

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

Türkiye Halk Bankası Anonim Şirketi

**Consolidated Financial Statements
As of 30 September 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 AŞ

Introduction

We have reviewed the accompanying consolidated statement of financial position of Türkiye Halk Bankası AŞ (“the Parent Bank”) and its consolidated subsidiaries (together will be referred as “the Group”) as at 30 September 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 nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Parent Bank management is responsible for the preparation and fair presentation of the accompanying consolidated interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

The Group reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9 requirements. The government bonds reclassified into financial assets measured at amortised cost amounted to TRY 18.283.434 thousand as at 30 September 2021. If such classification were not made, total assets and shareholders’ equity, excluding tax effect, would have been lower by TRY 2.410.632 thousand as at 30 September 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 AŞ and its consolidated subsidiaries as at 30 September 2021, and of the results of its operations and its cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

Emphasis of Matter

As detailed in Section Five Note Seven, we draw attention to the following issue that may affect the Group:

On October 15, 2019, the US Department of Justice, United States Attorney Southern District of New York indicted the Parent Bank in the Southern District of New York Court (“District Court”) for the 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 March 27, 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 appealed the decision to the US Court of Appeals for the Second Circuit. 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 July 19, 2019 and returned to Turkey, is completed. The decision regarding the conviction was confirmed.

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 unconsolidated financial statements related to these matters. However, the above mentioned matters do not affect the conclusion 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 AŞ
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Aslan
Partner

Istanbul, 11 November 2021

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
FOR THE NINE-MONTH ENDED 30 SEPTEMBER 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
E-mail Address: halkbank.ir@halkbank.com.tr

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

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

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

Subsidiaries		Associates	
1.	Halk Yatırım Menkul Değerler AŞ	1.	Demir-Halk Bank N.V.
2.	Halk Gayrimenkul Yatırım Ortaklığı AŞ	2.	Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3.	Halk Finansal Kiralama AŞ		
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 nine-month 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, 11 November 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

SECTION ONE

General Information About the Parent Bank

	Page No
I. Establishment Date of the Parent Bank, Initial Articles of Association, History of the Parent Bank Including The Changes of These Articles	3
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	3
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	4
IV. Information About the Persons and Institutions That Have Qualified Shares Attributable to the Parent Bank	5
V. Brief Information on the Parent Bank's Functions and Lines of Activity	5
VI. Explanation About Companies Within The Scope Of Consolidation	6
VII. Differences Between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which are Deducted From Equity or Not Included in These Three Methods	8
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	8

SECTION TWO

Consolidated Financial Statements

I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)	10
II. Consolidated Statement of Off-Balance Sheet Items	12
III. Consolidated Statement of Profit or Loss	13
IV. Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
V. Consolidated Statement of Changes in Shareholders' Equity	15
VI. Consolidated Statement of Cash Flows	16

SECTION THREE

Explanations on Accounting Policies Applied in the Related Period

I. Explanations on Basis of Presentation	17
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	20
III. Information About the Consolidated Associates and Subsidiaries	21
IV. Explanations on Forward and Option Contracts and Derivative Products	23
V. Explanations on Interest Income and Expenses	23
VI. Explanations on Fee and Commission Income and Expenses	23
VII. Explanations on Financial Assets	23
VIII. Explanations on Impairment of Financial Assets	27
IX. Explanations on Offsetting Financial Instruments	30
X. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	30
XI. Explanations on Assets Held For Sale, Assets of Discontinued Operations and Related Liabilities	30
XII. Explanations on Goodwill and Other Intangible Assets	30
XIII. Explanations on Property and Equipment	31
XIV. Explanations on Investment Properties	31
XV. Explanations on Leasing Transactions	32
XVI. Explanations on Provisions and Contingent Liabilities	33
XVII. Explanations on Employee Benefit Liabilities	33
XVIII. Explanations on Taxation	34
XIX. Additional Explanations on Borrowings	36
XX. Explanations on Shares Issued	36
XXI. Explanations on Bill Guarantees and Acceptances	37
XXII. Explanations on Government Incentives	37
XXIII. Explanations on Segment Reporting	37
XXIV. Explanations on Other Matters	37

SECTION FOUR

Information Related to Financial Position and Risk Management of the Group

I.	Explanations on Consolidated Equity	38
II.	Explanations on Consolidated Currency Risk	46
III.	Explanations on Consolidated Interest Rate Risk	48
IV.	Explanations on Consolidated Position Risk of Shares	51
V.	Explanations on Consolidated Liquidity Risk and Liquidity Coverage Ratio	51
VI.	Explanations on Consolidated Leverage Ratio	57
VII.	Explanations Related to Consolidated Business Segmentation	59
VIII.	Explanations on Consolidated Risk Management and Risk Weighted Amounts	62

SECTION FIVE

Explanations and Notes Related to the Consolidated Financial Statements

I.	Explanations and Notes Related to the Assets	64
II.	Explanations and Notes Related to the Liabilities	83
III.	Explanations and Notes Related to the Off-Balance Sheet Items	90
IV.	Explanations and Notes Related to the Statement of Profit or Loss	92
V.	Explanations Related to the Risk Group of the Parent Bank	97
VI.	Explanation Related to the Subsequent Events	99
VII.	Other Explanations	99

SECTION SIX

Limited Review Report

I.	Explanations on Limited Review Report	101
II.	Explanations and Notes Prepared by the Independent Auditor	101

SECTION SEVEN

Interim Activity Report

I.	Interim Period Activity Report Included Chairman of the Board of Directors and CEO's Assessments for the Interim Activities	102
----	---	-----

