Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Şeref AKSAÇ	Member of the Board of Directors
Meltem TAYLAN AYDIN	Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Ebubekir ŞAHİN	Member of the Board of Directors
Sezai UÇARMAK	Member of the Board of Directors
Mevlüt UYSAL	Independent Member of the Board of Directors, Member of the Audit Committee
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
İlhan BÖLÜKBAŞ	Executive Vice President, Loan Allocation and Management
Celal CANDAN	Executive Vice President, Credit Monitoring and Legal Follow-up
Ergin KAYA	Executive Vice President, Banking Operations and Support Services
Yalçın MADENCİ	Executive Vice President, Corporate and Commercial Marketing
Yusuf Duran OCAK	Executive Vice President, Financial Management and Planning
Serdar SÜRER	Executive Vice President, Treasury Management and International Banking
Hasan TUNCA Y	Executive Vice President, Retail Banking

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

- a) The professionals to the Parent Bank’s top management who have assigned to their position in 2021 are listed with titles and dates of assignment.

Title	Name and Surname	Beginning Date
Member of the Board of Directors	Şeref AKSAÇ	26 March 2021

- b) The professionals from the Parent Bank’s top management who have left their position in 2021 are listed with titles and dates of leaving.

Title	Name and Surname	Leaving Date
Member of the Board of Directors	Kerem ALKİN	26 March 2021

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

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

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

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

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

a) General information about the Parent Bank:

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
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*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

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

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

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

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

As of 31 March 2021, the Parent Bank operates with a total of 1013 branches consisting of 1007 domestic and 6 foreign branches that are 5 in Turkish Republic of Northern Cyprus and 1 in Bahrain. Domestic branches include 32 satellite branches. The Parent Bank has also 3 representative office in England, Singapore and Iran.

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

The Parent Bank and its subsidiaries;

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

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

The Parent Bank’s associates;

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021**

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

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

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

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

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

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

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

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

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021**

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

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

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

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

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021**

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

**SECTION II: CONSOLIDATED FINANCIAL STATEMENTS**

- I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)
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**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2021**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

	Note	Reviewed			Audited		
		Current Period			Prior Period		
		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>CONSOLIDATED ASSETS</b>							
<b>I. FINANCIAL ASSETS (NET)</b>		<b>65.811.237</b>	<b>82.598.323</b>	<b>148.409.560</b>	<b>62.791.771</b>	<b>83.722.118</b>	<b>146.513.889</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>9.860.563</b>	<b>57.358.791</b>	<b>67.219.354</b>	<b>8.916.830</b>	<b>58.981.674</b>	<b>67.898.504</b>
1.1.1 Cash and Balances with Central Bank	(1)	9.528.778	53.946.452	63.475.230	8.396.106	56.588.336	64.984.442
1.1.2 Banks	(3)	346.369	3.412.654	3.759.023	287.479	2.393.667	2.681.146
1.1.3 Money Markets		-	-	-	252.997	-	252.997
1.1.4 Expected Loss Provision (-)		14.584	315	14.899	19.752	329	20.081
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	(2)	<b>15.780.221</b>	<b>18.611</b>	<b>15.798.832</b>	<b>15.704.422</b>	<b>19.241</b>	<b>15.723.663</b>
1.2.1 Government Debt Securities		15.563.474	561	15.564.035	15.529.875	1.349	15.531.224
1.2.2 Equity Instruments		145.651	18.050	163.701	145.757	17.892	163.649
1.2.3 Other Financial Assets		71.096	-	71.096	28.790	-	28.790
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	(4)	<b>40.116.872</b>	<b>22.471.983</b>	<b>62.588.855</b>	<b>38.164.766</b>	<b>22.379.674</b>	<b>60.544.440</b>
1.3.1 Government Debt Securities		39.485.046	22.268.427	61.753.473	37.528.538	22.192.136	59.720.674
1.3.2 Equity Instruments		44.745	203.556	248.301	44.745	187.538	232.283
1.3.3 Other Financial Assets		587.081	-	587.081	591.483	-	591.483
<b>1.4 Derivative Financial Assets</b>	(2)(11)	<b>53.581</b>	<b>2.748.938</b>	<b>2.802.519</b>	<b>5.753</b>	<b>2.341.529</b>	<b>2.347.282</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		53.581	2.748.938	2.802.519	5.753	2.341.529	2.347.282
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)</b>		<b>405.943.086</b>	<b>136.112.800</b>	<b>542.055.886</b>	<b>401.555.604</b>	<b>129.174.012</b>	<b>530.729.616</b>
<b>2.1 Loans</b>	(5)	<b>354.401.164</b>	<b>108.510.755</b>	<b>462.911.919</b>	<b>353.822.723</b>	<b>103.387.503</b>	<b>457.210.226</b>
<b>2.2 Lease Receivables</b>	(10)	<b>1.984.783</b>	<b>2.235.808</b>	<b>4.220.591</b>	<b>1.882.644</b>	<b>2.339.714</b>	<b>4.222.358</b>
<b>2.3 Factoring Receivables</b>		<b>1.098.923</b>	<b>78.041</b>	<b>1.176.964</b>	<b>1.810.629</b>	<b>44.496</b>	<b>1.855.125</b>
<b>2.4 Other Financial Assets Measured at Amortised Cost</b>	(6)	<b>63.339.024</b>	<b>25.877.521</b>	<b>89.216.545</b>	<b>60.843.380</b>	<b>23.961.309</b>	<b>84.804.689</b>
2.4.1 Government Debt Securities		63.288.504	25.877.521	89.166.025	60.792.861	23.961.309	84.754.170
2.4.2 Other Financial Assets		50.520	-	50.520	50.519	-	50.519
<b>2.5 Expected Credit Loss (-)</b>		<b>14.880.808</b>	<b>589.325</b>	<b>15.470.133</b>	<b>16.803.772</b>	<b>559.010</b>	<b>17.362.782</b>
<b>III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)</b>	(14)	<b>2.551</b>	<b>-</b>	<b>2.551</b>	<b>1.441</b>	<b>-</b>	<b>1.441</b>
3.1 Held for Sale		2.551	-	2.551	1.441	-	1.441
3.2 Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>140.473</b>	<b>711.871</b>	<b>852.344</b>	<b>83.121</b>	<b>681.339</b>	<b>764.460</b>
<b>4.1 Investments in Associates (Net)</b>	(7)	<b>140.473</b>	<b>711.871</b>	<b>852.344</b>	<b>83.121</b>	<b>681.339</b>	<b>764.460</b>
4.1.1 Associates Valued Based on Equity Method		16.675	711.871	728.546	16.566	681.339	697.905
4.1.2 Unconsolidated Associates		123.798	-	123.798	66.555	-	66.555
<b>4.2 Subsidiaries (Net)</b>	(8)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non- Financial Subsidiaries		-	-	-	-	-	-
<b>4.3 Joint Ventures (Net)</b>	(9)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>		<b>10.289.139</b>	<b>520.726</b>	<b>10.809.865</b>	<b>9.775.477</b>	<b>503.411</b>	<b>10.278.888</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>		<b>555.880</b>	<b>67.165</b>	<b>623.045</b>	<b>579.463</b>	<b>59.245</b>	<b>638.708</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		555.880	67.165	623.045	579.463	59.245	638.708
<b>VII. INVESTMENT PROPERTIES (Net)</b>	(12)	<b>1.208.556</b>	<b>10.592</b>	<b>1.219.148</b>	<b>1.197.116</b>	<b>10.145</b>	<b>1.207.261</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>336.443</b>	<b>461</b>	<b>336.904</b>	<b>339.626</b>	<b>2.897</b>	<b>342.523</b>
<b>IX. DEFERRED TAX ASSET</b>	(13)	<b>39.755</b>	<b>5.000</b>	<b>44.755</b>	<b>37.353</b>	<b>4.748</b>	<b>42.101</b>
<b>X. OTHER ASSETS (Net)</b>	(15)	<b>5.187.872</b>	<b>563.269</b>	<b>5.751.141</b>	<b>4.738.592</b>	<b>957.171</b>	<b>5.695.763</b>
<b>TOTAL ASSETS</b>		<b>489.514.992</b>	<b>220.590.207</b>	<b>710.105.199</b>	<b>481.099.564</b>	<b>215.115.086</b>	<b>696.214.650</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2021**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

	Note	Reviewed			Audited		
		Current Period			Prior Period		
		31 March 2021			31 December 2020		
CONSOLIDATED LIABILITIES		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I. DEPOSITS</b>	(1)	<b>264.098.928</b>	<b>218.992.212</b>	<b>483.091.140</b>	<b>261.818.132</b>	<b>206.243.696</b>	<b>468.061.828</b>
<b>II. FUNDS BORROWED</b>	(3)	<b>806.998</b>	<b>12.639.598</b>	<b>13.446.596</b>	<b>706.399</b>	<b>12.548.123</b>	<b>13.254.522</b>
<b>III. MONEY MARKETS</b>		<b>106.805.843</b>	<b>1.546.471</b>	<b>108.352.314</b>	<b>103.487.981</b>	<b>1.114.631</b>	<b>104.602.612</b>
<b>IV. SECURITIES ISSUED (Net)</b>	(4)	<b>7.676.542</b>	<b>4.113.282</b>	<b>11.789.824</b>	<b>6.692.145</b>	<b>7.553.277</b>	<b>14.245.422</b>
4.1 Bills		4.707.643	-	4.707.643	3.655.382	-	3.655.382
4.2 Assets Backed Securities		1.871.598	-	1.871.598	1.958.530	-	1.958.530
4.3 Bonds		1.097.301	4.113.282	5.210.583	1.078.233	7.553.277	8.631.510
<b>V. FUNDS</b>		<b>79.701</b>	<b>-</b>	<b>79.701</b>	<b>3.617.303</b>	<b>-</b>	<b>3.617.303</b>
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		79.701	-	79.701	3.617.303	-	3.617.303
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(2)(7)	<b>17.246</b>	<b>578.303</b>	<b>595.549</b>	<b>20.113</b>	<b>514.112</b>	<b>534.225</b>
Derivative Financial Liabilities at Fair Value Through Profit or Loss		17.246	578.303	595.549	20.113	514.112	534.225
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		<b>4.116</b>	<b>1.348</b>	<b>5.464</b>	<b>1.002</b>	<b>636</b>	<b>1.638</b>
<b>IX. LEASE LIABILITIES (Net)</b>	(6)	<b>873.303</b>	<b>119.832</b>	<b>993.135</b>	<b>768.088</b>	<b>125.686</b>	<b>893.774</b>
<b>X. PROVISIONS</b>	(8)	<b>1.887.376</b>	<b>132.783</b>	<b>2.020.159</b>	<b>2.116.831</b>	<b>116.754</b>	<b>2.233.585</b>
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.317.927	23.095	1.341.022	1.487.055	16.345	1.503.400
10.3 Insurance for Technical Provision (Net)		-	101.844	101.844	-	93.638	93.638
10.4 Other Provisions		569.449	7.844	577.293	629.776	6.771	636.547
<b>XI. CURRENT TAX LIABILITY</b>	(9)	<b>1.169.600</b>	<b>1.027</b>	<b>1.170.627</b>	<b>777.424</b>	<b>989</b>	<b>778.413</b>
<b>XII. DEFERRED TAX LIABILITIES</b>	(9)	<b>73.872</b>	<b>2.152</b>	<b>76.024</b>	<b>331.752</b>	<b>2.152</b>	<b>333.904</b>
<b>XIII. NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)</b>	(10)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Held for Sale		-	-	-	-	-	-
13.2 Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(11)	<b>6.020.511</b>	<b>9.393.069</b>	<b>15.413.580</b>	<b>6.036.525</b>	<b>8.824.063</b>	<b>14.860.588</b>
14.1 Loans		-	9.393.069	9.393.069	-	8.824.063	8.824.063
14.2 Other Debt Instruments		6.020.511	-	6.020.511	6.036.525	-	6.036.525
<b>XV. OTHER LIABILITIES</b>	(5)	<b>28.895.396</b>	<b>2.224.489</b>	<b>31.119.885</b>	<b>28.274.400</b>	<b>1.743.535</b>	<b>30.017.935</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(12)	<b>41.024.159</b>	<b>927.042</b>	<b>41.951.201</b>	<b>41.839.276</b>	<b>939.625</b>	<b>42.778.901</b>
16.1 Paid-in Capital		2.473.776	-	2.473.776	2.473.776	-	2.473.776
16.2 Capital Reserves		6.704.277	90.559	6.794.836	6.708.624	82.326	6.790.950
16.2.1 Share Premium		5.815.863	-	5.815.863	5.815.863	-	5.815.863
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		888.414	90.559	978.973	892.761	82.326	975.087
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.990.066	3.384	2.993.450	2.998.743	4.280	3.003.023
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(1.138.318)	(235.775)	(1.374.093)	(220.937)	(218.119)	(439.056)
<b>16.5 Profit Reserves</b>		<b>28.005.317</b>	<b>640.710</b>	<b>28.646.026</b>	<b>25.276.429</b>	<b>601.525</b>	<b>25.877.954</b>
16.5.1 Legal Reserves		2.654.642	33.826	2.688.468	2.498.334	33.826	2.532.160
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		25.303.494	104.574	25.408.067	22.730.914	104.574	22.835.488
16.5.4 Other Profit Reserves		47.181	502.310	549.491	47.181	463.125	510.306
<b>16.6 Income or (Loss)</b>		<b>1.731.207</b>	<b>419.865</b>	<b>2.151.072</b>	<b>4.347.012</b>	<b>461.862</b>	<b>4.808.874</b>
16.6.1 Prior Periods' Income or (Loss)		1.696.343	383.644	2.079.987	796.482	327.750	1.124.232
16.6.2 Current Period Income or (Loss)		34.864	36.221	71.085	3.550.530	134.112	3.684.642
<b>16.7 Minority Shares</b>		<b>257.834</b>	<b>8.299</b>	<b>266.133</b>	<b>255.629</b>	<b>7.751</b>	<b>263.380</b>
<b>TOTAL LIABILITIES</b>		<b>459.433.591</b>	<b>250.671.608</b>	<b>710.105.199</b>	<b>456.487.371</b>	<b>239.727.279</b>	<b>696.214.650</b>