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 30 September 2021 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30 September 2021	%	31 December 2020	%
Türkiye Varlık Fonu ⁽¹⁾	1.862.602	75,29	1.862.602	75,29
Public shares ⁽¹⁾	611.094	24,70	611.094	24,70
Other shareholders ⁽²⁾	80	0,01	80	0,01
Total	2.473.776	100,00	2.473.776	100,00

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

Name	Title
Recep Süleyman ÖZDİL	Chairman of the Board of Directors, Chairman of the Audit Committee
Himmet KARADAĞ	Vice Chairman of the Board of Directors, Independent Member of the Board 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
Olca ATLIOĞLU	Executive Vice President, Information Technologies(P.P.)
İlhan BÖLÜKBAŞ	Executive Vice President, Loan Allocation and Management
Celal CANDAN	Executive Vice President, Credit Risk Liquidation and Legal Proceedings
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
Ali ŞÖNER	Executive Vice President, Treasury Management and International Banking(P.P)
Hasan TUNCAY	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
Executive Vice President (ppa.)	Olca ATLIOĞLU	28 July 2021
Executive Vice President (ppa.)	Ali ŞÖNER	28 July 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
Executive Vice President	Serdar SÜRER	7 July 2021

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

(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)

- b) Restructuring process of the Parent Bank (continued): The first phase of the privatization process of the Bank corresponding to 24,98% was completed in the first week of May 2007 and Halkbank shares were started to trade on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00.As per the decision of the Higher Council of Privatization numbered 2012/150 dated 4 October 2012; 23,92% of the public shares held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

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 30 September 2021, the Parent Bank operates with a total of 1.016 branches consisting of 1.011 domestic and 5 foreign branches that are 4 in Turkish Republic of Northern Cyprus and 1 in Bahrain. Domestic branches include 29 satellite branches. The Parent Bank has also 3 representative office in England, Iran and Singapore.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler AŞ
- Halk Gayrimenkul Yatırım Ortaklığı AŞ
- Halk Finansal Kiralama AŞ
- Halk Faktoring AŞ
- Halk Banka AD Skopje
- Halkbank AD Beograd
- Halk Varlık Kiralama AŞ

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 AŞ

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 30 SEPTEMBER 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 AŞ was established on 3 October 2017 with the purpose of issuing “Lease Certificate” in accordance with the Capital Markets Board Law No. 6362, the CMB Communiqué and the related regulations of the CMB.

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

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

There is no difference for the Parent Bank in terms of consolidated subsidiaries between the consolidation process according to the Turkish Accounting Standards and the Communiqué of the Preparation of Financial Statements.

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

Demir-Halk Bank NV ("Demir Halk Bank") and Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ 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
CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 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)
- II. Consolidated Statement of Off-Balance Sheet Items
- III. Consolidated Statement of Profit or Loss
- IV. Consolidated Statement of Profit or Loss and Other Comprehensive Income
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 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		
		30 September 2021			31 December 2020		
CONSOLIDATED ASSETS		TRY	FC	TOTAL	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		65.200.743	93.502.144	158.702.887	62.791.771	84.132.043	146.923.814
1.1 Cash and Cash Equivalents		8.121.651	71.016.058	79.137.709	8.916.830	59.391.599	68.308.429
1.1.1 Cash and Balances with Central Bank	(1)	7.774.850	68.234.779	76.009.629	8.396.106	56.588.336	64.984.442
1.1.2 Banks	(3)	365.353	2.781.552	3.146.905	287.479	2.803.592	3.091.071
1.1.3 Money Markets		-	-	-	252.997	-	252.997
1.1.4 Expected Loss Provision (-)		18.552	273	18.825	19.752	329	20.081
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	15.827.248	16.177	15.843.425	15.704.422	19.241	15.723.663
1.2.1 Government Debt Securities		15.559.476	637	15.560.113	15.529.875	1.349	15.531.224
1.2.2 Equity Instruments		175.649	15.540	191.189	145.757	17.892	163.649
1.2.3 Other Financial Assets		92.123	-	92.123	28.790	-	28.790
Financial Assets at Fair Value Through Other Comprehensive Income	(4)	41.232.334	20.675.251	61.907.585	38.164.766	22.379.674	60.544.440
1.3.1 Government Debt Securities		40.613.070	20.439.844	61.052.914	37.528.538	22.192.136	59.720.674
1.3.2 Equity Instruments		44.744	235.407	280.151	44.745	187.538	232.283
1.3.3 Other Financial Assets		574.520	-	574.520	591.483	-	591.483
1.4 Derivative Financial Assets	(2)(11)	19.510	1.794.658	1.814.168	5.753	2.341.529	2.347.282
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		19.510	1.794.658	1.814.168	5.753	2.341.529	2.347.282
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)		423.647.051	140.898.958	564.546.009	401.555.604	129.174.012	530.729.616
2.1 Loans	(5)	362.739.612	111.116.535	473.856.147	353.822.723	103.387.503	457.210.226
2.2 Lease Receivables	(10)	2.213.449	2.025.160	4.238.609	1.882.644	2.339.714	4.222.358
2.3 Factoring Receivables		1.270.528	115.875	1.386.403	1.810.629	44.496	1.855.125
2.4 Other Financial Assets Measured at Amortised Cost	(6)	70.720.372	28.160.649	98.881.021	60.843.380	23.961.309	84.804.689
2.4.1 Government Debt Securities		70.669.850	28.160.649	98.830.499	60.792.861	23.961.309	84.754.170
2.4.2 Other Financial Assets		50.522	-	50.522	50.519	-	50.519
2.5 Expected Credit Loss (-)		13.296.910	519.261	13.816.171	16.803.772	559.010	17.362.782
III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(14)	2.509	-	2.509	1.441	-	1.441
3.1 Held for Sale		2.509	-	2.509	1.441	-	1.441
3.2 Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		90.464	778.701	869.165	83.121	681.339	764.460
4.1 Investments in Associates (Net)	(7)	90.464	778.701	869.165	83.121	681.339	764.460
4.1.1 Associates Valued Based on Equity Method		23.909	778.701	802.610	16.566	681.339	697.905
4.1.2 Unconsolidated Associates		66.555	-	66.555	66.555	-	66.555
4.2 Subsidiaries (Net)	(8)	-	-	-	-	-	-
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non- Financial Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)	(9)	-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)		10.127.776	560.375	10.688.151	9.775.477	503.411	10.278.888
VI. INTANGIBLE ASSETS (Net)		516.578	83.506	600.084	579.463	59.245	638.708
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		516.578	83.506	600.084	579.463	59.245	638.708
VII. INVESTMENT PROPERTIES (Net)	(12)	1.316.855	10.958	1.327.813	1.197.116	10.145	1.207.261
VIII. CURRENT TAX ASSET		-	-	-	339.626	2.897	342.523
IX. DEFERRED TAX ASSET	(13)	106.591	5.350	111.941	37.353	4.748	42.101
X. OTHER ASSETS (Net)	(15)	7.330.442	710.828	8.041.270	4.738.592	547.246	5.285.838
TOTAL ASSETS		508.339.009	236.550.820	744.889.829	481.099.564	215.115.086	696.214.650

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 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		
		30 September 2021			31 December 2020		
CONSOLIDATED LIABILITIES		TRY	FC	TOTAL	TRY	FC	TOTAL
I. DEPOSITS	(1)	272.978.695	275.460.553	548.439.248	261.818.132	206.243.696	468.061.828
II. FUNDS BORROWED	(3)	996.533	11.837.586	12.834.119	706.399	12.548.123	13.254.522
III. MONEY MARKETS		74.369.196	2.103.316	76.472.512	103.487.981	1.114.631	104.602.612
IV. SECURITIES ISSUED (Net)	(4)	8.283.412	-	8.283.412	6.692.145	7.553.277	14.245.422
4.1 Bills		4.757.485	-	4.757.485	3.655.382	-	3.655.382
4.2 Assets Backed Securities		2.215.510	-	2.215.510	1.958.530	-	1.958.530
4.3 Bonds		1.310.417	-	1.310.417	1.078.233	7.553.277	8.631.510
V. FUNDS		8.429	-	8.429	3.617.303	-	3.617.303
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		8.429	-	8.429	3.617.303	-	3.617.303
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(2)(7)	100	741.216	741.316	20.113	514.112	534.225
Derivative Financial Liabilities at Fair Value Through Profit or Loss		100	741.216	741.316	20.113	514.112	534.225
7.1 Loss		-	-	-	-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		1.092	618	1.710	1.002	636	1.638
IX. LEASE LIABILITIES (Net)	(6)	828.897	129.578	958.475	768.088	125.686	893.774
X. PROVISIONS	(8)	2.071.778	161.312	2.233.090	2.116.831	116.754	2.233.585
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.474.071	20.319	1.494.390	1.487.055	16.345	1.503.400
10.3 Insurance for Technical Provision (Net)		-	131.059	131.059	-	93.638	93.638
10.4 Other Provisions		597.707	9.934	607.641	629.776	6.771	636.547
XI. CURRENT TAX LIABILITY	(9)	1.068.035	3.136	1.071.171	777.424	989	778.413
XII. DEFERRED TAX LIABILITIES	(9)	-	2.152	2.152	331.752	2.152	333.904
XIII. NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(10)	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(11)	6.021.752	10.283.444	16.305.196	6.036.525	8.824.063	14.860.588
14.1 Loans		-	10.283.444	10.283.444	-	8.824.063	8.824.063
14.2 Other Debt Instruments		6.021.752	-	6.021.752	6.036.525	-	6.036.525
XV. OTHER LIABILITIES	(5)	32.655.716	2.082.803	34.738.519	28.274.400	1.743.535	30.017.935
XVI. SHAREHOLDERS' EQUITY	(12)	41.553.575	1.246.905	42.800.480	41.839.276	939.625	42.778.901
16.1 Paid-in Capital		2.473.776	-	2.473.776	2.473.776	-	2.473.776
16.2 Capital Reserves		6.728.355	98.235	6.826.590	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		912.492	98.235	1.010.727	892.761	82.326	975.087
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.985.465	4.253	2.989.718	2.998.743	4.280	3.003.023
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(939.408)	(34.513)	(973.921)	(220.937)	(218.119)	(439.056)
16.5 Profit Reserves		28.006.515	866.655	28.873.170	25.276.429	601.525	25.877.954
16.5.1 Legal Reserves		2.657.665	133.811	2.791.476	2.498.334	33.826	2.532.160
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		25.301.669	168.943	25.470.612	22.730.914	104.574	22.835.488
16.5.4 Other Profit Reserves		47.181	563.901	611.082	47.181	463.125	510.306
16.6 Income or (Loss)		2.033.669	303.896	2.337.565	4.347.012	461.862	4.808.874
16.6.1 Prior Periods' Income or (Loss)		1.689.647	219.145	1.908.792	796.482	327.750	1.124.232
16.6.2 Current Period Income or (Loss)		344.022	84.751	428.773	3.550.530	134.112	3.684.642
16.7 Minority Shares		265.203	8.379	273.582	255.629	7.751	263.380
TOTAL LIABILITIES		440.837.210	304.052.619	744.889.829	456.487.371	239.727.279	696.214.650