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



**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AS OF 31 MARCH 2021**

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

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

CONSOLIDATED OFF-BALANCE SHEET	Note	Reviewed			Audited		
		Current Period			Prior Period		
		TRY	FC	TOTAL	TRY	FC	TOTAL
		31 March 2021			31 December 2020		
<b>A.</b>							
<b>COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>131.557.751</b>	<b>147.061.024</b>	<b>278.618.775</b>	<b>115.245.846</b>	<b>128.240.627</b>	<b>243.486.473</b>
<b>I. GUARANTEES AND WARRANTIES</b>	(1)	<b>59.053.438</b>	<b>67.263.467</b>	<b>126.316.905</b>	<b>55.057.122</b>	<b>61.446.729</b>	<b>116.503.851</b>
1.1 Letters of guarantee		53.052.043	56.760.871	109.812.914	50.051.793	52.484.618	102.536.411
1.1.1 Guarantees subject to public procurement law		3.144.555	6.692.285	9.836.840	2.868.957	6.032.807	8.901.764
1.1.2 Guarantees given for foreign trade operations		196.290	11.550.873	11.747.163	151.890	11.076.113	11.228.003
1.1.3 Other letters of guarantee		49.711.198	38.517.713	88.228.911	47.030.946	35.375.698	82.406.644
1.2 Bank loans		180.827	7.331.843	7.512.670	185.902	6.309.693	6.495.595
1.2.1 Import acceptances		-	174.672	174.672	-	161.040	161.040
1.2.2 Other bank acceptances		180.827	7.157.171	7.337.998	185.902	6.148.653	6.334.555
1.3 Letters of credit		25.011	3.105.705	3.130.716	55.249	2.554.133	2.609.382
1.3.1 Documentary letters of credit		25.011	3.105.705	3.130.716	55.249	2.554.133	2.609.382
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		5.795.557	65.048	5.860.605	4.764.178	98.285	4.862.463
1.9 Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>45.757.203</b>	<b>7.074.944</b>	<b>52.832.147</b>	<b>42.401.518</b>	<b>7.565.424</b>	<b>49.966.942</b>
2.1 Irrevocable commitments	(1)	44.900.494	1.825.200	46.725.694	41.793.629	2.726.999	44.520.628
2.1.1 Forward asset purchase commitments		408.134	575.403	983.537	371.052	1.455.693	1.826.745
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		3.888.213	807.986	4.696.199	3.912.914	808.401	4.721.315
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for Cheques		5.428.475	-	5.428.475	4.472.298	-	4.472.298
2.1.8 Tax and fund liabilities from export commitments		119.423	-	119.423	124.240	-	124.240
2.1.9 Commitments for credit card expenditure limits		30.031.320	101.122	30.132.442	27.941.932	90.210	28.032.142
2.1.10 Commitments for credit cards and banking services promotions		24.197	-	24.197	22.752	-	22.752
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		5.000.732	340.689	5.341.421	4.948.441	372.695	5.321.136
2.2 Revocable commitments		856.709	5.249.744	6.106.453	607.889	4.838.425	5.446.314
2.2.1 Revocable loan granting commitments		-	2.458.320	2.458.320	-	2.210.353	2.210.353
2.2.2 Other revocable commitments		856.709	2.791.424	3.648.133	607.889	2.628.072	3.235.961
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>26.747.110</b>	<b>72.722.613</b>	<b>99.469.723</b>	<b>17.787.206</b>	<b>59.228.474</b>	<b>77.015.680</b>
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		26.747.110	72.722.613	99.469.723	17.787.206	59.228.474	77.015.680
3.2.1 Forward foreign currency buy/sell transactions		863.163	4.247.010	5.110.173	203.727	2.589.660	2.793.387
3.2.1.1 Forward foreign currency transactions-buy		429.615	3.259.164	3.688.779	114.039	2.395.844	2.509.883
3.2.1.2 Forward foreign currency transactions-sell		433.548	987.846	1.421.394	89.688	193.816	283.504
3.2.2 Currency and interest rate swaps		24.708.206	57.557.240	82.265.446	17.149.875	47.388.846	64.538.721
3.2.2.1 Currency swap-buy		1.254	25.234.849	25.236.103	-	18.551.480	18.551.480
3.2.2.2 Currency swap-sell		23.846.952	5.976.259	29.823.211	15.739.875	4.681.336	20.421.211
3.2.2.3 Interest rate swap-buy		430.000	13.173.066	13.603.066	705.000	12.078.015	12.783.015
3.2.2.4 Interest Rate swap-sell		430.000	13.173.066	13.603.066	705.000	12.078.015	12.783.015
3.2.3 Currency, interest rate and marketable securities options		1.162.735	1.986.171	3.148.906	433.604	3.440.442	3.874.046
3.2.3.1 Currency call options		581.367	992.978	1.574.345	216.802	1.720.219	1.937.021
3.2.3.2 Currency put options		581.368	993.193	1.574.561	216.802	1.720.223	1.937.025
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		13.006	14.154	27.160	-	-	-
3.2.4.1 Currency futures-buy		13.006	-	13.006	-	-	-
3.2.4.2 Currency futures-sell		-	14.154	14.154	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	8.918.038	8.918.038	-	5.809.526	5.809.526
<b>B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>		<b>1.439.233.781</b>	<b>526.051.281</b>	<b>1.965.285.062</b>	<b>1.497.151.707</b>	<b>500.356.330</b>	<b>1.997.508.037</b>
<b>IV. CUSTODIES</b>		<b>532.127.583</b>	<b>57.638.104</b>	<b>589.765.687</b>	<b>631.841.811</b>	<b>61.211.567</b>	<b>693.053.378</b>
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		126.231.402	2.450.602	128.682.004	127.376.877	2.619.679	129.996.556
4.3 Cheques in collection process		27.524.283	37.753.555	65.277.838	21.031.738	44.640.396	65.672.134
4.4 Commercial notes in collection process		336.697.081	11.381.333	348.078.414	427.050.907	9.156.674	436.207.581
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		879.155	1.066.844	1.945.999	2.319.655	1.143.741	3.463.396
4.8 Custodians		40.795.662	4.985.770	45.781.432	54.062.634	3.651.077	57.713.711
<b>V. PLEDGED ASSETS</b>		<b>907.106.198</b>	<b>468.413.177</b>	<b>1.375.519.375</b>	<b>865.309.896</b>	<b>439.144.763</b>	<b>1.304.454.659</b>
5.1 Marketable securities		8.237.540	1.616.001	9.853.541	6.996.977	1.733.141	8.730.118
5.2 Collateral notes		9.105.200	2.105.169	11.210.369	7.863.081	1.769.758	9.632.839
5.3 Commodity		25.812	-	25.812	25.813	-	25.813
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		675.448.428	361.601.741	1.037.050.169	650.415.346	338.008.605	988.423.951
5.6 Other pledged assets		166.028.407	61.820.750	227.849.157	169.327.906	56.874.541	226.202.447
5.7 Pledges		48.260.811	41.269.516	89.530.327	30.680.773	40.758.718	71.439.491
<b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)</b>		<b>1.570.791.532</b>	<b>673.112.305</b>	<b>2.243.903.837</b>	<b>1.612.397.553</b>	<b>628.596.957</b>	<b>2.240.994.510</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 31**  
**MARCH 2021**

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

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

		Reviewed Current Period	Reviewed Prior Period
		1 January- 31 March 2021	1 January- 31 March 2020
	<b>STATEMENT OF PROFIT OR LOSS</b>		
	<b>Note</b>		
<b>I.</b>	<b>INTEREST INCOME</b>	<b>15.468.591</b>	<b>11.944.921</b>
1.1	Interest on Loans	11.345.289	8.829.670
1.2	Interest on Reserve Requirements	736	500
1.3	Interest on Banks	206.664	34.926
1.4	Interest on Money Market Transactions	32.800	5.398
1.5	Interest on Marketable Securities Portfolio	3.670.000	2.877.156
1.5.1	Fair Value Through Profit or Loss	4.815	847
1.5.2	Fair Value Through Other Comprehensive Income	1.320.396	662.853
1.5.3	Measured at Amortized Cost	2.344.789	2.213.456
1.6	Financial Lease Interest Income	89.410	77.631
1.7	Other Interest Income	123.692	119.640
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	<b>15.375.501</b>	<b>6.388.171</b>
2.1	Interest on Deposits	10.078.512	4.157.454
2.2	Interest on Funds Borrowed	79.664	120.024
2.3	Interest Expense on Money Market Transactions	4.376.683	1.371.771
2.4	Interest on Securities Issued	675.305	617.391
2.5	Interest on Leases	23.593	21.248
2.6	Other Interest Expenses	141.744	100.283
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>	<b>93.090</b>	<b>5.556.750</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>	<b>836.252</b>	<b>707.017</b>
<b>4.1</b>	<b>Fees and Commissions Received</b>	<b>1.174.204</b>	<b>904.902</b>
4.1.1	Non – cash Loans	265.197	223.941
4.1.2	Other	(11) 909.007	680.961
<b>4.2</b>	<b>Fees and Commissions Paid (-)</b>	<b>337.952</b>	<b>197.885</b>
4.2.1	Non – cash Loans	1.704	764
4.2.2	Other	(11) 336.248	197.121
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>23</b>	<b>426</b>
<b>VI.</b>	<b>TRADING INCOME / LOSS (Net)</b>	<b>(622.222)</b>	<b>(1.245.046)</b>
6.1	Trading Gains / (Losses) on Securities	25.626	85.128
6.2	Gains / (Losses) on Derivate Financial Transactions	1.653.437	1.294.150
6.3	Foreign Exchange Gains / (Losses)	(2.301.285)	(2.624.324)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>3.451.446</b>	<b>699.976</b>
<b>VIII.</b>	<b>GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>	<b>3.758.589</b>	<b>5.719.123</b>
<b>IX.</b>	<b>EXPECTED LOSS PROVISIONS (-)</b>	<b>1.297.004</b>	<b>2.361.747</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>	<b>1.885</b>	<b>141.289</b>
<b>XI.</b>	<b>PERSONNEL EXPENSE (-)</b>	<b>1.110.385</b>	<b>940.974</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>1.265.272</b>	<b>1.018.999</b>
<b>XIII.</b>	<b>NET OPERATING INCOME /LOSS (IX-X-XI)</b>	<b>84.043</b>	<b>1.256.114</b>
<b>XIV.</b>	<b>INCOME AFTER MERGER</b>	-	-
<b>XV.</b>	<b>INCOME / (LOSS ) FROM INVESTMENTS IN SUBSIDIARIES</b>	-	-
	<b>CONSOLIDATED BASED ON EQUITY METHOD</b>	<b>6.814</b>	<b>6.235</b>
<b>XVI.</b>	<b>INCOME / (LOSS) ON NET MONETARY POSITION</b>	-	-
<b>XVII.</b>	<b>PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS</b>	-	-
	<b>(XIII+...+XVI)</b>	<b>(7) 90.857</b>	<b>1.262.349</b>
<b>XVIII.</b>	<b>TAX PROVISIONS FOR CONTINUED OPERATIONS (±)</b>	<b>(8) (17.403)</b>	<b>(197.967)</b>
18.1	Current Tax Provision	44.137	34.629
18.2	Deferred Tax Income Effect (+)	1.277.599	686.204
18.3	Deferred Tax Expense Effect (-)	1.304.333	522.866
<b>XIX.</b>	<b>CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS</b>	<b>(9) 73.454</b>	<b>1.064.382</b>
	<b>(XVII±XVIII)</b>	<b>73.454</b>	<b>1.064.382</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>	-	<b>613.933</b>
20.1	Income from non- Current Assets Held for Sale	-	613.933
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures	-	-
20.3	Income from Other Discontinued Operations	-	-
<b>XXI.</b>	<b>EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>	-	<b>494.089</b>
21.1	Expenses for Non-current Assets Held for Sale	-	494.089
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures	-	-
21.3	Expenses for Other Discontinued Operations	-	-
<b>XXII.</b>	<b>PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS</b>	-	<b>119.844</b>
	<b>(IXX-XX)</b>	-	<b>119.844</b>
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	-	<b>(48.603)</b>
23.1	Current Tax Provision	-	48.981
23.2	Deferred Tax Expense Effect (+)	-	-
23.3	Deferred Tax Income Effect (-)	-	378
<b>XXIV.</b>	<b>PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS</b>	-	<b>71.241</b>
	<b>(XIX±XXII)</b>	-	<b>71.241</b>
<b>XXV.</b>	<b>NET PROFIT/(LOSS) (XVIII+XXIII)</b>	<b>(10) 73.454</b>	<b>1.135.623</b>
25.1	Profit / (Loss) of Group	71.085	1.128.438
25.2	Profit / (Loss) of Minority Shares (-)	2.369	7.185
	Profit / (Loss) Per Share (full TRY)	0,0287354	0,9027504

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

**TÜRKİYE HALK BANKASI AŞ**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2021**

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

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

		Reviewed	Reviewed
		Current Period	Prior Period
		1 January - 31 March 2021	1 January - 31 March 2020
<b>INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>			
<b>I.</b>	<b>CURRENT PERIOD INCOME/LOSS</b>	<b>73.454</b>	<b>1.135.623</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(944.610)</b>	<b>(131.786)</b>
<b>2.1</b>	<b>Not Reclassified Through Profit or Loss</b>	<b>(9.573)</b>	<b>(15.483)</b>
2.1.1	Property and Equipment Revaluation Increase/Decrease	(9.234)	(3.718)
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(895)	(12.137)
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	556	372
<b>2.2</b>	<b>Reclassified Through Profit or Loss</b>	<b>(935.037)</b>	<b>(116.303)</b>
2.2.1	Foreign Currency Translation Differences	4.346	10.987
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(1.172.627)	(221.774)
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Loss	-	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	233.244	94.484
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>(871.156)</b>	<b>1.003.837</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2021**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss								Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss							
	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated 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	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Expect Minority Shares	Minority Shares	Total Equity
<b>Reviewed (1 January – 31 March 2020)</b>																
I. Prior Period End Balance	1.250.000	39.773	-	975.617	2.665.635	(61.018)	47.283	(5.846)	259.332	-	24.052.179	419.572	2.267.608	31.910.135	287.253	32.197.388
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)	1.250.000	39.773	-	975.617	2.665.635	(61.018)	47.283	(5.846)	259.332	-	24.052.179	419.572	2.267.608	31.910.135	287.253	32.197.388
IV. Total Comprehensive Income	-	-	-	-	(3.346)	-	(12.137)	10.987	(127.290)	-	-	-	1.128.438	996.652	7.185	1.003.837
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes	-	-	-	(23.240)	-	-	-	-	-	-	42.707	2.267.608	(2.267.608)	19.467	515	19.982
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (III+IV+.....+X+XI)</b>	<b>1.250.000</b>	<b>39.773</b>	<b>-</b>	<b>952.377</b>	<b>2.662.289</b>	<b>(61.018)</b>	<b>35.146</b>	<b>5.141</b>	<b>132.042</b>	<b>-</b>	<b>24.094.886</b>	<b>2.687.180</b>	<b>1.128.438</b>	<b>32.926.254</b>	<b>294.953</b>	<b>33.221.207</b>
<b>Reviewed (1 January – 31 March 2021)</b>																
I. Prior Period End Balance	2.473.776	5.815.863	-	975.087	3.090.256	(139.318)	52.085	(2.070)	(436.986)	-	25.877.954	1.124.232	3.684.642	42.515.521	263.380	42.778.901
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)	2.473.776	5.815.863	-	975.087	3.090.256	(139.318)	52.085	(2.070)	(436.986)	-	25.877.954	1.124.232	3.684.642	42.515.521	263.380	42.778.901
IV. Total Comprehensive Income	-	-	-	-	(8.678)	-	(895)	4.346	(939.383)	-	-	-	71.085	(873.525)	2.369	(871.156)
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	-	-	-	3.887	-	-	-	-	-	-	39.185	3.684.642	(3.684.642)	43.072	384	43.456
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	2.728.887	(2.728.887)	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	2.728.887	(2.728.887)	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (III+IV+.....+X+XI)</b>	<b>2.473.776</b>	<b>5.815.863</b>	<b>-</b>	<b>978.974</b>	<b>3.081.578</b>	<b>(139.318)</b>	<b>51.190</b>	<b>2.276</b>	<b>(1.376.369)</b>	<b>-</b>	<b>28.646.026</b>	<b>2.079.987</b>	<b>71.085</b>	<b>41.685.068</b>	<b>266.133</b>	<b>41.951.201</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31**  
**MARCH 2021**

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

**VI. CONSOLIDATED STATEMENT OF CASH FLOWS**

	Note	Reviewed	Reviewed
		Current Period	Prior Period
		1 January- 31 March 2021	1 January- 31 March 2020
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>	<b>(5.132.512)</b>	<b>(586.181)</b>
1.1.1	Interest received	14.173.193	10.485.839
1.1.2	Interest paid	(14.802.288)	(6.249.714)
1.1.3	Dividend received	23	426
1.1.4	Fees and commissions received	898.841	904.902
1.1.5	Other income	1.472.156	389.742
1.1.6	Collections from previously written off loans	509.013	756.266
1.1.7	Cash payments to personnel and service suppliers	(1.125.130)	(954.764)
1.1.8	Taxes paid	(910.043)	(483.630)
1.1.9	Other	(5.348.277)	(5.435.248)
<b>1.2</b>	<b>Changes in Assets and Liabilities Subject to Banking Operations</b>	<b>2.509.219</b>	<b>3.254.174</b>
	Net Increase / decrease in financial assets at fair value through profit or loss	(73.957)	(343.840)
1.2.1	loss	(73.957)	(343.840)
1.2.2	Net (increase) / decrease in due from banks	-	-
1.2.3	Net (increase) / decrease in loans	(7.497.632)	(38.699.362)
1.2.4	Net (increase) / decrease in other assets	(7.584.571)	4.976.661
1.2.5	Net increase / (decrease) in bank deposits	8.114.372	5.220.844
1.2.6	Net increase / (decrease) in other deposits	6.403.089	24.014.960
	Net Increase / decrease in financial liabilities at fair value through profit or loss	-	-
1.2.7	or loss	-	-
1.2.8	Net increase / (decrease) in funds borrowed	52.673	388.326
1.2.9	Net increase / (decrease) in matured payables	-	-
1.2.10	Net increase / (decrease) in other liabilities	3.095.245	7.696.585
<b>I.</b>	<b>Net cash provided from banking operations</b>	<b>(2.623.293)</b>	<b>2.667.993</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II.</b>	<b>Net cash provided from/ (used in) investing activities</b>	<b>(4.246.390)</b>	<b>(4.759.567)</b>
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(57.402)	-
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	-
2.3	Fixed assets purchases	(242.675)	(158.001)
2.4	Fixed assets sales	451.752	583.035
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(2.919.066)	(10.590.325)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	1.351.170	3.982.637
2.7	Cash paid for purchase of investment securities	(5.610.737)	(2.856.687)
2.8	Cash obtained from sale of investment securities	2.809.463	4.293.689
2.9	Other	(28.895)	(13.915)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net cash flow from financing activities</b>	<b>(4.551.824)</b>	<b>(4.572.502)</b>
3.1	Cash obtained from loans borrowed and securities issued	9.808.465	12.339.256
3.2	Cash used for repayment of loans borrowed and securities issued	(14.304.149)	(16.857.379)
3.3	Bonds issued	-	-
3.4	Dividends paid	-	-
3.5	Payments for leases	(56.140)	(54.379)
3.6	Other	-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>2.811.360</b>	<b>1.991.819</b>
<b>V.</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(8.610.147)</b>	<b>(4.672.257)</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of the period</b>	<b>42.711.628</b>	<b>24.297.689</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of the period</b>	<b>34.101.481</b>	<b>19.625.432</b>

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

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

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

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

***Effects of COVID 19***

In March 2021, a new type of coronavirus (COVID-19) which emerged in Wuhan city of China, caused fatal respiratory diseases all over the world and named as a global outbreak by the World Health Organization on 11 March 2020. Various measures have been taken all over the world in order to avoid the negative effects of the disease that has become a pandemic, and due to the measures taken, there have been a recession in economies.