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 30 SEPTEMBER 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		
		30 September 2021			31 December 2020		
		TRY	FC	TOTAL	TRY	FC	TOTAL
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		184.304.513	192.638.289	376.942.802	115.245.846	128.240.627	243.486.473
I. GUARANTEES AND WARRANTIES	(1)	68.969.472	73.606.301	142.575.773	55.057.122	61.446.729	116.503.851
1.1 Letters of guarantee		61.833.014	62.186.422	124.019.436	50.051.793	52.484.618	102.536.411
1.1.1 Guarantees subject to public procurement law		3.529.911	7.055.561	10.585.472	2.868.957	6.032.807	8.901.764
1.1.2 Guarantees given for foreign trade operations		188.610	12.144.038	12.332.648	151.890	11.076.113	11.228.003
1.1.3 Other letters of guarantee		58.114.493	42.986.823	101.101.316	47.030.946	35.375.698	82.406.644
1.2 Bank loans		10.976	7.171.246	7.182.222	185.902	6.309.693	6.495.595
1.2.1 Import acceptances		-	180.544	180.544	-	161.040	161.040
1.2.2 Other bank acceptances		10.976	6.990.702	7.001.678	185.902	6.148.653	6.334.555
1.3 Letters of credit		13.533	4.187.965	4.201.498	55.249	2.554.133	2.609.382
1.3.1 Documentary letters of credit		13.533	4.187.965	4.201.498	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		7.111.949	60.668	7.172.617	4.764.178	98.285	4.862.463
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		49.761.355	11.097.104	60.858.459	42.401.518	7.565.424	49.966.942
2.1 Irrevocable commitments	(1)	48.640.801	5.155.130	53.795.931	41.793.629	2.726.999	44.520.628
2.1.1 Forward asset purchase commitments		1.161.370	3.701.174	4.862.544	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		4.583.378	916.142	5.499.520	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		5.750.449	-	5.750.449	4.472.298	-	4.472.298
2.1.8 Tax and fund liabilities from export commitments		115.753	-	115.753	124.240	-	124.240
2.1.9 Commitments for credit card expenditure limits		31.797.845	122.367	31.920.212	27.941.932	90.210	28.032.142
2.1.10 Commitments for credit cards and banking services promotions		27.127	-	27.127	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		5.204.879	415.447	5.620.326	4.948.441	372.695	5.321.136
2.2 Revocable commitments		1.120.554	5.941.974	7.062.528	607.889	4.838.425	5.446.314
2.2.1 Revocable loan granting commitments		-	2.783.714	2.783.714	-	2.210.353	2.210.353
2.2.2 Other revocable commitments		1.120.554	3.158.260	4.278.814	607.889	2.628.072	3.235.961
III. DERIVATIVE FINANCIAL INSTRUMENTS		65.573.686	107.934.884	173.508.570	17.787.206	59.228.474	77.015.680
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		65.573.686	107.934.884	173.508.570	17.787.206	59.228.474	77.015.680
3.2.1 Forward foreign currency buy/sell transactions		1.859.594	3.698.869	5.558.463	203.727	2.589.660	2.793.387
3.2.1.1 Forward foreign currency transactions-buy		930.067	2.711.972	3.642.039	114.039	2.395.844	2.509.883
3.2.1.2 Forward foreign currency transactions-sell		929.527	986.897	1.916.424	89.688	193.816	283.504
3.2.2 Currency and interest rate swaps		61.070.329	92.703.720	153.774.049	17.149.875	47.388.846	64.538.721
3.2.2.1 Currency swap-buy		2.822	60.222.725	60.225.547	-	18.551.480	18.551.480
3.2.2.2 Currency swap-sell		60.427.507	3.974.341	64.401.848	15.739.875	4.681.336	20.421.211
3.2.2.3 Interest rate swap-buy		320.000	14.253.327	14.573.327	705.000	12.078.015	12.783.015
3.2.2.4 Interest rate swap-sell		320.000	14.253.327	14.573.327	705.000	12.078.015	12.783.015
3.2.3 Currency, interest rate and marketable securities options		2.622.308	5.059.415	7.681.723	433.604	3.440.442	3.874.046
3.2.3.1 Currency call options		1.312.986	2.527.870	3.840.856	216.802	1.720.219	1.937.021
3.2.3.2 Currency put options		1.309.322	2.531.545	3.840.867	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		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		21.455	6.472.880	6.494.335	-	5.809.526	5.809.526
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		1.607.658.557	564.614.933	2.172.273.490	1.497.151.707	500.356.330	1.997.508.037
IV. CUSTODIES		657.357.143	64.124.031	721.481.174	631.841.811	61.211.567	693.053.378
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		125.582.357	2.946.687	128.529.044	127.376.877	2.619.679	129.996.556
4.3 Cheques in collection process		29.313.025	41.897.927	71.210.952	21.031.738	44.640.396	65.672.134
4.4 Commercial notes in collection process		446.699.584	12.625.284	459.324.868	427.050.907	9.156.674	436.207.581
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		890.539	1.123.221	2.013.760	2.319.655	1.143.741	3.463.396
4.8 Custodians		54.871.638	5.530.912	60.402.550	54.062.634	3.651.077	57.713.711
V. PLEDGED ASSETS		950.301.414	500.490.902	1.450.792.316	865.309.896	439.144.763	1.304.454.659
5.1 Marketable securities		9.045.684	1.689.784	10.735.468	6.996.977	1.733.141	8.730.118
5.2 Collateral notes		11.448.491	2.157.699	13.606.190	7.863.081	1.769.758	9.632.839
5.3 Commodity		25.813	-	25.813	25.813	-	25.813
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		723.300.843	388.046.816	1.111.347.659	650.415.346	338.008.605	988.423.951
5.6 Other pledged assets		169.184.161	67.981.915	237.166.076	169.327.906	56.874.541	226.202.447
5.7 Pledges		37.296.422	40.614.688	77.911.110	30.680.773	40.758.718	71.439.491
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1.791.963.070	757.253.222	2.549.216.292	1.612.397.553	628.596.957	2.240.994.510

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30
SEPTEMBER 2021

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Reviewed Current Period	Reviewed Prior Period	Reviewed Current Period	Reviewed Prior Period
		1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
	STATEMENT OF PROFIT OR LOSS	Note			
I.	INTEREST INCOME	(1)	54.299.690	38.929.727	20.513.603
1.1	Interest on Loans		38.227.846	27.944.752	14.310.739
1.2	Interest on Reserve Requirements		2.499	1.053	887
1.3	Interest on Banks		902.984	145.987	366.673
1.4	Interest on Money Market Transactions		80.668	18.432	21.133
1.5	Interest on Marketable Securities Portfolio		14.420.345	10.252.387	5.580.733
1.5.1	Fair Value Through Profit or Loss		18.629	18.038	7.192
1.5.2	Fair Value Through Other Comprehensive Income		4.916.329	3.056.952	1.923.002
1.5.3	Measured at Amortized Cost		9.485.387	7.177.397	3.650.539
1.6	Financial Lease Interest Income		308.985	274.904	110.297
1.7	Other Interest Income		356.363	292.212	123.141
II.	INTEREST EXPENSE (-)	(2)	48.438.912	22.087.179	16.032.058
2.1	Interest on Deposits		32.299.474	14.260.130	11.081.338
2.2	Interest on Funds Borrowed		257.293	337.830	89.416
2.3	Interest Expense on Money Market Transactions		13.364.261	5.082.022	4.079.441
2.4	Interest on Securities Issued		2.084.372	1.874.552	656.609
2.5	Interest on Leases		78.536	59.297	26.222
2.6	Other Interest Expenses		354.976	473.348	99.032
III.	NET INTEREST INCOME (I - II)		5.860.778	16.842.548	4.481.545
IV.	NET FEES AND COMMISSIONS INCOME		3.105.116	2.124.988	1.216.499
4.1	Fees and Commissions Received		4.271.524	2.812.870	1.072.082
4.1.1	Non – cash Loans		925.583	685.937	371.238
4.1.2	Other	(11)	3.345.941	2.126.933	1.299.747
4.2	Fees and Commissions Paid (-)		1.166.408	687.882	454.486
4.2.1	Non – cash Loans		4.577	1.973	1.708
4.2.2	Other	(11)	1.161.831	685.909	452.778
V.	DIVIDEND INCOME		3.861	4.593	1.425
VI.	TRADING INCOME / LOSS (Net)	(3)	(5.520.229)	(5.555.510)	(2.723.189)
6.1	Trading Gains / (Losses) on Securities		44.310	89.482	10.919
6.2	Gains / (Losses) on Derivate Financial Transactions		664.010	3.491.776	(1.704.716)
6.3	Foreign Exchange Gains / (Losses)		(6.228.549)	(9.136.768)	(1.029.392)
VII.	OTHER OPERATING INCOME	(4)	5.919.722	1.374.128	614.087
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		9.369.248	14.790.747	3.590.367
IX.	EXPECTED LOSS PROVISIONS (-)	(5)	1.833.740	5.904.220	757.351
X.	OTHER PROVISION EXPENSES (-)	(5)	4.585	26.555	426
XI.	PERSONNEL EXPENSE (-)		3.228.583	2.869.001	1.195.254
XII.	OTHER OPERATING EXPENSES (-)	(6)	4.056.429	3.345.187	1.392.204
XIII.	NET OPERATING INCOME / LOSS (IX-X-XI)		245.911	2.645.784	245.132
XIV.	INCOME AFTER MERGER		-	-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		30.973	14.424	13.737
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-	-
XVII.	PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(7)	276.884	2.660.208	258.869
XVIII.	TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(8)	157.026	(566.361)	(35.054)
18.1	Current Tax Provision		112.384	294.774	25.022
18.2	Deferred Tax Income Effect (+)		1.514.612	1.119.938	(9.660)
18.3	Deferred Tax Expense Effect (-)		1.784.022	848.351	(19.692)
XIX.	CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(9)	433.910	2.093.847	223.815
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	1.481.462	-
20.1	Income from non- Current Assets Held for Sale		-	613.933	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	867.529	-
20.3	Income from Other Discontinued Operations		-	-	-
XXI.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	494.089	-
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		-	-	-
XXII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (IXX-XX)	(7)	-	987.373	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(8)	-	(48.603)	-
23.1	Current Tax Provision		-	48.981	-
23.2	Deferred Tax Expense Effect (+)		-	-	-
23.3	Deferred Tax Income Effect (-)		-	378	-
XXIV.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)	(9)	-	938.770	-
XXV.	NET PROFIT/(LOSS) (XVIII+XXIII)	(10)	433.910	3.032.617	223.815
25.1	Profit / (Loss) of Group		428.773	3.026.738	222.240
25.2	Profit / (Loss) of Minority Shares (-)		5.137	5.879	1.575
	Profit / (Loss) Per Share (full TRY)		0,17333	1,64536	0,08984
					0,18932

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

TÜRKİYE HALK BANKASI AŞ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 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 – 30 September	1 January – 30 September
		2021	2020
INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY			
I.	CURRENT PERIOD INCOME/LOSS	433.910	3.032.617
II.	OTHER COMPREHENSIVE INCOME	(548.170)	(434.088)
2.1	Not Reclassified Through Profit or Loss	(13.305)	(2.838)
2.1.1	Property and Equipment Revaluation Increase/Decrease	(14.525)	(8.616)
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-	1.101
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	135	3.910
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	1.085	767
2.2	Reclassified Through Profit or Loss	(534.865)	(431.250)
2.2.1	Foreign Currency Translation Differences	(19.764)	9.363
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(646.198)	(500.147)
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	131.097	59.534
III.	TOTAL COMPREHENSIVE INCOME (I+II)	(114.260)	2.598.529