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

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

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

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

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

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

*Effects of COVID 19 (continued)*

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

5. With the decision of the BRSA dated 26 March 2020, it has been decided to exempt Banks from their obligations to meet the Liquidity Coverage Ratio. With the 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 March 2021 and Expected Credit Loss provisions for the loans classified as First Group Loans within the scope of TFRS 9 are decided to be continued according to the banks' own risk models. According to order made by the BRSA on 8 December 2020, the ending date of related regulation has been extended to 30 June 2021.

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

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

9. With the resolution numbered 8998 dated 16 April 2020 by BRSA, banks have been exempted from the obligations to meet 20% legal limit regarding the IRRBB ratio until 31 March 2021. Mentioned exemption has been terminated as of 31 March 2021 with the resolution numbered 9312 dated 8 December 2020.

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

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

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

*Effects of COVID 19 (continued)*

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

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

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

1) The Group's strategy on financial instruments:

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

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

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

In the statutory records of the The Parent 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 collections of foreign currency transactions are reflected to the profit or loss statement.

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

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

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



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

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

1. Basis of consolidation:

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

a. Basis of consolidation of subsidiaries:

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

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

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

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

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

b. Basis of consolidation of associates:

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

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

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

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

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

c. Basis of consolidation of joint ventures:

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

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

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

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

Accounting for business combinations

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

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

Acquisitions after 1 January 2010

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

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

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

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

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

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

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

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

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

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

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

Derivative transactions of the Group consist of foreign currency and interest rate swaps, cross currency swaps, options and forwards. The Group uses derivatives to avoid economical risks and accounts under TFRS 9 Standard.

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

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

The Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic’s credit risk. As of 31 March 2021, the Parent bank has credit default swap transaction amounting to USD 260 million with 5 year maturity. In these transactions, the Parent Bank sells the protection.

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

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

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

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

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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

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

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

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

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

*Assessment of Business Model*

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

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

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

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

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

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

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

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

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

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

**3. Other Business Models:**

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

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

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

**3. Other Business Models (continued):**

*Measurement Categories of Financial Assets and Liabilities*

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

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

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

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

**a. 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.

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

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

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

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

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

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

**3. Other Business Models (continued):**

*Measurement Categories of Financial Assets and Liabilities (continued)*

**c. Financial Assets Measured at Fair Value through Profit or Loss**

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

*Cash Equivalents and Banks*

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

*Loans and receivables*

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

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

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

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

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

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

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

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

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

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

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

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

**Calculation of expected credit losses**

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

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

**Probability of Default (PD)**

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

**Loss given Default (LGD)**

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

**Exposure at Default (EAD)**

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

**12 Month Probability of Default**

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

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

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

**12 Month Probability of Default (continued)**

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

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

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

Within the scope of the measures taken by the BRSA in order to reduce the effects of the COVID-19 outbreak, the delinquency period of classification to loans under follow-up has been extended from 90 days to 180 days until 30 June 2021 and the Expected Credit Loss provisions for the loans classified as Second Group Loans Under Close Monitoring within the scope of TFRS 9 are decided to be continued according to the banks' own risk models.

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



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

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

**Low Credit Risk**

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

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

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

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

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

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

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

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

**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.

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

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

Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year.

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

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

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

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

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

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

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

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

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

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

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

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

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT (continued)**

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

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

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

*Classification of Investment Properties:*

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

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

**XIV. EXPLANATIONS ON INVESTMENT PROPERTIES**

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

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

**XV. EXPLANATIONS ON LEASING TRANSACTIONS**

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

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

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

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

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

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

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

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

As a result of internal evaluations, the Parent Bank accounts real estate and vehicles subject to operational lease in accordance with 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 Other Operating Expenses.

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

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

***The Lease Obligations:***

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

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

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the book value to reflect the lease payments made,
- c) Reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease.

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

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

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

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

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

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

**XVII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES**

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

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

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

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

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

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

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

**XVIII. EXPLANATIONS ON TAXATION**

In accordance with Article 32 of the Corporate Tax Law No. 5520, corporate tax is calculated at a rate of 20% over the corporate income. In accordance with the relevant law, the accrual process is carried out by calculating the temporary tax in accordance with the principles specified in the Income Tax Law and at the rate of corporate tax in quarterly periods and the accrued temporary corporate tax is paid. The mentioned advance tax payments are offset against the corporate tax of the current taxation period. As the tax rate used in the calculation of deferred tax assets and liabilities, 20% is used over the temporary timing differences expected to reverse.

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

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

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

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

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

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

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

*Turkish Republic of Northern Cyprus (TRNC)*

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

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

First period advance corporate tax return for the period of 1 January 2021 – 31 March 2021 is accrued and paid in May 2021, second period advance corporate tax return for the period 1 April 2021 - 30 June 2021 is accrued and paid in August, third period advance corporate tax return for the period 1 July 2021 - 30 September 2021 is accrued and paid in November. Forth period advance corporate tax return for the period 1 October 2021 - 31 December 2021 will be issued in February 2022, and paid following its assessment date.

*Bahrain*

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

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

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

**Tax practices of the consolidated subsidiaries:**

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

Halk Banka A.D. Skopje

The Parent Bank's subsidiary, acquired in 2011, Halk Banka A.D., Skopje is subject to tax regulations in the Republic of Macedonia and the corporate tax is 10%.

Halk Bank A.D. Beograd

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

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

**XIX. ADDITIONAL EXPLANATIONS ON BORROWINGS**

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

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

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

**XX. EXPLANATIONS ON SHARES ISSUED**

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

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

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

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

**XX. EXPLANATIONS ON SHARES ISSUED (CONTINUED)**

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

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

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

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

**XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES**

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

**XXIII. EXPLANATIONS ON SEGMENT REPORTING**

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

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

**XXIV. EXPLANATIONS ON OTHER MATTERS**

None.



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**I. EXPLANATIONS ON THE CONSOLIDATED EQUITY**

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

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

As of 31 March 2021, the capital adequacy ratio and the capital amount of the Group were realized as 13,95% (31 December 2020: 14.56%) and TRY 60.604.297 (31 December 2020: TRY 60.686.958) which were calculated within the scope of the above-mentioned regulation amendments.

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

1. Information About Total Consolidated Equity Items:

<b>Current Period</b>	<b>Amount</b>	<b>Amounts related to treatment before 1/1/2014<sup>(*)</sup></b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	3.694.227	
Share Premium	5.815.863	
Reserves	28.646.026	
Other Comprehensive Income according to TAS	3.504.342	
Profit	2.151.072	
Current Period Profit	71.085	
Prior Period Profit	2.079.987	
Bonus Shares from Associates, Affiliates and		
Joint-Ventures not Accounted in Current Period's Profit	105.996	
Minority Interest	2.571	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>43.920.097</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1.657.567	
Leasehold Improvements on Operational Leases (-)	147.252	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	623.045	623.045
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	351.767	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>2.779.631</b>	
<b>Total Common Equity Tier I Capital</b>	<b>41.140.466</b>	

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**MANAGEMENT OF THE GROUP (continued)**

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

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

<b>ADDITIONAL TIER I CAPITAL</b>	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	8.605.890
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Shares of Third Parties in Additional Tier I Capital	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-
<b>Additional Tier I Capital before Deductions</b>	<b>8.605.890</b>
<b>Deductions from Additional Tier I Capital</b>	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
<b>Items to be Deducted from Tier I Capital During the Transition Period</b>	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>8.605.890</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>49.746.356</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	4.931.554
<b>Tier II Capital Before Deductions</b>	<b>10.861.349</b>
<b>Deductions From Tier II Capital</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>10.861.349</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>60.607.705</b>
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be Defined by the BRSA (-)	3.408

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

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

<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>TOTAL CAPITAL</b>	
Total Capital (Total of Tier I Capital and Tier II Capital)	60.604.297
Total Risk Weighted Assets	434.452.794
<b>Capital Adequacy Ratios</b>	
CET1 Capital Ratio (%)	9,47
Tier I Capital Ratio (%)	11,45
Capital Adequacy Ratio (%)	13,95
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio (a+b+c)	4,047
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,047
c) Systemic significant bank buffer ratio (%)	1,500
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,969
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	156.405
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	721.280
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.710.851
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	4.931.554
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.931.554
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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

<b>Prior Period</b>	<b>Amount</b>	<b>Amounts related to treatment before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	3.694.227	
Share Premium	5.815.863	
Reserves	25.877.954	
Other Comprehensive Income according to TAS	3.300.002	
Profit	4.808.874	
Current Period Profit	3.684.642	
Prior Period Profit	1.124.232	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	97.763	
Minority Interest	2.407	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>43.597.090</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	612.009	
Leasehold Improvements on Operational Leases (-)	131.218	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	638.708	638.708
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	351.767	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>1.733.702</b>	
<b>Total Common Equity Tier I Capital</b>	<b>41.863.388</b>	

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

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

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

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

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

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

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

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

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

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

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

<b>Details on Subordinated Liabilities:</b>				
Issuer	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	Türkiye Varlık Fonu
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHALE2716	TRSTHAL62811	TRSTHAL92826	-
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA Legislation
<b>Regulatory treatment</b>				
Transitional Basel III rules	No	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond	Public Sector Bond	Public Sector Bond	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980	8.606
Par value of instrument	1.000	1.950	2.980	-
Accounting classification	346.011	346.011	346.011	347.0001
Original date of issuance	20.10.2017	03.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	03.07.2018	26.09.2018	24.04.2019
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
<b>Coupons / dividends</b>				
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon	No Coupon Payment
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %	5 years 25,38%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	-	-	-	-
<b>Convertible or non-convertible</b>				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-



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

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

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

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

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

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

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

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

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

	<b>24.03.2021</b>	<b>25.03.2021</b>	<b>26.03.2021</b>	<b>29.03.2021</b>	<b>30.03.2021</b>	<b>31.03.2021</b>
USD	7,8300000	7,8600000	7,9300000	8,1000000	8,2400000	8,1400000
CHF	8,3502000	8,3679000	8,4141000	8,6169000	8,7259000	8,6429000
GBP	10,7141000	10,7725000	10,9203000	11,1564000	11,2965000	11,2208000
JPY	0,0716653	0,0717883	0,0720055	0,0735994	0,0744474	0,0733412
EUR	9,2551000	9,2740000	9,3451000	9,5414000	9,6630000	9,5621000

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

	<b>Monthly Average Buying</b> <b>Rate of Exchange</b>
USD	7,6213043
CHF	8,1812696
GBP	10,5443696
JPY	0,0698613
EUR	9,0662261

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

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

Information related to currency risk:

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>OTHER FC</b>	<b>TOTAL</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	20.077.673	21.884.191	11.984.588	53.946.452
Banks	916.876	862.811	1.632.967	3.412.654
Financial assets at fair value through profit and loss	109	452	18.050	18.611
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	7.863.867	12.561.755	2.066.116	22.491.738
Loans <sup>(2)</sup>	62.323.088	40.264.545	5.959.153	108.546.786
Subsidiaries, associates and entities under common control	711.871	-	-	711.871
Financial assets measured at amortized cost <sup>(5)</sup>	9.393.069	16.302.099	6.126.805	31.821.973
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	520.726	520.726
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	1.785.603	1.162.030	109.806	3.057.439
<b>Total assets</b>	<b>103.072.156</b>	<b>93.037.883</b>	<b>28.418.211</b>	<b>224.528.250</b>
<b>Liabilities</b>				
Bank deposits	13.239.019	3.801.946	646.994	17.687.959
Foreign currency deposits	77.043.745	93.768.050	30.492.458	201.304.253
Money market balances	-	1.546.471	-	1.546.471
Funds provided from other financial institutions	8.439.274	4.198.780	1.544	12.639.598
Bonds issued	-	4.113.282	-	4.113.282
Sundry creditors	317.794	916.891	45.589	1.280.274
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	9.939.767	735.166	360.339	11.035.272
<b>Total liabilities</b>	<b>108.979.599</b>	<b>109.080.586</b>	<b>31.546.924</b>	<b>249.607.109</b>
<b>Net balance sheet position</b>	<b>(5.907.443)</b>	<b>(16.042.703)</b>	<b>(3.128.713)</b>	<b>(25.078.859)</b>
<b>Net off-balance sheet position</b>				
Financial derivative assets <sup>(4)</sup>	5.584.458	22.477.976	8.076.994	36.139.428
Financial derivative liabilities <sup>(4)</sup>	828.836	6.531.747	3.451.873	10.812.456
Non-cash loans <sup>(1)</sup>	40.322.518	22.981.517	3.959.432	67.263.467
<b>Prior period</b>				
Total assets	91.651.172	97.672.240	30.072.394	219.395.806
Total liabilities	98.185.337	109.397.241	31.205.076	238.787.654
<b>Net balance sheet position</b>	<b>(6.534.165)</b>	<b>(11.725.001)</b>	<b>(1.132.682)</b>	<b>(19.391.848)</b>
<b>Net off-balance sheet position</b>				
Financial derivative assets	7.325.960	14.650.743	4.755.882	26.732.585
Financial derivative liabilities	1.169.171	5.248.540	3.377.841	9.795.552
Non-cash loans <sup>(1)</sup>	37.665.288	19.910.193	3.871.248	61.446.729

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

<sup>(2)</sup> Includes TRY 36.031 of foreign currency indexed loans and their accruals (31 December 2020: TRY 45.321).

<sup>(3)</sup> In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Foreign currency intangible assets, prepaid expenses, derivative financial instruments foreign currency income discounts, equity and derivative financial instruments foreign currency expense discounts in liabilities were not taken into account in foreign currency risk calculation.

<sup>(4)</sup> Financial derivative assets include forward precious metal purchase transactions amounting to TRY 303.894 and swap precious metal purchase transactions amounting to TRY 6.252.744; financial derivative liabilities include forward precious metal sale transactions amounting to TRY 2.361.400. In addition, derivative transactions within the scope of forward foreign exchange purchase and sale are included.

<sup>(5)</sup> Includes gold indexed bonds amounting to TRY 5.944.452 (31 December 2020: TRY 3.471.174).

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

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

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

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

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
<b>Assets</b>							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	8.056.132	-	-	-	-	55.419.098	63.475.230
Banks	634.296	16.788	23.704	4.443	-	3.079.792	3.759.023
Financial assets at fair value through profit and loss	81.493	26.269	25.198	300	246	15.665.326	15.798.832
Money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	6.587.421	19.747.831	16.933.293	16.863.174	2.208.835	248.301	62.588.855
Loans	80.621.817	91.516.653	128.602.863	105.855.820	31.028.709	25.286.057	462.911.919
Financial assets measured at amortised cost	11.506.984	10.374.828	21.980.493	23.614.770	21.739.470	-	89.216.545
Other assets <sup>(1)(4)</sup>	3.434.269	895.004	1.151.629	1.970.120	629.771	4.274.002	12.354.795
<b>Total assets</b>	<b>110.922.412</b>	<b>122.577.373</b>	<b>168.717.180</b>	<b>148.308.627</b>	<b>55.607.031</b>	<b>103.972.576</b>	<b>710.105.199</b>
<b>Liabilities</b>							
Bank deposits	27.451.354	4.922.525	-	-	-	10.834.311	43.208.190
Other deposits	240.962.590	83.569.139	28.038.024	2.764.229	38.161	84.510.807	439.882.950
Money market balances	107.085.709	1.068.491	-	-	-	198.114	108.352.314
Sundry creditors	5.506.009	-	-	-	-	4.988.108	10.494.117
Bonds issued	1.376.678	4.377.319	4.940.406	1.000.000	-	95.421	11.789.824
Funds provided from other financial institutions <sup>(3)</sup>	1.044.079	2.435.410	6.220.133	2.895.491	798.161	53.322	13.446.596
Other liabilities <sup>(1)(2)</sup>	1.000.504	1.000	15.504.021	8.610.668	4.929.795	52.885.220	82.931.208
<b>Total liabilities</b>	<b>384.426.923</b>	<b>96.373.884</b>	<b>54.702.584</b>	<b>15.270.388</b>	<b>5.766.117</b>	<b>153.565.303</b>	<b>710.105.199</b>
Balance sheet long position	-	26.203.489	114.014.596	133.038.239	49.840.914	-	323.097.238
Balance sheet short position	(273.504.511)	-	-	-	-	(49.592.727)	(323.097.238)
Off-balance sheet long position	28.165.115	15.397.003	431.813	188.533	6.478.002	-	50.660.466
Off-balance sheet short position	(27.225.689)	(13.810.522)	(431.445)	(863.603)	(6.477.998)	-	(48.809.257)
<b>Total position</b>	<b>(272.565.085)</b>	<b>27.789.970</b>	<b>114.014.964</b>	<b>132.363.169</b>	<b>49.840.918</b>	<b>(49.592.727)</b>	<b>1.851.209</b>

<sup>(1)</sup> TRY 44.755 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 76.024 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

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

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**MANAGEMENT OF THE GROUP (continued)**

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

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

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

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

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

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

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

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**MANAGEMENT OF THE GROUP (continued)**

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

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

<b>Current period</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TRY</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT <sup>(5)</sup>	-	-	-	13,50
Banks <sup>(1)</sup>	-	0,39	-	16,85
Financial assets at fair value through profit and loss <sup>(6)</sup>	1,55	6,57	-	15,44
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,39	2,94	-	14,54
Loans <sup>(2)</sup>	4,98	5,94	-	11,97
Financial assets measured at amortised cost	4,85	5,98	-	18,41
<b>Liabilities</b>				
Bank deposits <sup>(4)</sup>	0,60	1,20	0,06	18,52
Other deposits <sup>(4)</sup>	0,79	1,80	0,01	15,04
Money market borrowings	-	4,34	-	18,95
Sundry creditors <sup>(3)</sup>	-	-	-	5,00
Bonds issued	-	4,75	-	15,11
Funds provided from other financial institutions	1,35	1,76	-	15,82

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

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

<sup>(3)</sup> Declared maximum deposits interest rate with a maturity of 12 months as of 31 March 2021.

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

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

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

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

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

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

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

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

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

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

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

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

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

Equities	Comparison			The Amount of Capital Requirement
	Balance Sheet Value	Fair Value Change	Market Value	
Stock investment excluding A,B,C,D group	852.344 <sup>(*)</sup>	709.762 <sup>(**)</sup>	-	154.160

<sup>(\*)</sup> Includes TRY 123.798 of unconsolidated subsidiary, TRY 728.546 of associates accounted for under the equity method.

<sup>(\*\*)</sup> It represents the fair value of Demirhalk Bank N.V. It is taken from the valuation report of Demirhalk Bank N.V. prepared as of 31 March 2021.

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

Portfolio	Revaluation surplus in the fair value			Unrealized gains and losses		
	Realized gains (losses) in the current period	Included in supplementary capital		Included in total core capital	Included in supplementary capital	
		Total	Total		Total	Total
1. Private equity investments	-	-	-	-	-	-
2. Share certificates quoted on a stock exchange	-	-	-	-	-	-
3. Other share certificates	-	19.251	19.251	-	-	-
<b>Total</b>	<b>-</b>	<b>19.251</b>	<b>19.251</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

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

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

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

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

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

For the purposes of utilizing advantage of the new borrowing facilities in line with the needs of the Parent Bank, alternative funding resources are evaluated in parallel with the close monitoring of price/cost movements in international capital markets and with convenient conditions. Adequate liquidity buffer is maintained by the Parent Bank to meet its intraday liquidity and short-term liquidity needs.

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

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

As part of the important developments regarding liquidity risk; the Parent Bank's loan volume has increased significantly with the loan support provided to customers during the Covid-19 outbreak, and loan payment deferral opportunities has been offered to loan customers. Within this scope, the Parent Bank has taken measures to reduce liquidity risks and to provide the necessary liquidity buffer by effectively using the necessary deposit and fund resources. With the funding strategies followed before and after the exemption for Liquidity Coverage Ratio expired, Liquidity Coverage Ratios were above the legal limit on a solo and consolidated basis in the first quarter of 2021, and no limit exceeded was experienced.

Consolidated high quality liquid assets in TRY+FC are composed of 49,59% accounts held by the CBRT and the Central Banks of the foreign branches, 46,44% securities considered as high quality liquid assets and 3,97% cash and cash equivalents. The primary funding source for the Parent Bank is deposit. Other important funding sources are money market borrowings and securities issued.

Derivative transactions did not cause a net cash outflow that would negatively affect the liquidity position. The estimated cash outflows from derivative financial instruments and other liabilities calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, are TRY 634.777 thousand.



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

There are no operational or legal restrictions on liquidity transfer to subsidiaries or foreign branches of the Parent Bank. Each of the consolidated subsidiaries manage their own liquidity risk and liquidity adequacy is ensured on a consolidated basis. The liquidity coverage ratio calculated on a daily basis and the early warning levels and limits regarding the liquidity metrics determined within the scope of the Bank's Liquidity Emergency Action Plan are calculated daily, and regularly reported to the Parent Bank's Audit Committee, Asset-Liability Committee and relevant business units. However, the metrics related to the liquidity status and liquidity risk are regularly evaluated by the Liquidity Risk Committee established within the Parent Bank.

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

<b>PERIOD</b>	<b>FC (%)</b>	<b>TRY+FC (%)</b>
January 2021	188,93	115,21
February 2021	211,38	110,39
March 2021	280,75	112,56

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

Current Period	Total Unweighted Value <sup>(1)</sup>		Total Weighted Value <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			112.757.120	62.007.017
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	223.257.550	107.004.660	20.313.085	10.700.466
Stable Deposits	40.253.400	-	2.012.670	-
Less Stable Deposits	183.004.150	107.004.660	18.300.415	10.700.466
Unsecured wholesale funding , of which;	194.026.394	75.466.385	88.638.871	33.835.660
Operational Deposits	37.953.948	10.041.956	9.488.487	2.510.489
Non-operational Deposits	148.181.936	61.901.902	72.542.464	27.974.357
Other Unsecured Funding	7.890.510	3.522.527	6.607.920	3.350.814
Secured Funding			-	-
Other cash outflows, of which;	9.189.150	5.486.231	5.158.618	3.302.631
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	885.749	1.095.975	885.749	1.095.975
Obligations related to structured financial products	68.752	-	68.752	-
Commitments related to debts to financial markets and other off-balance sheet obligations	8.234.649	4.390.256	4.204.117	2.206.656
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	149.851.460	55.132.720	11.117.165	4.313.100
<b>Total Cash Outflows</b>			<b>125.227.739</b>	<b>52.151.857</b>
<b>Cash Inflows</b>				
Secured Lending	-	-	-	-
Unsecured Lending	39.331.051	12.866.066	24.794.898	9.730.415
Other Cash Inflows	461.406	14.231.064	461.406	14.231.064
<b>Total Cash Inflows</b>	<b>39.792.457</b>	<b>27.097.130</b>	<b>25.256.304</b>	<b>23.961.479</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>112.757.120</b>	<b>62.007.017</b>
<b>Total Net Cash Outflows</b>			<b>99.971.435</b>	<b>28.190.378</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>112,80%</b>	<b>227,54%</b>

<sup>(1)</sup> It is the simple arithmetic mean of the values calculated by taking the monthly simple arithmetic mean for the last three months.

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

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

<sup>(1)</sup> It is the simple arithmetic mean of the values calculated by taking the monthly simple arithmetic mean for the last three months.

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

Presentation of assets and liabilities according to their remaining maturities:

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
<b>Assets</b>								
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	6.466.594	56.708.914	-	299.722	-	-	-	63.475.230
Banks	3.091.990	608.851	16.851	23.704	4.443	13.184	-	3.759.023
Financial assets at fair value through profit and loss	-	23.145	26.248	15.520.237	63.255	246	165.701	15.798.832
Receivables from Money market	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	1.577.645	10.088.917	13.751.071	28.399.678	8.523.243	248.301	62.588.855
Loans	18.911.197	33.014.219	32.124.897	119.881.845	197.379.893	61.599.868	-	462.911.919
Financial assets measured at amortised cost	-	2.778.842	4.285.796	11.837.905	34.254.175	36.059.827	-	89.216.545
Other assets <sup>(2)</sup>	392.405	1.727.451	2.500.729	1.284.031	1.963.376	651.387	3.835.416	12.354.795
<b>Total assets</b>	<b>28.862.186</b>	<b>96.439.067</b>	<b>49.043.438</b>	<b>162.598.515</b>	<b>262.064.820</b>	<b>106.847.755</b>	<b>4.249.418</b>	<b>710.105.199</b>
<b>Liabilities</b>								
Bank deposits	10.761.505	27.514.022	4.932.573	90	-	-	-	43.208.190
Other deposits	79.715.501	243.200.831	82.262.624	31.725.608	2.927.178	51.208	-	439.882.950
Funds provided from other financial institutions <sup>(3)</sup>	3	316.207	1.158.346	1.881.092	4.178.094	5.912.854	-	13.446.596
Money market balances	-	107.279.660	258.654	-	-	814.000	-	108.352.314
Bonds issued	-	372.678	4.324.915	5.605.510	1.486.721	-	-	11.789.824
Sundry creditors	79.342	4.498.688	215.280	1.122.252	3.614.942	14.220	949.393	10.494.117
Other liabilities <sup>(1)</sup>	1.424.561	6.260.620	510.355	15.586.721	9.865.119	6.318.863	42.964.969	82.931.208
<b>Total liabilities</b>	<b>91.980.912</b>	<b>389.442.706</b>	<b>93.662.747</b>	<b>55.921.273</b>	<b>22.072.054</b>	<b>13.111.145</b>	<b>43.914.362</b>	<b>710.105.199</b>
<b>Liquidity gap</b>	<b>(63.118.726)</b>	<b>(293.003.639)</b>	<b>(44.619.309)</b>	<b>106.677.242</b>	<b>239.992.766</b>	<b>93.736.610</b>	<b>(39.664.944)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>999.426</b>	<b>224.085</b>	<b>368</b>	<b>627.330</b>	<b>-</b>	<b>-</b>	<b>1.851.209</b>
Derivative financial assets	-	28.135.115	7.446.605	443.280	1.679.466	12.956.000	-	50.660.466
Derivative financial liabilities	-	(27.135.689)	(7.222.520)	(442.912)	(1.052.136)	(12.956.000)	-	(48.809.257)
<b>Non-cash loans</b>	<b>37.705.029</b>	<b>2.761.659</b>	<b>8.834.265</b>	<b>47.631.771</b>	<b>26.472.924</b>	<b>2.911.257</b>	<b>-</b>	<b>-126.316.905</b>
<b>Prior Period</b>								
Total Assets	28.748.119	98.522.452	46.024.987	157.556.611	257.758.720	106.201.716	1.402.045	696.214.650
Total Liabilities	92.155.035	379.014.110	95.303.102	48.389.957	20.931.306	15.354.799	45.066.341	696.214.650
<b>Liquidity Gap</b>	<b>(63.406.916)</b>	<b>(280.491.658)</b>	<b>(49.278.115)</b>	<b>109.166.654</b>	<b>236.827.414</b>	<b>90.846.917</b>	<b>(43.664.296)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>(2.304)</b>	<b>620.011</b>	<b>464.823</b>	<b>508.930</b>	<b>-</b>	<b>-</b>	<b>1.591.460</b>
Derivative financial assets	-	16.021.643	7.847.962	1.916.950	1.636.333	11.880.682	-	39.303.570
Derivative financial liabilities	-	(16.023.947)	(7.227.951)	(1.452.127)	(1.127.403)	(11.880.682)	-	(37.712.110)
<b>Non-cash loans</b>	<b>35.094.122</b>	<b>2.874.408</b>	<b>10.434.702</b>	<b>40.597.782</b>	<b>25.043.586</b>	<b>2.459.251</b>	<b>-</b>	<b>-116.503.851</b>

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

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

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

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**MANAGEMENT OF THE GROUP (continued)**

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

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

	Current period	Prior period
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS <sup>(1)</sup>	695.581.820	610.376.487
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1)</sup>	(632.830)	(14.683)
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments <sup>(2)</sup>	41.750.850	37.634.584
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments <sup>(2)</sup>	26.793.652	36.567.594
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items <sup>(2)</sup>	5.111.234	4.958.752
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-	-
<b>Total Risk Amount</b>	<b>867.757.654</b>	<b>860.229.588</b>

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

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

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

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

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>On-Balance Sheet Items</b>		
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	695.406.353	692.898.165
2. Assets that are deducted from core capital	(765.280)	(756.288)
3. Total on balance sheet exposures	694.641.073	692.141.877
<b>Derivative exposures and credit derivatives</b>		
4. Replacement cost associated with derivative financial instruments and credit derivatives	2.557.146	2.979.921
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	583.512	549.344
6. The total amount of risk on derivative financial instruments and credit derivatives	3.140.658	3.529.265
<b>Investment securities or commodity collateral financing transactions</b>		
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	2.216.204	2.471.560
8. Risk amount of exchange brokerage operations	-	-
9. Total risks related with securities or commodity financing transactions	2.216.204	2.471.560
<b>Off -Balance Sheet Items</b>		
10. Gross notional amount of off-balance sheet items	172.870.953	167.045.638
11. Adjustments for conversion to credit equivalent amounts	(5.111.234)	(4.958.752)
12. The total risk of off-balance sheet items	167.759.719	162.086.886
<b>Capital and Total Exposures</b>		
13. Tier 1 Capital	49.408.651	49.386.153
14. Total Exposures	867.757.654	860.229.588
<b>Leverage Ratio</b>		
15. Leverage Ratio	5,69	5,74

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

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

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

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

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

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

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

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

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

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

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

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

Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 March 2021 are presented in the table below.