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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 Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and 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 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
Reviewed (1 January – 30 September 2020)																
I. Prior Period End Balance	1.250.000	39.773	-	975.617	2.665.635	(61.018)	47.283	(5.846)	259.332	-	24.052.179	419.572	2.267.608	31.910.135	287.253	32.197.388
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)	1.250.000	39.773	-	975.617	2.665.635	(61.018)	47.283	(5.846)	259.332	-	24.052.179	419.572	2.267.608	31.910.135	287.253	32.197.388
IV. Total Comprehensive Income	-	-	-	-	(7.754)	1.006	3.910	9.363	(440.613)	-	-	-	3.026.738	2.592.650	5.879	2.598.529
V. Capital Increase by Cash	1.223.776	5.776.224	-	-	-	-	-	-	-	-	-	-	-	7.000.000	-	7.000.000
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes	-	(134)	-	253	-	-	-	-	-	-	20.751	2.475.472	(2.267.608)	228.734	(32.524)	196.210
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	1.775.476	(1.776.880)	-	(1.404)	1.404	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(1.404)	-	(1.404)	1.404	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	1.775.476	(1.775.476)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+X+XI)	2.473.776	5.815.863	-	975.870	2.657.881	(60.012)	51.193	3.517	(181.281)	-	25.848.406	1.118.164	3.026.738	41.730.115	262.012	41.992.127
Reviewed (1 January – 30 September 2021)																
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	-	-	-	-	(13.440)	-	135	(19.764)	(515.101)	-	-	-	428.773	(119.397)	5.137	(114.260)
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	-	-	-	35.640	-	-	-	-	-	-	98.022	3.682.645	(3.684.642)	131.665	4.174	135.839
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	2.897.194	(2.898.085)	-	(891)	891	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(891)	-	(891)	891	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	2.897.194	(2.897.194)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+X+XI)	2.473.776	5.815.863	-	1.010.727	3.076.816	(139.318)	52.220	(21.834)	(952.087)	-	28.873.170	1.908.792	428.773	42.526.898	273.582	42.800.480

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30
SEPTEMBER 2021

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

VI. CONSOLIDATED STATEMENT OF CASH FLOW

	Note	Reviewed	Reviewed
		Current Period	Prior Period
		1 January- 30 September 2021	1 January- 30 September 2020
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		(8.687.303)	(4.843.100)
1.1.1 Interest received		49.031.070	31.999.522
1.1.2 Interest paid		(46.809.886)	(22.092.191)
1.1.3 Dividend received		3.861	4.593
1.1.4 Fees and commissions received		3.668.725	2.812.870
1.1.5 Other income		2.991.498	778.799
1.1.6 Collections from previously written off loans		1.593.883	1.271.342
1.1.7 Cash payments to personnel and service suppliers		(3.272.240)	(2.903.691)
1.1.8 Taxes paid		(355.908)	(1.033.140)
1.1.9 Other		(15.538.306)	(15.681.204)
1.2 Changes in Assets and Liabilities Subject to Banking Operations		13.138.886	52.261.347
Net Increase / decrease in financial assets at fair value through profit or loss		(118.064)	(363.362)
1.2.1 loss		(118.064)	(363.362)
1.2.2 Net (increase) / decrease in due from banks		16.873	-
1.2.3 Net (increase) / decrease in loans		(20.611.108)	(147.037.246)
1.2.4 Net (increase) / decrease in other assets		(18.221.822)	(5.228.702)
1.2.5 Net increase / (decrease) in bank deposits		11.919.875	8.768.415
1.2.6 Net increase / (decrease) in other deposits		67.213.340	141.332.359
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		(842.014)	519.545
1.2.9 Net increase / (decrease) in matured payables		-	-
1.2.10 Net increase / (decrease) in other liabilities		(26.218.194)	54.270.338
I. Net cash provided from banking operations		4.451.583	47.418.247
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net cash provided from/ (used in) investing activities		(7.544.299)	(50.412.282)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(583.250)	(148.506)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(751.446)	(582.168)
2.4 Fixed assets sales		1.655.400	1.303.126
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income		(2.798.630)	(58.483.802)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income		2.217.637	10.103.365
2.7 Cash paid for purchase of investment securities		(16.230.519)	(17.937.808)
2.8 Cash obtained from sale of investment securities		9.041.297	15.836.091
2.9 Other		(94.788)	(502.580)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		(7.994.436)	1.256.398
3.1 Cash obtained from loans borrowed and securities issued		10.570.874	13.587.998
3.2 Cash used for repayment of loans borrowed and securities issued		(18.400.611)	(19.163.966)
3.3 Bonds issued		-	7.000.000
3.4 Dividends paid		-	-
3.5 Payments for leases		(164.699)	(167.634)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		5.711.518	5.965.099
V. Net increase / (decrease) in cash and cash equivalents		(5.375.634)	4.227.462
VI. Cash and cash equivalents at beginning of the period		43.121.553	24.462.797
VII. Cash and cash equivalents at end of the period		37.745.919	28.690.259

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

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

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

In accordance with the Group's statement of financial position dated 30 September 2021 prepared in accordance with the uniform chart of accounts that entered into force on January 1, 2021, in the statement of financial position dated 31 December 2020, between cash and cash equivalents and other assets, TRY 409.925 over derivative transactions with foreign banks. A reclassification process has been made for the guarantee amounts given. The effects of this classification on the cash flow statement have also been updated. Collaterals in institutions that are not foreign banks continue to be monitored in the other assets item. The related reclassification did not have any impact on the size and performance of the Group's statement of financial position.