<b>Current Period</b> <b>(1 January – 31 March 2021)</b>	<b>Corporate/ Commercial</b>	<b>Integrated</b>	<b>Treasury/ Investment<sup>(1)</sup></b>	<b>Other<sup>(1)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>					
<b>Interest income</b>	<b>3.323.892</b>	<b>7.894.127</b>	<b>4.069.734</b>	<b>180.838</b>	<b>15.468.591</b>
Interest on loans	3.307.352	7.825.693	212.244	-	11.345.289
Interest income on marketable securities	-	56.384	3.613.616	-	3.670.000
Interest received from banks	-	-	204.975	1.689	206.664
Other interest income	16.540	12.050	38.899	179.149	246.638
<b>Interest expense</b>	<b>4.370.955</b>	<b>5.223.296</b>	<b>5.718.128</b>	<b>63.122</b>	<b>15.375.501</b>
Interest on deposits	4.351.136	5.077.994	649.382	-	10.078.512
Interest on borrowings	5.528	13.135	31.407	29.594	79.664
Interest on money market borrowings	-	11.282	4.339.160	26.241	4.376.683
Interest on marketable bonds issued	-	-	668.081	7.224	675.305
Other interest expense	14.291	120.885	30.098	63	165.337
<b>Net interest income</b>	<b>(1.047.063)</b>	<b>2.670.831</b>	<b>(1.648.394)</b>	<b>117.716</b>	<b>93.090</b>
Net fees and commissions income / (expenses)	232.598	435.233	169.200	(779)	836.252
Net trading profit / (loss) (Net)	3.417	645.633	(1.284.824)	13.552	(622.222)
Dividend income	-	-	23	-	23
Other income	1.806.685	321.300	1.298.765	31.510	3.458.260
Loans and other receivables' impairment loss	264.281	371.616	631.845	29.262	1.297.004
Other expenses	51.727	936.762	1.370.314	18.739	2.377.542
<b>Income before taxes</b>	<b>679.629</b>	<b>2.764.619</b>	<b>(3.467.389)</b>	<b>113.998</b>	<b>90.857</b>
Income tax provision	-	-	1.604	(19.007)	(17.403)
<b>Net profit for the period</b>	<b>679.629</b>	<b>2.764.619</b>	<b>(3.465.785)</b>	<b>94.991</b>	<b>73.454</b>

**SEGMENT ASSETS**  
**(31 March 2021)**

Marketable securities <sup>(2)</sup>	-	3.456.337	164.132.433	3.818	167.592.588
Derivative financial assets	-	387.820	2.414.699	-	2.802.519
Banks and money market receivables	-	270.216	3.440.330	46.938	3.757.484
Associates and subsidiaries (net)	-	-	852.344	-	852.344
Loans <sup>(2)</sup>	146.848.297	286.146.786	15.049.686	-	448.044.769
Other assets <sup>(2)</sup>	4.113.908	4.504.143	72.884.396	5.553.048	87.055.495
<b>TOTAL ASSETS</b>	<b>150.962.205</b>	<b>294.765.302</b>	<b>258.773.888</b>	<b>5.603.804</b>	<b>710.105.199</b>

**SEGMENT LIABILITIES**  
**(31 March 2021)**

Deposits	164.411.106	272.732.731	45.947.303	-	483.091.140
Derivative financial liabilities	-	274.126	321.423	-	595.549
Money market balances	-	1.546.471	106.220.375	585.468	108.352.314
Loans	608.654	839.973	10.397.154	1.600.815	13.446.596
Marketable Securities issued	-	-	10.751.421	1.038.403	11.789.824
Other liabilities	2.554.524	8.235.795	36.634.460	186.986	47.611.765
Provisions and tax payable	204.035	256.010	2.773.091	33.674	3.266.810
Shareholders' equity	727.429	2.722.935	37.906.741	594.096	41.951.201
<b>TOTAL LIABILITIES</b>	<b>168.505.748</b>	<b>286.608.041</b>	<b>250.951.968</b>	<b>4.039.442</b>	<b>710.105.199</b>

**OFF BALANCE SHEET ITEMS**  
**(31 March 2021)**

Guarantees and surety ships	65.893.452	40.276.697	20.146.756	-	126.316.905
Commitments	842.098	13.633.878	38.349.725	6.446	52.832.147
Derivative financial instruments	-	15.008.722	84.461.001	-	99.469.723

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

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



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

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

Prior Period (1 January – 31 March 2020)	Corporate/ Commercial	Integrated	Treasury/ Investment <sup>(1)</sup>	Other <sup>(1)</sup>	Total
<b>OPERATING INCOME / EXPENSES</b>					
<b>Interest income</b>	<b>2.998.937</b>	<b>5.706.824</b>	<b>3.078.566</b>	<b>160.594</b>	<b>11.944.921</b>
Interest on loans	2.978.447	5.676.378	174.845	-	8.829.670
Interest income on marketable securities	-	17.516	2.859.640	-	2.877.156
Interest received from banks	-	-	34.926	-	34.926
Other interest income	20.490	12.930	9.155	160.594	203.169
<b>Interest expense</b>	<b>1.452.107</b>	<b>2.476.514</b>	<b>2.410.971</b>	<b>48.579</b>	<b>6.388.171</b>
Interest on deposits	1.439.505	2.395.169	322.780	-	4.157.454
Interest on borrowings	11.560	19.827	48.982	39.655	120.024
Interest on money market borrowings	-	12.092	1.358.467	1.212	1.371.771
Interest on marketable bonds issued	-	-	610.271	7.120	617.391
Other interest expense	1.042	49.426	70.471	592	121.531
<b>Net interest income</b>	<b>1.546.830</b>	<b>3.230.310</b>	<b>667.595</b>	<b>112.015</b>	<b>5.556.750</b>
Net fees and commissions income / (expenses)	250.013	404.199	127.381	(74.576)	707.017
Net trading profit / (loss) (Net)	2.560	615.394	(1.871.441)	8.441	(1.245.046)
Dividend income	-	-	426	-	426
Other income	139.935	269.361	278.316	632.532	1.320.144
Loans and other receivables' impairment loss	527.007	688.496	1.127.543	18.701	2.361.747
Other expenses	40.919	710.589	1.407.536	436.307	2.595.351
<b>Income before taxes</b>	<b>1.371.412</b>	<b>3.120.179</b>	<b>(3.332.802)</b>	<b>223.404</b>	<b>1.382.193</b>
Income tax provision	-	-	(175.084)	(71.486)	(246.570)
<b>Net profit for the period</b>	<b>1.371.412</b>	<b>3.120.179</b>	<b>(3.507.886)</b>	<b>151.918</b>	<b>1.135.623</b>

**SEGMENT ASSETS**  
**(31 March 2020)**

Marketable securities <sup>(2)</sup>	-	2.005.568	159.054.669	1.818	161.062.055
Derivative financial assets	-	447.253	1.900.029	-	2.347.282
Banks and money market receivables	-	284	2.894.293	39.211	2.933.788
Associates and subsidiaries (net)	-	-	764.460	-	764.460
Loans <sup>(2)</sup>	142.281.833	285.849.473	12.303.576	-	440.434.882
Other assets <sup>(2)</sup>	3.836.074	4.737.307	73.767.823	6.330.979	88.672.183
<b>TOTAL ASSETS</b>	<b>146.117.907</b>	<b>293.039.885</b>	<b>250.684.850</b>	<b>6.372.008</b>	<b>696.214.650</b>

**SEGMENT LIABILITIES**  
**(31 March 2020)**

Deposits	171.817.704	259.510.901	36.733.223	-	468.061.828
Derivative financial liabilities	-	309.375	224.850	-	534.225
Money market balances	-	1.114.631	102.861.673	626.308	104.602.612
Loans	675.438	868.174	10.299.013	1.411.897	13.254.522
Marketable Securities issued	-	-	13.165.184	1.080.238	14.245.422
Other liabilities	2.273.342	11.535.395	35.391.807	190.694	49.391.238
Provisions and tax payable	247.237	239.340	2.839.678	19.647	3.345.902
Shareholders' equity	1.159.958	14.033.456	27.031.678	553.809	42.778.901
<b>TOTAL LIABILITIES</b>	<b>176.173.679</b>	<b>287.611.272</b>	<b>228.547.106</b>	<b>3.882.593</b>	<b>696.214.650</b>

**OFF BALANCE SHEET ITEMS**  
**(31 March 2020)**

Guarantees and surety ships	60.710.939	37.275.102	18.517.810	-	116.503.851
Commitments	862.674	12.634.337	36.454.871	15.060	49.966.942
Derivative financial instruments	-	13.586.811	63.428.869	-	77.015.680

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

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

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

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

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

**Explanations Related To Risk Management**

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

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

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

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

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

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

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

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

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

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

		Risk Weighted Amounts		Minimum Capital Requirements	
		Current Period	Prior Period	Current Period	Prior Period
1	Credit risk (excluding counterparty credit risk) (CCR) <sup>(**)</sup>	389.186.427	372.232.593	31.134.914	29.778.607
2	Standardized approach (SA)	389.186.427	372.232.593	31.134.914	29.778.607
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	3.696.438	4.087.852	295.715	327.028
5	Standardized approach for counterparty credit risk (SA-CCR)	3.696.438	4.087.852	295.715	327.028
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	13.850.450	16.667.625	1.108.036	1.333.410
17	Standardized approach (SA)	13.850.450	16.667.625	1.108.036	1.333.410
18	Internal model approaches (IMM)	-	-	-	-
19	Operational Risk	25.961.517	22.443.361	2.076.921	1.795.469
20	Basic Indicator Approach	25.961.517	22.443.361	2.076.921	1.795.469
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.757.962	1.513.386	140.637	121.071
24	Floor adjustment	-	-	-	-
25	<b>Total ( 1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>434.452.794</b>	<b>416.944.817</b>	<b>34.756.223</b>	<b>33.355.585</b>

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

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

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

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

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

a) Information on balances with the CBRT:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.451.725	4.046.997	1.737.084	3.325.836
CBRT	8.077.053	48.801.261	6.659.022	52.037.405
Other <sup>(1)</sup>	-	1.098.194	-	1.225.095
<b>Total</b>	<b>9.528.778</b>	<b>53.946.452</b>	<b>8.396.106</b>	<b>56.588.336</b>

<sup>(1)</sup> As of 31 March 2021, TRY 347.020 includes the reserve requirement held by the Central Bank of Macedonia and TRY 751.139 of the Central Bank of Serbia (31 December 2020: includes the required reserve amounting to TRY 295.199 held by Central Bank of Macedonia, TRY 929.808 held by the Central Bank of Serbia).

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Demand unrestricted amount <sup>(1)</sup>	7.855.082	17.029.951	6.502.868	19.937.084
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	8.307.240
Other <sup>(2)</sup>	221.971	31.771.310	156.154	23.793.081
<b>Total</b>	<b>8.077.053</b>	<b>48.801.261</b>	<b>6.659.022</b>	<b>52.037.405</b>

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

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

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks operating in Turkey keep reserve deposits for their TRY liabilities held at TRY, US Dollar, Euro and/or standard gold and/or scrap gold with reserve deposit rates between 3%-8% 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 5 March 2021, the interest related to the reserve requirements for banks held at TRY is paid as 1350 basis points.

With the change dated 27 November 2020, it has been decided to apply a commission charge on the reserve accounts and notice accounts held within the CBRT by 0% annually for foreign currencies held in USD up to the amount required to be held for deposit / participation fund liabilities in USD, and by 0,00125 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% 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%. (announced on 19 September 2019)

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

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

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

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

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

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

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

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

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

None. (31 December 2020: None.)

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	15.083.848	-	15.046.930	-
<b>Total</b>	<b>15.083.848</b>	<b>-</b>	<b>15.046.930</b>	<b>-</b>

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	253.252	-	16.265
Swap transactions	53.581	2.478.332	5.418	2.324.729
Futures transactions	-	-	-	-
Options	-	17.354	335	535
Other	-	-	-	-
<b>Total</b>	<b>53.581</b>	<b>2.748.938</b>	<b>5.753</b>	<b>2.341.529</b>

(3) Information on banks and other financial institutions:

Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	240.985	201.646	183.661	138.589
Foreign banks	105.384	3.211.008	103.818	2.255.078
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>346.369</b>	<b>3.412.654</b>	<b>287.479</b>	<b>2.393.667</b>

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

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

- a) Financial assets at fair value through other comprehensive income subject to repurchase agreements or blocked/given as collateral
- a.1. Information on financial assets at fair value through other comprehensive income and blocked/given as collateral:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	15.420.231	19.885.313	6.842.329	20.028.890
<b>Total</b>	<b>15.420.231</b>	<b>19.885.313</b>	<b>6.842.329</b>	<b>20.028.890</b>

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	41.991	-	245.865	-
<b>Total</b>	<b>41.991</b>	<b>-</b>	<b>245.865</b>	<b>-</b>

(5) Information on loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	631.572	-	612.522	-
<b>Total</b>	<b>631.572</b>	<b>-</b>	<b>612.522</b>	<b>-</b>

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

Cash Loans	Standard Loans	Loans under close monitoring		
		Loans Not Subject Not Subject to restructuring	Restructured Loans and Receivables	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	327.153.337	22.258.862	78.276	14.837.707
<i>Corporation loans</i>	194.012.259	17.826.848	62.324	14.830.662
<i>Export loans</i>	10.847.065	174.623	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	1.848.053	37.315	-	-
<i>Consumer loans</i>	77.541.737	1.267.679	15.152	1.891
<i>Credit cards</i>	14.728.815	1.212.048	800	-
<i>Other</i>	28.175.408	1.740.349	-	5.154
Specialized lending	71.428.643	3.527.887	-	44
Other receivables	-	-	-	-
Accruals	5.503.442	1.145.185	3.141	930.581
<b>Total</b>	<b>404.085.422</b>	<b>26.931.934</b>	<b>81.417</b>	<b>15.768.332</b>

	Standard Loans		Loans under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months expected loss provision	1.941.288	2.278.896	-	-
Significant Increase in Credit Risk	-	-	2.679.213	3.336.393

In the current period, the decrease in the Group's expected loss provisions balance occurred due to the decrease in the risk levels of some customers.

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

(5) Information on loans (continued):

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

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Consumer loans-TRY	433.501	72.121.750	72.555.251
<i>Real estate loans</i>	4.782	47.222.647	47.227.429
<i>Automobile loans</i>	1.945	466.467	468.412
<i>Consumer loans</i>	426.774	24.432.636	24.859.410
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	45	555.048	555.093
<i>Real estate loans</i>	-	498.620	498.620
<i>Automobile loans</i>	-	11.531	11.531
<i>Consumer loans</i>	45	44.897	44.942
<i>Other</i>	-	-	-
Consumer loans- FC	8.984	3.625.201	3.634.185
<i>Real estate loans</i>	499	1.116.552	1.117.051
<i>Automobile loans</i>	38	4.805	4.843
<i>Consumer loans</i>	6.837	2.449.459	2.456.296
<i>Other</i>	1.610	54.385	55.995
Individual credit cards-TRY	4.451.814	795	4.452.609
<i>Installment</i>	1.587.615	795	1.588.410
<i>Non-installment</i>	2.864.199	-	2.864.199
Individual credit cards-FC	203	128.368	128.571
<i>Installment</i>	-	128.368	128.368
<i>Non-installment</i>	203	-	203
Personnel loans-TRY	23.589	365.876	389.465
<i>Real estate loans</i>	-	95	95
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	23.589	365.781	389.370
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	14	31.749	31.763
<i>Real estate loans</i>	-	28.836	28.836
<i>Automobile loans</i>	-	155	155
<i>Consumer loans</i>	14	2.758	2.772
<i>Other</i>	-	-	-
Personnel loans-FC	371	60.975	61.346
<i>Real estate loans</i>	57	44.408	44.465
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	314	16.398	16.712
<i>Other</i>	-	169	169
Personnel credit cards-TRY	126.895	-	126.895
<i>Installment</i>	48.986	-	48.986
<i>Non-installment</i>	77.909	-	77.909
Personnel credit cards-FC	29	2.790	2.819
<i>Installment</i>	-	2.790	2.790
<i>Non-installment</i>	29	-	29
Overdraft accounts-TRY (Retail customers) <sup>(**)</sup>	1.465.838	-	1.465.838
Overdraft accounts-FC (Retail customers) <sup>(***)</sup>	120.842	12.676	133.518
<b>Total</b>	<b>6.632.125</b>	<b>76.905.228</b>	<b>83.537.353</b>

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

<sup>(\*\*)</sup> TRY 18.278 of the overdraft account consists of loans given to personnel.

<sup>(\*\*\*)</sup> TRY 1.006 of the overdraft account consists of loans given to personnel.

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

(5) Information on loans (continued):

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

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

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

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

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



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

(5) Information on loans (continued):

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

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Commercial installment loans-TRY	684.334	37.470.528	38.154.862
<i>Business premises loans</i>	3.035	788.533	791.568
<i>Automobile loans</i>	35.303	1.030.917	1.066.220
<i>Consumer loans</i>	645.996	35.651.078	36.297.074
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	143.678	1.625.736	1.769.414
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	11.165	11.165
<i>Other</i>	143.678	1.614.571	1.758.249
Commercial installment loans - FC	1.160.747	36.222.078	37.382.825
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	213.761	32.049.002	32.262.763
<i>Other</i>	946.986	4.173.076	5.120.062
Corporate credit cards-TRY	11.226.542	-	11.226.542
<i>Installment</i>	4.332.757	-	4.332.757
<i>Non-installment</i>	6.893.785	-	6.893.785
Corporate credit cards-FC	129	4.098	4.227
<i>Installment</i>	-	4.098	4.098
<i>Non-installment</i>	129	-	129
Overdraft accounts-TRY (Commercial customers)	3.884.749	-	3.884.749
Overdraft accounts-FC (Commercial customers)	23.491	-	23.491
<b>Total</b>	<b>17.123.670</b>	<b>75.322.440</b>	<b>92.446.110</b>

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

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

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

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

(5) Information on loans (continued):

e) Domestic and foreign loans:

	<b>Current Period</b>	<b>Prior Period</b>
Domestic loans	434.381.712	428.811.083
Foreign loans	12.485.393	11.281.979
<b>Total</b>	<b>446.867.105</b>	<b>440.093.062</b>

f) Loans granted to subsidiaries and associates:

	<b>Current Period</b>	<b>Prior Period</b>
Direct Loans to Subsidiaries and Associates	59.659	35.597
Indirect Loans to Subsidiaries and Associates	-	-
<b>Total</b>	<b>59.659</b>	<b>35.597</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Loans and receivables with limited collectability	708.913	809.513
Loans and receivables with doubtful collectability	348.403	277.729
Uncollectible loans and receivables	9.189.333	10.072.813
<b>Total</b>	<b>10.246.649</b>	<b>11.160.055</b>

The decrease in the expected credit loss allowance balance provided by the Group for the Stage 3 Loans is due to the effect of the decrease in the NPL balance.