Effects of COVID 19

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

In order to be protected from the effects of the pandemic, BRSA, CBRT, CMB and TBA have taken various decisions regarding the banking sector in our country. These measures, which closely concern the banking sector, are listed below in general.

- 1) With the regulation made by the BRSA on 17 March 2020 in Regulation on Provisions, the delinquency period for the classification of loans as non-performing has been extended from 90 days to 180 days until 31 December 2020 and Expected Credit Loss provisions for the loans classified as Second Group Loans Under Close Monitoring within the scope of TFRS 9 are decided to be continued according to the banks’ own risk models. According to decision made by the BRSA on 8 December 2020 and 17 June 2021, the period for the classification of loans has been extended to 30 September 2021. With the decision of the Banking Regulation and Supervision Agency dated September 16, 2021, it was decided to terminate the related application as of the end of September 30, 2021, but as of October 1, 2021, the aforementioned application will continue in the same way for loans with a delay period of more than 91 days and not exceeding 180 days.
- 2) With the regulation made by the CBRT on March 17, 2020, the FX Reserve Requirement ratios were reduced by 500 basis points for banks that meet the real loan growth conditions. With the regulation made by the CBRT on 27 November 2020, the loan growth rate conditions were abolished as of the establishment date of 25 December 2020, and the same rates were applied to all banks.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

I. EXPLANATIONS ON BASIS OF PRESENTATION (continued)

Effects of COVID 19 (continued)

- 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.
- 4) In the regulation valid until 31 December 2020 and issued on 23 March 2020 by BRSA, it is stated that negative valuation differences arising related to securities at Fair Value through Other Comprehensive Income which obtained before 23 March 2020 may not be taken into account in the equity calculation to be used in the CAR calculation, and impairment provisions arising from the securities owned by Banks may not be taken into account in the foreign currency net general position calculation. In accordance with the regulation dated 8 December 2020 by BRSA, the effective period of these applications is extended to 30 June 2021. With the BRSA Board Decision dated 17 June 2021, it was stated that the relevant regulations were terminated after 30 June 2021.
- 5) With the decision of the BRSA dated 26 March 2020, it has been decided to exempt Banks from their obligations to meet the Liquidity Coverage Ratio. With the 9312 numbered decision of the BRSA dated 8 December 2020, it has been decided to terminate the relevant exemption as of 31 December 2020.
- 6) With the amendments made by the BRSA on the Regulation on Provisions on 27 March 2020, classification period to loans under close monitoring has been extended from 30 days to 90 days until 31 December 2020 and Expected Credit Loss provisions for the loans classified as First Group Loans within the scope of TFRS 9 are decided to be continued according to the banks' own risk models. According to order made by the BRSA on 8 December 2020 and 17 June 2021, the ending date of the related regulation has been extended to 30 September 2021. Banking Regulation and Supervision Agency Decision dated September 16, 2021, it was decided to terminate the related application as of the end of September 30, 2021, but to continue the application in the same way for loans with a delay period of more than 31 days and not exceeding 90 days as of October 1, 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 to be valid until December 31, 2020, made by the BRSA on 23 March 2020, banks were entitled to use the buying exchange rate used in preparation of financial statements as of 31 December 2019 when calculating the amount subject to credit risk for calculating the revalued amounts as per the Turkish Accounting Standards and related specific reserves, excluding the foreign currency assets measured at historical cost. With the Board Resolution dated 8 December 2020 issued by BRSA, by terminating the previous regulation, a new practice has been issued regarding this calculation to enable using the simple arithmetic average of buying exchange rates of the Central Bank for the last 252 days before the calculation date, and the effective period is extended to 30 June 2021. In accordance with the letter of BRSA dated 14 December 2020, it has been decided that this application is effective as of the date of the Board Resolution dated 8 December 2020. With the BRSA Board Decision dated 17 June 2021, it was stated that the relevant regulations were terminated as of 30 September 2021. BRSA Decision dated September 16, 2021, it was decided to continue the implementation until a BRSA Decision to the contrary is taken.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

I. EXPLANATIONS ON BASIS OF PRESENTATION (continued)

Effects of COVID 19 (continued)

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

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

As regards to the consideration of macroeconomic factors, the 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1) The Group's strategy on financial instruments:

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

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

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

In the statutory records of the 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES

1. Basis of consolidation:

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

a. Basis of consolidation of subsidiaries:

The Parent Bank’s subsidiaries Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Faktoring AŞ; Halk Banka AD, Skopje, Halkbank Osiguruvanje AD; Skopje (subsidiary), Beograd and Halk Varlık Kiralama AŞ 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 AŞ 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation(continued):

b. Basis of consolidation of associates (continued):

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

c. Basis of consolidation of joint ventures:

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

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

Accounting for business combinations

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

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

Acquisitions after 1 January 2010

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

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

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

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

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

Explanations related to credit derivatives and its risk exposures:

The Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic’s credit risk. As of 30 September 2021, the Parent bank has credit default swap transaction amounting to USD 160 million with 5 year maturity. In these transactions, the Parent Bank sells the protection.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

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

Assessment of Business Model

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

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

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

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

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

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

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

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

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

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

3. Other Business Models:

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Measurement Categories of Financial Assets and Liabilities

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. As of September 30, 2021, the valuation of the related assets was made according to the annual inflation forecast of 19%. If the valuation of these securities were made according to the reference index valid for September 30, 2021, the Bank's securities valuation differences under equity would have increased by TRY 291.873 (net), and interest income from securities would have decreased by TRY 1.526.671.

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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)

b. Financial Assets Measured at Fair Value through Other Comprehensive Income (continued)

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.