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period</b>			
Gross amounts before the specific provisions	359.201	74.330	1.264.519
Rescheduled loans and other receivables	359.201	74.330	1.264.519
<b>Priod Period</b>			
Gross amounts before the specific provisions	355.455	75.667	2.178.938
Rescheduled loans and other receivables	355.455	75.667	2.178.938

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

(5) Information on loans (continued):

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

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

**Current Period:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
Current period end balance	2.362.520	650.741	14.103.903
Additions (+)	591.558	13.810	76.755
Transfers from other categories of loans under non-performing (+)	-	594.118	357.300
Transfers to other categories of loans under non-performing (-)	643.064	308.354	-
Collections (-)*	124.542	98.822	1.523.292
Write-offs (-)	361	-	7.456
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
<b>Current period end balance</b>	<b>2.186.111</b>	<b>851.493</b>	<b>13.007.210</b>
Provision (-)	708.913	348.403	9.189.333
<b>Net balance on balance sheet</b>	<b>1.477.198</b>	<b>503.090</b>	<b>3.817.877</b>

\* It also includes loan balances structured in non-performing loans and transferred to performing loan accounts during the period, as they meet the necessary conditions within the scope of the relevant articles of the Regulation of Allowance.

**Prior Period:**

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

\* It also includes loan balances structured in non-performing loans and transferred to performing loan accounts during the period, as they meet the necessary conditions within the scope of the relevant articles of the Regulation of Allowance.

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

(5) Information on loans (continued):

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>			
Balance at the end of the period	962.427	37.177	3.376.769
Provisions(-)	336.091	21.048	2.702.806
<b>Net balance in the balance sheet</b>	<b>626.336</b>	<b>16.129</b>	<b>673.963</b>
<b>Prior period</b>			
Balance at the end of the period	953.504	93.375	4.374.385
Provisions(-)	306.470	42.301	3.559.796
<b>Net balance in the balance sheet</b>	<b>647.034</b>	<b>51.074</b>	<b>814.589</b>

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>			
<b>Loans to granted real persons and legal entities (Gross)</b>	<b>2.186.111</b>	<b>851.493</b>	<b>13.007.210</b>
Provisions (-)	708.913	348.403	9.189.333
<b>Loans to granted real persons and legal entities (Net)</b>	<b>1.477.198</b>	<b>503.090</b>	<b>3.817.877</b>
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period (Net)</b>			
<b>Loans to granted real persons and legal entities (Gross)</b>	<b>2.362.520</b>	<b>650.741</b>	<b>14.103.903</b>
Provisions (-)	809.513	277.729	10.072.813
<b>Loans to granted real persons and legal entities (Net)</b>	<b>1.553.007</b>	<b>373.012</b>	<b>4.031.090</b>
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

(5) Information on loans (continued):

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V.Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period (Net)</b>	<b>8.838</b>	<b>5.960</b>	<b>592.639</b>
Interest Accruals and Valuation Differences	22.814	24.746	2.100.072
Provision (-)	13.976	18.786	1.507.433
<b>Prior Period (Net)</b>	<b>10.391</b>	<b>7.603</b>	<b>659.545</b>
Interest Accruals and Valuation Differences	24.315	26.478	2.140.941
Provision (-)	13.924	18.875	1.481.396

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

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

k) Explanations on write-off policy:

The Group derecognised a 5th group non-performing loan amounting to TRY 7.817 due to lack of reasonable expectations in the current period, and this derecognition has no effect on the NPL ratio. (In the previous period, the Group derecognised the 5th group non-performing loan amounting to TRY 602.081 on the grounds that there was no reasonable expectation, and the Group's non-performing loan ratio decreased from 3.87% to 3.74% after the loans were written off in accordance with the related the Regulation of Allowance.)

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

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

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Bills	-	-	-	-
Government bonds and other securities	48.677.567	21.148.098	31.097.699	20.519.825
Other	-	-	-	-
<b>Total</b>	<b>48.677.567</b>	<b>21.148.098</b>	<b>31.097.699</b>	<b>20.519.825</b>

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	8.046.355	2.688.953	18.884.916	1.995.236
<b>Total</b>	<b>8.046.355</b>	<b>2.688.953</b>	<b>18.884.916</b>	<b>1.995.236</b>

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

	Current Period	Prior Period
Government bonds	88.191.772	83.763.130
Treasury bills	170.641	172.517
Other public sector debt securities	803.612	818.523
<b>Total</b>	<b>89.166.025</b>	<b>84.754.170</b>

c) Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Debt securities	89.216.545	84.804.689
<i>Quoted on a stock exchange</i>	<i>89.045.904</i>	<i>84.621.031</i>
<i>Not quoted</i>	<i>170.641</i>	<i>183.658</i>
Impairment provision (-)	-	-
<b>Total</b>	<b>89.216.545</b>	<b>84.804.689</b>

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

	Current Period	Prior Period
Beginning balance	84.804.689	72.471.122
Foreign currency differences on monetary assets	1.911.748	5.543.919
<i>Purchases during the year</i>	<i>5.610.737</i>	<i>24.351.440</i>
<i>Disposals through sales and redemptions<sup>(1)</sup></i>	<i>(3.110.629)</i>	<i>(17.561.792)</i>
<i>Impairment provision (-)</i>	<i>-</i>	<i>-</i>
<b>Balance at the end of the period</b>	<b>89.216.545</b>	<b>84.804.689</b>

<sup>(1)</sup> Interest income accrual differences between 31 March 2021 amounting to TRY 14.213.979 and 31 December 2020 amounting to TRY 14.515.145 have been included in disposals through sales and redemptions row.

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

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

(7) Information on associates (Net):

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

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

b) Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Kredi Kayıt Bürosu A.Ş. <sup>(1)</sup>	Istanbul	18,18	18,18
2. Platform Ortak Kartlı Sistemler A.Ş.	Istanbul	20,00	20,00
3. Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. <sup>(1)</sup>	Istanbul	33,33	33,33
4. Keskinöğlü Tavukçuluk ve Damızlık A.Ş. <sup>(1)</sup>	Manisa	23,46	23,46

Information related to the associates as sorted above:

	Total Shareholders' assets	equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	396.297	246.375	220.774	5.527	-	15.770	11.740	-
2.	5.250	5.250	-	-	-	-	-	-
3.	198.358	158.678	18.202	4.484	-	2.848	(317)	-
4.	447.440	(339.484)	173.717	447	-	(32.944)	(130.185)	-

<sup>(1)</sup> Financial informations are obtained from unaudited financial statements of 31 March 2021.

c) Information on consolidated associates:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value <sup>(2)</sup>
1.	15.596.713	2.372.892	34.739	87.577	3.327	22.349	18.042	709.762
2.	53.989	52.987	34	1.556	-	346	(99)	-

<sup>(1)</sup> The financial data is obtained from 31 March 2021 financial statements used in consolidation.

<sup>(2)</sup> Financial information on the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 March 2021.

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

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

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

d) Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	764.460	509.234
Movements during the period	87.884	255.226
<i>Purchases</i>	57.243	34.992
<i>Bonus shares obtained profit from current year's share</i>	-	12.709
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	(5.112)
<i>Transfers</i>	-	10.369
<i>Revaluation decrease (-) / increase</i>	30.641	202.268
<i>Impairment Provisions (-) / Reversals</i>	-	-
<b>Balance at the end of the period</b>	<b>852.344</b>	<b>764.460</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

e) Sectorial information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	711.871	681.339
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	16.675	16.566
Other non-financial investments	123.798	66.555

f) Associates quoted to a stock exchange:

None.

(8) Information on subsidiaries (Net):

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

	Halk Yatırım Menkul Değerler AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ	Halk Bank AD, Beograd	Halk Varlık Kiralama AŞ	Halk Osiguruvanje AD, Skopje
<b>CORE CAPITAL</b>								
Paid in Capital	104.000	970.000	323.000	600.732	96.000	213.395	100	62.369
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share premium	-	49.945	-	11.633	-	99.004	-	-
Reserves	96.806	75.558	18.181	682.970	108.020	605.959	2.238	127.148
Other Comprehensive Income according to TAS	18.481	1.063.258	-	9.221	10	22.387	-	-
<b>Profit / Loss</b>	<b>75.468</b>	<b>43.431</b>	<b>6.619</b>	<b>77.201</b>	<b>39.940</b>	<b>87.274</b>	<b>82</b>	<b>(39.822)</b>
<i>Net Profit</i>	64.517	10.882	11.654	20.562	28.551	16.780	82	(167)
Prior Period Profit/Loss	10.951	32.549	(5.035)	56.639	11.389	70.494	-	(39.655)
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 (-)	-	1.556	-	14.754	-	7.452	-	-
Intangible Assets (-)	2.413	345	1.671	26.677	2.512	25.307	1	-
<b>Total Core Capital</b>	<b>292.342</b>	<b>2.200.291</b>	<b>346.035</b>	<b>1.339.713</b>	<b>241.458</b>	<b>995.106</b>	<b>2.419</b>	<b>149.695</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>50.760</b>	<b>18.796</b>	<b>7.985</b>	<b>13.903</b>	<b>-</b>	<b>-</b>
<b>CAPITAL</b>	<b>292.342</b>	<b>2.200.291</b>	<b>396.795</b>	<b>1.358.509</b>	<b>249.443</b>	<b>1.009.009</b>	<b>2.419</b>	<b>149.695</b>
<b>NET AVAILABLE CAPITAL</b>	<b>292.342</b>	<b>2.200.291</b>	<b>396.795</b>	<b>1.358.509</b>	<b>249.443</b>	<b>1.009.009</b>	<b>2.419</b>	<b>149.695</b>

<sup>(1)</sup> The financial data is obtained from 31 March 2021 financial statements used in consolidation.



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

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

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

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

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

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

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

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

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

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

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

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

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

c) Information on unconsolidated subsidiaries:

None

d) Information on consolidated subsidiaries (Net):

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
1.	780.813	294.755	18.914	51.421	3.392	64.517	35.162	396.329
2.	2.781.345	2.174.846	1.953.068	2.257	-	10.882	15.999	2.226.729
3.	4.224.371	347.706	4.268	89.604	-	11.654	10.791	395.629
4.	10.406.812	1.381.144	435.688	76.392	3.253	20.562	13.889	1.341.654
5.	1.184.644	243.970	6.119	91.341	-	28.551	35.544	320.679
6.	6.957.150	1.027.865	130.400	53.579	8.108	16.780	8.999	908.628
7.	863.414	2.420	9	-	-	82	143	3.262
8.	178.998	149.695	8.732	61	11	(167)	(30.796)	-

<sup>(1)</sup> The financial data is obtained from 31 March 2021 financial statements used in consolidation.

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

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

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

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

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

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

Movement of the subsidiaries:

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the beginning of the period (before elimination)	5.516.428	3.261.227
Movements during the period	95.828	2.255.201
<i>Purchases<sup>(1)</sup></i>	159	148.506
<i>Bonus shares obtained profit from current year's share</i>	-	30.224
<i>Dividends from current year income</i>	-	-
<i>Sales<sup>1)</sup></i>	-	(56.003)
<i>Transfe<sup>1)</sup></i>	-	(27.997)
<i>Revaluation (increase)/decrease</i>	95.669	2.160.471
<i>Reversals / Provisions(-) for impairment</i>	-	-
Share capital elimination of subsidiaries	(5.612.256)	(5.516.428)
<b>Balance at the end of the period</b>	<b>-</b>	<b>-</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

(1) The Parent Bank increased its share to 100% by purchasing 0,04% of the shares of Halk Yatırım Menkul Değerler AŞ for a price of TRY 159 in the current period.

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

	<b>Current Period</b>	<b>Prior Period</b>
Banks	2.250.282	2.140.652
Insurance companies	19.346	19.346
Factoring companies	320.679	320.679
Leasing companies	395.629	395.629
Financing companies	-	-
Other financial subsidiaries	2.626.320	2.640.122
Other non-financial subsidiaries	-	-

f) Subsidiaries quoted in the stock exchange:

	<b>Current Period</b>	<b>Prior Period</b>
Quoted to domestic stock <sup>(1)</sup>	2.226.729	2.240.689
Quoted foreign stock exchange	-	-

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

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

None.

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

a) Maturity structure of investments on financial lease:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 year	1.460.467	1.114.565	1.418.220	1.074.572
Between 1-4 years	2.239.738	1.714.199	2.312.601	1.728.743
More than 4 years	1.061.485	823.022	1.077.725	843.739
<b>Total</b>	<b>4.761.690</b>	<b>3.651.786</b>	<b>4.808.546</b>	<b>3.647.054</b>

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

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

b) Information on gross investments of financial lease:

	<b>Current Period</b>	<b>Prior Period</b>
Gross financial lease investment	4.761.690	4.808.546
Unearned revenues from financial lease	(1.109.904)	(1.161.492)
<b>Total</b>	<b>3.651.786</b>	<b>3.647.054</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Financial lease receivables with limited collectability	459	374
Financial lease receivables with doubtful collectability	3.115	8.425
Uncollectible financial lease receivables	565.231	566.505
Provisions	(485.684)	(480.598)
<b>Total</b>	<b>83.121</b>	<b>94.706</b>

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

None. (31 December 2020: None).

(12) Information on investment property:

	<b>Current Period</b>	<b>Priod Period</b>
<b>Cost</b>		
<b>Opening Balance</b>	<b>1.303.741</b>	<b>1.194.428</b>
Acquisitions	31.364	95.261
Transfer	-	15.364
Disposals	17.387	1.312
Impairment Provisions	-	-
<b>Ending Balance</b>	<b>1.317.718</b>	<b>1.303.741</b>
<b>Accumulated Depreciation</b>		
<b>Opening Balance</b>	<b>96.480</b>	<b>89.965</b>
Additions	2.240	6.503
Disposals (-)	150	41
Impairment Provisions (-)	-	-
Transfer	-	53
<b>Ending Balance</b>	<b>98.570</b>	<b>96.480</b>
<b>Net Book Value</b>	<b>1.219.148</b>	<b>1.207.261</b>

(13) Information on tax assets:

Please refer to Section V Explanations related to the Liabilities, Footnote IX.

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**FINANCIAL STATEMENTS (continued)**

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Cost	2.551	1.441
Accumulated Depreciation (-)	-	-
<b>Net book value</b>	<b>2.551</b>	<b>1.441</b>
<b>Opening Balance</b>	<b>1.441</b>	<b>1.076.418</b>
Acquisition	1.110	-
Transfer (Net)	-	-
Disposals (Net)	-	(1.074.977)
Revaluation Increase	-	-
Impairment (-) / Reversal	-	-
Depreciation (-)	-	-
<b>Closing net book value</b>	<b>2.551</b>	<b>1.441</b>

(15) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 5.751.141 and does not exceed 10% of the balance sheet total (31 December 2020: TRY 5.695.763).

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

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

(1) Information on deposit / funds collected:

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

**Current period:**

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	11.502.235	-	8.431.636	65.590.429	8.465.403	3.954.908	2.954.401	130.819	101.029.831
Foreign currency deposits	33.023.952	-	22.649.001	102.771.766	6.484.140	4.689.996	9.803.667	13.970	179.436.492
<i>Residents in Turkey</i>	26.052.908	-	18.498.468	97.868.790	4.223.569	2.458.437	4.423.863	13.351	153.539.386
<i>Residents abroad</i>	6.971.044	-	4.150.533	4.902.976	2.260.571	2.231.559	5.379.804	619	25.897.106
Public sector deposits	5.403.424	-	3.902.224	4.405.445	521.218	328.203	14.460	-	14.574.974
Commercial inst. deposits	10.730.152	-	33.808.406	39.602.339	2.025.088	1.342.750	3.147.925	-	90.656.660
Other inst. deposits	1.028.590	-	2.257.092	18.441.769	3.357.434	1.459.769	5.772.578	-	32.317.232
Precious metals	18.027.148	-	110.102	3.357.897	153.772	77.126	141.716	-	21.867.761
Interbank deposits	10.761.505	-	21.290.054	11.112.878	43.753	-	-	-	43.208.190
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	163.732	-	20.825.453	7.977.364	43.663	-	-	-	29.010.212
<i>Foreign banks</i>	9.124.433	-	464.601	2.890.988	90	-	-	-	12.480.112
<i>Participation banks</i>	1.473.340	-	-	244.526	-	-	-	-	1.717.866
<b>Total</b>	<b>90.477.006</b>	<b>-</b>	<b>92.448.515</b>	<b>245.282.523</b>	<b>21.050.808</b>	<b>11.852.752</b>	<b>21.834.747</b>	<b>144.789</b>	<b>483.091.140</b>

**Prior period:**

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	43.159.172	40.394.097	57.629.319	48.828.336
Foreign currency saving deposits	31.066.240	31.941.835	73.326.421	68.137.764
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	440.115	410.927	-	-
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	249.383	235.014
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	10.734	10.157
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	45.016	-	26.206
Swap transactions	16.871	513.890	19.744	480.694
Future transactions	-	-	-	-
Options	375	19.397	369	7.212
Other	-	-	-	-
<b>Total</b>	<b>17.246</b>	<b>578.303</b>	<b>20.113</b>	<b>514.112</b>

(3) Information on funds borrowed:

a) Information on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	806.998	2.470.775	706.399	2.498.369
Foreign banks, institutions and funds	-	10.168.823	-	10.049.754
<b>Total</b>	<b>806.998</b>	<b>12.639.598</b>	<b>706.399</b>	<b>12.548.123</b>

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	801.751	1.301.243	601.693	811.014
Medium and long term	5.247	11.338.355	104.706	11.737.109
<b>Total</b>	<b>806.998</b>	<b>12.639.598</b>	<b>706.399</b>	<b>12.548.123</b>

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

Main liability of the Group is deposits, which is composed of 20,91% of saving deposits and 37,14% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Group borrows loans from interbank money markets.

The Group's 40,94% of bank deposits and 45,76% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

	Current period		Prior period	
	TRY	FC	TRY	FC
Bills	4.707.643	-	3.655.382	-
Asset Back Securities	1.871.598	-	1.958.530	-
Bonds	1.097.301	4.113.282	1.078.233	7.553.277
<b>Total</b>	<b>7.676.542</b>	<b>4.113.282</b>	<b>6.692.145</b>	<b>7.553.277</b>

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

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

(5) Information on other liabilities:

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

(31 December 2020: Other liabilities balance does not exceed 10% of the balance sheet total).

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

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

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

b) Explanation on finance lease payables:

None. (31 December 2020: None).

c) Explanations regarding operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	41.542	33.199	29.347	29.162
Between 1-4 years	335.903	287.914	312.254	268.799
More than 4 years	977.387	672.022	826.943	595.813
<b>Total</b>	<b>1.354.832</b>	<b>993.135</b>	<b>1.168.544</b>	<b>893.774</b>

(7) Information on derivative financial liabilities for hedging purposes:  
None.

(8) Explanations on provisions:

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

As of 31 March 2021 the Group does not have a provision amount of the currency differences on foreign currency indexed loans and finance lease receivables (31 December 2020: None).

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

As of 31 March 2021, the Group's specific provision for unindemnified non-cash loans balance is TRY 148.421 (31 December 2020: TRY 150.942).

c) Information on other provisions:

Total other provision balance amounting to TRY 577.293 (31 December 2020: TRY 636.547) consists of TRY 148.421 for specific provisions of unindemnified and unfunded non-cash loans (31 December 2020: TRY 150.942), TRY 225.765 for stage 1 and stage 2 expected credit loss amount of non-cash loans (31 December 2020: TRY 308.709), TRY 97.963 for legal cases filed against the Group (31 December 2020: TRY 98.928), and TRY 105.144 of other provisions (31 December 2020: TRY 77.968).



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

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 March 2021, the Group's corporate tax payable is amounting to TRY 27.903 and accounted for under corporate tax provision at the related date. (31 December 2020 corporate tax payable: TRY 4.498)

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate tax payable	27.903	4.498
Income on securities tax	675.645	475.152
Property income tax	1.971	1.719
Banking and insurance transactions tax (BITT)	188.599	157.964
Foreign exchange transactions tax	7.601	9.021
Value added tax payable	11.788	4.810
Other	111.870	73.321
<b>Total</b>	<b>1.025.377</b>	<b>726.485</b>

a.3. Information on premiums:

	Current Period	Prior Period
Social insurance premiums-employee	347	291
Social insurance premiums-employer	989	830
Bank social aid pension fund premium-employee	52.606	18.063
Bank social aid pension fund premium-employer	78.831	28.084
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	3.807	1.311
Unemployment insurance-employer	7.637	2.634
Other	1.033	715
<b>Total</b>	<b>145.250</b>	<b>51.928</b>

b) Explanations related to deferred tax liability:

	Current Period	Prior Period
<b>Deffered Tax Asset/(Liability)</b>		
Provisions <sup>(1)</sup>	1.292.878	1.529.133
Valuation of Financial Assets	(1.977.993)	(1.322.586)
Other	653.846	(498.350)
<b>Net Deffered Tax Asset/(Liability)<sup>(2)</sup></b>	<b>(31.269)</b>	<b>(291.803)</b>
<b>Deffered Tax Accounting Under Equity</b>	<b>221.959</b>	<b>(11.841)</b>
Fair Value of Security Internal Efficiency Market		
Value Difference Through Other Comprehensive		
Income	361.673	128.429
Actuarial Loss/Earning	34.772	34.772
Real Estate Revaluation	(174.486)	(175.042)

<sup>(1)</sup> Consists of employee rights obligations and other provisions.

<sup>(2)</sup> Net deferred tax liability amounting to TRY 31.269 consists of TRY 44.755 deferred tax asset and TRY 76.024 deferred tax liability.

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

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

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

Liabilities regarding assets held for sale and discontinued operations is none (31 December 2020: None).

- (11) Explanations on the number of subordinated loans the Group used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any<sup>(\*)</sup>:

Information on Subordinated Loans	Current Period		Prior Period	
	TRY	FC	TRY	FC
To be included in the calculation of additional capital borrowings instruments	-	9.393.069	-	8.824.063
Subordinated loans	-	9.393.069	-	8.824.063
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.020.511	-	6.036.525	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.020.511	-	6.036.525	-
<b>Total</b>	<b>6.020.511</b>	<b>9.393.069</b>	<b>6.036.525</b>	<b>8.824.063</b>

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

- (12) Information on shareholders' equity

- a) Presentation of paid-in capital:

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

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

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

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

None.

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

None.

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

None.

- f) Information on the Parent Bank's acquired shares:

Between January 1 - March 31, 2021, the Parent Bank did not repurchase or sell any shares.

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

(12) Information on shareholders' equity (continued)

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

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

h) Information on preferred shares:

None.

i) Information on marketable securities revaluation fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	15.040	4.211	15.040	5.107
Valuation differences	15.040	4.211	15.040	5.107
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	(1.138.318)	(235.775)	(220.937)	(218.119)
Valuation differences	(1.138.318)	(238.051)	(220.937)	(216.049)
Exchange rate difference	-	2.276	-	(2.070)
<b>Total</b>	<b>(1.123.278)</b>	<b>(231.564)</b>	<b>(205.897)</b>	<b>(213.012)</b>

(13) Information on Profit Distribution

The Ordinary General Assembly Meeting of the Bank was held on March 26, 2021. At the General Assembly Meeting, it was decided to transfer the remaining amount of TRY 2.470.043 to extraordinary reserves, after allocating TRY 130.002 of the unconsolidated net profit amounting to TRY 2.600.045 from the activities of the year 2020 as general legal reserves. In addition, in accordance with TFRS 9, the 75% exception amount in the article 5/1/ e of the Corporate Tax Law No. 5520 of the sales gain obtained from the sales of the partnerships monitored with their fair values will continue to be monitored in the special funds account.

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

<b>Types of irrevocable commitments</b>	<b>Current Period</b>	<b>Prior Period</b>
Commitments for credit card expenditure limits	30.132.442	28.032.142
Payment commitments for cheques	5.428.475	4.472.298
Loan granting commitments	4.696.199	4.721.315
Two days forward foreign exchange buy/sell transactions	983.537	1.826.745
Forward deposit purchase and sale commitments	-	-
Commitments for credit cards and banking services promotions	24.197	22.752
Tax and fund liabilities from export commitments	119.423	124.240
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	5.341.421	5.321.136
<b>Total</b>	<b>46.725.694</b>	<b>44.520.628</b>

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of credit	3.130.716	2.609.382
Bank acceptances	7.512.670	6.495.595
Other guarantees	5.860.605	4.862.463
<b>Total</b>	<b>16.503.991</b>	<b>13.967.440</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of certain guarantees	19.897.225	17.484.487
Letters of advance guarantees	5.745.808	5.376.409
Letters of tentative guarantees	1.717.660	2.239.074
Letters of guarantee given to customs offices	2.900.575	2.706.492
Other letters of guarantee	79.551.646	74.729.949
<b>Total</b>	<b>109.812.914</b>	<b>102.536.411</b>

b.3. Total non-cash loans:

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans for providing cash loans	15.226.146	14.320.385
<i>Within one year or less original maturity</i>	2.178.648	1.895.645
<i>Within more than one year maturity</i>	13.047.498	12.424.740
Other non-cash loans	111.090.759	102.183.466
<b>Total</b>	<b>126.316.905</b>	<b>116.503.851</b>

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**III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS**  
**(continued)**

(1) Information on off-balance sheet liabilities (continued):

c) Information on contingent liabilities and assets:

Group's commitments for the cheques given to customers are TRY 5.428.475 (31 December 2020: TRY 4.472.298).

d) Services provided on behalf of others:

None.

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
<b>Interest on loans<sup>(1)</sup></b>				
Short term loans	2.308.166	73.309	1.377.731	134.693
Medium and long term loans	7.501.200	1.416.833	5.612.139	1.404.036
Interest on non-performing loans	45.368	413	300.968	103
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>9.854.734</b>	<b>1.490.555</b>	<b>7.290.838</b>	<b>1.538.832</b>

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

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
CBRT	189.793	-	23.216	-
Domestic banks	12.257	101	6.473	588
Overseas banks	3.260	1.253	2.963	1.686
Head office and branches	-	-	-	-
<b>Total</b>	<b>205.310</b>	<b>1.354</b>	<b>32.652</b>	<b>2.274</b>

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets at fair value through profit or loss	4.795	20	847	-
Financial assets at fair value through other comprehensive income	1.173.893	146.503	629.923	32.930
Financial assets measured at amortised cost	1.997.926	346.863	1.935.574	277.882
<b>Total</b>	<b>3.176.614</b>	<b>493.386</b>	<b>2.566.344</b>	<b>310.812</b>

d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	2.290	-

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	27.647	46.165	41.460	73.322
CBRT	-	-	-	-
Domestic banks	27.647	13.963	41.460	22.846
Overseas banks	-	32.202	-	50.476
Overseas head office and branches	-	-	-	-
Other institutions	2	5.850	2	5.240
<b>Total</b>	<b>27.649</b>	<b>52.015</b>	<b>41.462</b>	<b>78.562</b>

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)**

(2) Information on interest expenses: (continued)

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	8.938	2.706

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	471.253	204.052	427.443	189.948
<b>Toplam</b>	<b>471.253</b>	<b>204.052</b>	<b>427.443</b>	<b>189.948</b>

d) Maturity structure of interest expenses on deposits:

Account name	Current Period							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	Time deposits		
<b>TRY</b>									
Bank deposits	50	624.790	199.592	6.962	-	-	-	-	831.394
Saving deposits	11	431.146	2.607.885	214.807	54.399	78.068	2.856	-	3.389.172
Public deposits	11	298.773	121.334	13.183	5.390	457	-	-	439.148
Commercial deposits	7	1.424.124	1.865.018	56.454	39.788	243.959	-	-	3.629.350
Other deposits	-	155.279	744.322	115.239	38.422	69.090	-	-	1.122.352
7 days call accounts	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>79</b>	<b>2.934.112</b>	<b>5.538.151</b>	<b>406.645</b>	<b>137.999</b>	<b>391.574</b>	<b>2.856</b>	<b>-</b>	<b>9.411.416</b>
<b>Foreign currency</b>									
Deposits	449	70.766	483.598	18.896	16.902	28.493	-	-	619.104
Bank deposits	2	6.901	36.949	63	-	-	-	-	43.915
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	144	3.438	272	68	155	-	-	4.077
<b>Total</b>	<b>451</b>	<b>77.811</b>	<b>523.985</b>	<b>19.231</b>	<b>16.970</b>	<b>28.648</b>	<b>-</b>	<b>-</b>	<b>667.096</b>
<b>Grand total</b>	<b>530</b>	<b>3.011.923</b>	<b>6.062.136</b>	<b>425.876</b>	<b>154.969</b>	<b>420.222</b>	<b>2.856</b>	<b>-</b>	<b>10.078.512</b>

Account name	Prior Period							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	Time deposits		
<b>TRY</b>									
Bank deposits	32	267.475	84.830	153	257	-	-	-	352.747
Saving deposits	11	82.446	1.195.056	156.963	21.764	152.852	2.926	-	1.612.018
Public deposits	18	145.906	62.773	8.455	10.067	331	-	-	227.550
Commercial deposits	4	464.517	695.572	15.865	10.730	122.600	-	-	1.309.288
Other deposits	-	22.005	205.524	61.747	24.220	49.286	-	-	362.782
7 days call accounts	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>65</b>	<b>982.349</b>	<b>2.243.755</b>	<b>243.183</b>	<b>67.038</b>	<b>325.069</b>	<b>2.926</b>	<b>-</b>	<b>3.864.385</b>
<b>Foreign currency</b>									
Deposits	393	13.648	185.406	15.497	11.363	27.178	-	-	253.485
Bank deposits	3	36.772	-	11	-	-	-	-	36.786
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	38	1.910	463	134	253	-	-	2.798
<b>Total</b>	<b>396</b>	<b>50.458</b>	<b>187.316</b>	<b>15.971</b>	<b>11.497</b>	<b>27.431</b>	<b>-</b>	<b>-</b>	<b>293.069</b>
<b>Grand total</b>	<b>461</b>	<b>1.032.807</b>	<b>2.431.071</b>	<b>259.154</b>	<b>78.535</b>	<b>352.500</b>	<b>2.926</b>	<b>-</b>	<b>4.157.454</b>

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)**

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Profit</b>	<b>31.219.721</b>	<b>13.569.428</b>
Profit from the capital market operations	28.806	146.812
Profit on derivative financial instruments	4.793.938	3.219.127
Foreign exchange gains	26.396.977	10.203.489
<b>Loss (-)</b>	<b>31.841.943</b>	<b>14.814.474</b>
Loss from the capital market operations	3.180	61.684
Loss on derivative financial instruments	3.140.501	1.924.977
Foreign exchange losses	28.698.262	12.827.813

As of 31 March 2021, necessary adjustments have been made in the TRY yield curves used in the valuation of derivative transactions, since they do not fully reflect market conditions.

(4) Information on other operating income:

	<b>Current period</b>	<b>Prior Period</b>
Adjustments for prior period expenses	3.305.504	521.858
Insurance technical income	16.576	13.882
Income from the asset sale	61.792	91.599
Rent income	16.303	18.590
Other income	51.271	54.047
<b>Total</b>	<b>3.451.446</b>	<b>699.976</b>

(5) Impairment losses on loans and other receivables:

Expected Credit Losses:

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Loss	1.297.004	2.361.747
<i>12 Month Expected Credit Loss (Stage 1)</i>	<i>128.344</i>	<i>185.172</i>
<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>27.776</i>	<i>921.552</i>
<i>Non – Performing Loans (Stage 3)</i>	<i>1.140.884</i>	<i>1.255.023</i>
Marketable Securities Impairment Expense	-	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-	-
<i>Financial Assets at Fair Value through Other Comprehensive Income</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint Ventures</i>	-	-
Other	1.885	141.289
<b>Total</b>	<b>1.298.889</b>	<b>2.503.036</b>



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

**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT**  
**OF PROFIT OR LOSS (continued)**

(6) Information on other operating expenses:

	<b>Current Period</b>	<b>Prior Period</b>
Reserve for employee termination benefits	53.206	39.363
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	123.471	104.396
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	39.841	13.896
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets to be sold	-	-
Amortization expenses of assets to be sold	4.286	4.958
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	582.462	570.552
<i>Leasing Expenses on TFRS 16 Exceptions</i>	<i>21.677</i>	<i>19.641</i>
<i>Maintenance expenses</i>	<i>18.253</i>	<i>17.367</i>
<i>Advertisement expenses</i>	<i>47.899</i>	<i>24.613</i>
<i>Other expenses</i>	<i>494.633</i>	<i>508.931</i>
Loss on sales of assets	188	198
Other	461.818	285.636
<b>Total</b>	<b>1.265.272</b>	<b>1.018.999</b>

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

The amount of profit before tax consists TRY 93.090 (31 March 2020: TRY 5.556.750) of net interest income and TRY 836.252 (31 March 2020: TRY 707.017) of net fees and income. The profit from continuing operations before tax is amounting to TRY 90.857 (31 March 2020: TRY 1.262.349).

For the period ended 31 March 2021, the profit before tax from discontinued operations of the Group is none. (31 March 2020: TRY 119.844)

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

For the period ended 31 March 2021, the Group's tax provision expense from continued operations amounting to TRY 17.403 (31 March 2020: TRY 197.967) consists of TRY 44.137 (31 March 2020: TRY 34.629) of current tax charge and TRY 1.277.599 (31 March 2020: TRY 686.204) of deferred tax charge and TRY 1.304.333 (31 March 2020: TRY 522.866) of deferred tax income.

For the period ended 31 March 2021, the Group's deferred tax provision from discontinued operations is none. (For the period ended 31 March 2020, the Group's deferred tax provision from discontinued operations is amounting to TRY 48.603 consists of TRY 48.981 of current tax charge and TRY 378 of deferred tax benefit.)

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED STATEMENT**  
**OF PROFIT OR LOSS (continued)**

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

As of 31 March 2021, the Group's operating income after tax from continued operations is amounting to TRY 73.454 (31 March 2020: TRY 1.064.382).

As of 31 March 2021, the Group's operating income after tax for discontinued operations is none. (31 March 2020: TRY 71.241).

- (10) Information on net profit/loss:

- a) Income and expenses from ordinary banking operations:

There is no requirement to make disclosure.

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

There is no requirement to make disclosure.

- (11) Other items in the Income Statement:

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

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

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

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

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

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	-	-	-	-	-	-
Closing balance	59.659	5.767	-	-	-	-
Interest and commissions income	2.290	2	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Beginning balance	-	50.673	-	-	-	-
Closing Balance	220.764	-	-	-	-	-
Interest expense on deposits	8.938	-	-	-	-	-

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

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

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

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

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

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	59.659	0,01
Non-cash loans	5.767	-
Deposits	220.764	0,05
Forward and option contracts	-	-

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

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

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

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel of the Group are TRY 7.699 as of 31 March 2021 (31 March 2020: TRY 7.354).

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

In accordance with the Law on the Procedure of Collection of Public Receivables and the Law Amending Certain Laws published in the Official Gazette dated April 22, 2021 and numbered 31462, the corporate tax rate is currently applied as 20%. To be valid for the taxation period starting from January 1, 2021, starting from the declarations that must be submitted as of July 1, 2021, 25% for the corporate earnings for the 2021 taxation period and 23% for the corporate earnings for the 2022 taxation period will be applied.

**VII. OTHER EXPLANATIONS**

On 15 October 2019, U.S. Department of Justice, United States Attorney Southern District of New York indicted the Parent Bank by repeating the allegations set forth in the case filed against the former executive of the Parent Bank due to Iranian sanction violations.

First, the Parent Bank applied to the District Court on 4 November 2019, and requested a special appearance to discuss the issues of personal jurisdiction and recusal. On 5 December 2019, the District Court denied the request of special appearance. The Parent Bank objected to the District Court's decision and appealed the decision at the Court of Appeals for the Second Circuit on 17 December 2019. On 21 February 2020, the Second Circuit denied Parent Bank's objection.

In the meeting held by the Parent Bank's Board of Directors on 27 March 2020, it was decided to attend the District Court hearing on 31 March 2020, to accept the arraignment and to appoint Williams & Connolly law firm with a proxy to represent the Parent Bank.

At the hearing on 31 March 2020, the District Court decided to postpone the hearing initially to 9 June 2020 and subsequently to 30 June 2020 due to the global scale COVID-19 outbreak.

At the hearing held in the District Court on 30 June 2020; the schedule regarding the motion to recuse, discovery motions, and filings of other motions were identified. It was decided that the jury trials would begin on 1 March 2021 for which the schedule was revised on 26 October 2020. Accordingly, the jury trials are scheduled to be held on 3 May 2021. In this regard, the Parent 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.

Parent Bank's recusal motion was denied by the District Court on 24 August 2020 and by the Court of Appeals for the Second Circuit on 23 December 2020.

District Court denied Parent Bank's motion to dismiss the indictment on 1 October 2020. The Parent Bank appealed the Court of Appeals for the Second Circuit through 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 for the Second Circuit accepted to hear the appeal on the merits and granted Parent Bank's motion to stay the case pending sovereign immunity appeal. Before the Court of Appeals for the Second Circuit, oral argument was presented on 12 April 2021 and the appeal is still pending. On condition that, the Parent Bank does not prevail at the Court of Appeals for the Second Circuit, a new schedule will be necessary to be created by the District Court for the jury trials.

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

**VII. OTHER EXPLANATIONS (continued)**

In addition, a civil case was filed against the Parent Bank on 27 March 2020 with a claim for damages by plaintiffs in the District Court "on the grounds that they (the plaintiffs) could not collect their judgments from Iran due to violations of sanctions" and it was served to the Parent Bank's attorneys on 1 July 2020. The Parent Bank filed a motion at the District Court to dismiss the complaint of plaintiffs on 25 September 2020. The case was fully briefed on 16 December 2020. District Court conditionally granted Parent Bank's motion to dismiss, filed on 16 December 2020, on the grounds of *forum non conveniens*. The case was closed at the District Court on 3 March 2021.

Plaintiffs filed their notice of appeal at the Court of Appeals for the Second Circuit with regard to the District Court's Decision on 17 March 2021. The appeal with regard to the civil case is still pending.

The proceedings of both the criminal case and civil case are closely monitored by the Parent Bank through law firms representing the Parent Bank.

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
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**SECTION VI: LIMITED REVIEW REPORT**

**I. EXPLANATIONS ON LIMITED REVIEW REPORT**

The Parent Bank's publicly available consolidated financial statements and footnotes as of 31 March 2021 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 7 May 2021 is presented in front of the financial statements.

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

None.

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT**

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

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

Esteemed Stakeholders,

We are all living through extraordinary times. We have been struggling with the global effects of COVID-19 for more than a year. The coronavirus has redefined the way we manage our health and many of our social habits, and we are deeply experiencing the resulting changes in our routines. Even though the pace of vaccinations accelerates all around the world, the number of cases is still on the rise. This increase is partly caused by the emergence of COVID-19 variants that are even more contagious.

The pandemic has been putting a heavy strain on all economies, and the global banking sector has been no exception. Financial institutions have taken alleviating actions to support the markets and expansionary monetary policies, which facilitated economic activity in the face of the crisis. Although global economic stability has not yet been restored in the first quarter of 2021, optimistic forecasts and data validate our expectations for a stronger recovery later this year.

The US Federal Reserve (Fed) is one of these optimists. The Fed left the interest rate unchanged in the first quarter and later revised its growth forecast for 2021 to 6.5 percent, higher than its original prediction of 4.2 percent. Fed Chair Jerome Powell gave a market-friendly message by declaring that they do not expect the expansionary monetary policy to change and emphasized that the US economy in general, though not all industries, performed better than expected.

The data from the European Union, our largest export market, were also more positive in the first quarter. Although the EU economy contracted by 6.8 percent in 2020, the European Central Bank (ECB) announced its growth forecast for 2021 in the Euro area as 4 percent. Moreover, the signing of the post-Brexit trade deal between the EU and the UK in December last year eased any related tensions and uncertainties. Additionally, growth-oriented 2021 predictions by OECD and IMF, especially for developed economies, further heightened the positive expectations.

Meanwhile, Turkish businesses mostly focused on increasing their foreign exchange revenues. Our exports in the first quarter of 2021 exceeded \$50 billion with a year-on-year increase of 17.3 percent, yielding the highest first-quarter figure of all time. This is achieved thanks to the encouraging steps taken by the public sector and many practices implemented to support the real economy.

During this period, the Turkish government has greatly helped large manufacturers preserve their operations and protect their employees. The government also developed lifeline projects for small businesses which have been hardest hit by the pandemic. The Turkish banking industry has played a key role in meeting the financial needs of our citizens, while state banks were particularly successful in preserving economic activity.

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
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*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

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

**Assessment of Chairman of the Board of Directors (continued)**

At Halkbank, we strived to do our best to provide financial support to various professions and industries in the first quarter of the year. We are the bank of artisans, craftspeople, and SMEs, so we have granted various loan support packages to help them maintain their activities. We have also launched a loan package for female entrepreneurs. Increasing women's economic participation will not only improve diversity in the world of work but also help fight against gender inequality and social discrimination.

Our Bank will continue to work determinedly and in harmony with the real economy, be a driver of public policies, and encourage all institutions in the banking system. I thank all our stakeholders for supporting us in these challenging times.

Sincerely,

R. Süleyman Özdil  
Chairman



**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**General Manager's Review**

Dear Stakeholders,

We started 2021 with a positive outlook for our Bank and our country. As you may recall, Turkey ended 2020 with a 1.8-percent GDP growth, becoming the second-fastest growing G20 member country behind China to expand its economy during the pandemic. In addition, the 5.9 percent growth in the last quarter of 2020 added momentum to this growth and bolstered the economic activity in the first quarter.

The economic stimulus policies, implemented by the Ministry of Treasury and Finance in accordance with the decisions of our President, played a pivotal role in this achievement. In addition to the rise in industrial output, increases in consumption and investment expenditures also led to further growth in the Turkish economy. The Manufacturing PMI index, an important indicator of manufacturer sentiment, has remained above the 50-point threshold at 50.4 for the past 11 months. The index reached 50.4 in April which signaled that growth in manufacturing is to continue.

The swift progress in stimulation and vaccination efforts, especially in the United States, led to positive pricing by international capital markets. The Organization for Economic Co-operation and Development's (OECD) report in March showed that the administration of COVID-19 vaccinations in phases and additional financial stimulus provided by governments in their own countries will help improve the global economic outlook significantly despite supply shortages. OECD also estimates that the Chinese and Turkish economies will grow by 7.8 percent and 5.9 percent, respectively, in 2021. The IMF's growth forecast for the same period for Turkey is 6 percent.

Esteemed Stakeholders,

As Halkbank, we had an active and productive start to 2021 in terms of our business figures thanks to the morale boost from favorable 2020 year-end results. Although we are still affected by the pandemic in the first quarter of the year both globally and nationally, we continue to fulfill our responsibilities toward the Turkish economy. Through our dedication in this quarter, our Bank's total assets rose by 41.1 percent compared to the first quarter of 2020 and reached 692.9 billion Turkish lira, while total deposits grew by 44.1 percent to 471.6 billion Turkish lira. Over the same period, our cash loans rose by 30.3 percent to 453.5 billion Turkish lira, and our total loans increased by 30.8 percent to 577.7 billion Turkish lira.

While our financing services and business partnerships tailored for different professions, sectors and women entrepreneurs left its mark on the first quarter, we focused on stimulating the market through our support packages. Accordingly, we signed the "Paraf Secure Supply Chain Financing" agreement with the Union of Chambers and Commodity Exchanges of Turkey. With this agreement, we not only reduced the non-payment risk faced by sellers to zero but also provided buyers with repayment terms up to 18 months. We also signed a protocol with Ankara Chamber of Commerce (ATO) and provided up to 75,000 Turkish lira support to members under the "Support Package for ATO-Member Insurance Agents and Adjusters." As part of "Support Package for TÜRSAB-Member Travel Agencies," which was formed to minimize the negative impact incurred by tourism companies as a result of the pandemic, we provided up to 100,000 Turkish lira support for cash and non-cash needs of the businesses.

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**General Manager's Review (continued)**

Another Halkbank product that added momentum to our economy in the first quarter was "Woman Entrepreneur Loan Package." With this product, we provide support of up to 100,000 Turkish lira to facilitate the access of women entrepreneurs to finance. With our Women Entrepreneurs Loan, launched on March 8, on International Women's Day, we have extended loans worth more than 1.8 billion Turkish lira to nearly 20,000 women entrepreneurs, including tradeswomen, in the first quarter. We have taken our efforts towards women entrepreneurs further in this process by establishing the Women Entrepreneurs Department, which is a first in the Turkish banking sector. With the new department, we aim to continue providing advantageous products and services to women entrepreneurs in all financial aspects. We also organized Productive Women Meetings in Istanbul and Bursa, bringing together pioneering women and women entrepreneurs who inspire the society. With these meetings, we aim to share the extraordinary breakthroughs and career stories of women entrepreneurs with Turkey.

Dear Stakeholders,

During this period, our main priority is to maintain the sustainability of our economy and provide a lasting contribution to the fight against this pandemic by meeting the urgent needs of different segments of the society. By creating fast and expedient solutions, we are steadily moving towards our targets we have set in line with our motto, "People-First Banking." We are determined to remain an active player in the field in the coming quarter. We would like to thank you, our esteemed investors, for your unwavering support, and as Halkbank family, express our gratitude for your trust in our Bank.

Sincerely,

Osman Arslan  
CEO  
Türkiye Halk Bankası A.Ş.

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**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

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

**Major Financial Information**

<b>Summary Balance Sheet (TRY Million)</b>			
	<b>March 2021</b>	<b>December 2020</b>	<b>Change (%)</b>
Total Assets	710.105	696.215	2,0
Loans	462.912	457.210	1,2
<i>TRY</i>	354.401	353.823	0,2
<i>FC</i>	108.511	103.387	5,0
Marketable Securities	167.604	161.073	4,1
Deposit	483.091	468.062	3,2
<i>TRY</i>	264.099	261.818	0,9
<i>FC</i>	218.992	206.244	6,2
Total Equity	41.951	42.779	(1,9)

  

<b>Summary Statement of Profit or Loss (TRY Million)</b>			
	<b>March 2021</b>	<b>March 2020</b>	<b>Change (%)</b>
Interest Income	15.469	11.945	29,5
<i>On Loan</i>	11.345	8.830	28,5
<i>On Securities</i>	3.670	2.877	27,6
Interest Expense	15.376	6.388	140,7
<i>On Deposit</i>	10.079	4.157	142,4
Net Interest Income	93	5.557	(98,3)
Net Fee and Commission	836	707	18,3
Net Profit	73	1.136	(93,5)

  

<b>Ratio (%)</b>	<b>March 2021</b>	<b>December 2020</b>
Cash Loans/Total Asset	65,2	65,7
Non-Performing Loans/Total Cash Loans (Gross)	3,5	3,7
Demand Deposit/Total Deposit	18,7	19,4
Loan/Deposit Ratio	95,8	97,7
Average Return on Asset (ROA)	0,04	0,63
Average Return on Equity (ROE)	0,70	9,85
Capital Adequacy Ratio	13,95	14,56

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021**

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

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

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

**2021 First Quarter Interim Developments**

**Significant Developments**

- Our Bank has issued bonds with a par value of 5,046,000,000 Turkish lira to the qualified investors throughout this period.

**New Products and Campaigns**

- “The Doctor’s Day Loan” campaign was organized for health industry workers in recognition of Doctor’s Day commemorated on March 14 and World Health Day commemorated on April 7.
- A “Loan for Female Entrepreneurs” was established to facilitate and encourage the financing access of female entrepreneurs who have/will set up their first business.
- A protocol was signed between our Bank and the Association of Turkish Travel Agencies (TÜRSAB) to meet the financing needs of TÜRSAB Travel Agencies under favorable terms. In line with the protocol, the “Support Package for TÜRSAB Travel Agencies” was established.