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

In accordance with TFRS 9; Unless a financial asset is measured at amortized cost or at fair value through other comprehensive income, it is measured at fair value through profit or loss. 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

Calculation of expected credit losses

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

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

Probability of Default (PD)

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

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.

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Lifetime Expected Credit Losses (continued)

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

- a) Considering that a debtor is unlikely to pay credit obligations to the 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 September 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, as of the current period, 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). With the Banking Regulation and Supervision Agency Decision dated September 16, 2021, it was decided to terminate the related application as of the end of September 30, 2021. However, as of October 1, 2021, it has been decided to continue the aforementioned application in the same way for loans with a delay period of more than 31 days and not exceeding 90 days. The Parent Bank performed its transactions within the framework of the related decision.

Low Credit Risk

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

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

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

The Rules of Significant Increase in Credit Risk

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Assets that meet the criteria to be classified as held for sale are measured at carrying amount and depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify an asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active program to complete the plan should be initiated to locate a customer.

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

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

A discontinued operation is a component of 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

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

Classification of Investment Properties:

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

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

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

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

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

Existence of right-of-use:

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

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

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

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

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

The Lease Obligations:

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON LEASING TRANSACTIONS (continued)

The Lease Obligations (continued):

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.

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)

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.

XVIII. EXPLANATIONS ON TAXATION

In accordance with the temporary article 13 added to the Corporate Tax Law No. 5520, the 20% rate in the first paragraph of Article 32 of the Corporate Tax Law is, 25% for the corporate earnings of the corporations for the 2021 taxation period, and %23 for the corporate earnings of the 2022 taxation period. In accordance with the relevant law, provisional tax is calculated quarterly according to the principles specified in the Income Tax Law and at the rate of corporate tax, and the accrued temporary corporate tax is paid. The provisional tax payments in question are deducted from the corporate tax of the current taxation period.

As the tax rate used in the calculation of deferred tax assets and liabilities; 25% for temporary timing differences expected to occur within 2021, 23% for temporary timing differences expected to occur within 2022, and 20% for temporary timing differences expected to occur after 2022, was used.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON TAXATION (continued)

The carrying amount of the deferred tax asset is reviewed at each balance sheet date. Carrying value of deferred tax asset is reduced when it is not probable that a financial profit will be obtained to allow some or all of the deferred tax asset to be benefited.

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 liability or assets are determined by calculating the tax effects of temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of legal tax base, according to the balance sheet method, taking into account the enacted tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future.

Deferred tax is calculated over the tax rates valid in the period when the assets are realized or the liabilities are fulfilled and recorded as expense or income in the income statement. However, deferred tax is associated directly with the equity account group if it relates to assets directly associated with equity in the same or a different period. Current tax amounts payable are netted as they are related to prepaid tax amounts. Deferred tax receivables and liabilities are also netted off.

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 will be 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.

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON TAXATION (continued)

Tax practices of the consolidated subsidiaries (continued):

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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 AŞ 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY

Equity amount and capital adequacy standard ratio calculation is made within the framework of “Regulation on Equities of the Banks” and “Regulation on Measurement and Evaluation of Banks’ Capital Adequacy” and in accordance with the amendments announced by the BRSA in the resolution dated 16 September 2021.

According to the related regulation; for monetary assets and non-monetary assets other than foreign currency items measured at historical cost in the calculation of the amount subject to credit risk; in calculating the valuated amounts and related special provisions in accordance with Turkish Accounting Standards; the practice of using the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date continues until a decision to the contrary is taken by the BRSA.

As of 30 September 2021, the capital adequacy ratio and the capital amount of the Group were realized as 12,96% (31 December 2020: 14.56%) and TRY 60.888.499 (31 December 2020: TRY 60.686.958) which were calculated within the scope of the above-mentioned regulation amendments.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

1. Information About Total Consolidated Equity Items:

Current Period	Amount	Amounts Related to Treatment Before 1/1/2014^(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	3.694.227	
Share Premium	5.815.863	
Reserves	28.873.170	
Other Comprehensive Income according to TAS	3.655.139	
Profit	2.337.565	
Current Period Profit	428.773	
Prior Period Profit	1.908.792	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	113.671	
Minority Interest	2.392	
Common Equity Tier I Capital Before Deductions	44.492.027	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1.610.970	
Leasehold Improvements on Operational Leases (-)	173.403	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	600.084	600.084
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	351.767	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	2.736.224	
Total Common Equity Tier I Capital	41.755.803	

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	9.210.600
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Shares of Third Parties in Additional Tier I Capital	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-
Additional Tier I Capital before Deductions	9.210.600
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
Items to be Deducted from Tier I Capital During the Transition Period	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	9.210.600
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	50.966.403
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	4.004.482
Tier II Capital Before Deductions	9.934.277
Deductions From Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	9.934.277
Total Capital (The sum of Tier I Capital and Tier II Capital)	60.900.680
Total Tier I Capital and Tier II Capital (Total Equity)	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be Defined by the BRSA (-)	12.181

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	60.888.499
Total Risk Weighted Assets	469.875.112
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	8,89
Tier I Capital Ratio (%)	10,85
Capital Adequacy Ratio (%)	12,96
BUFFERS	
Bank-specific total CET1 Capital Ratio (a+b+c)	4,049
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,049
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	4,387
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	181.729
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	771.153
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.866.618
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	4.004.482
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.004.482
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqu on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

Prior Period	Amount	Amounts Related to Treatment Before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	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	
Common Equity Tier 1 Capital Before Deductions	43.597.090	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	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 (-)	-	
Total Deductions from Common Equity Tier 1 Capital	1.733.702	
Total Common Equity Tier 1 Capital	41.863.388	

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	60.686.958
Total Risk Weighted Assets	416.944.817
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	10,04
Tier I Capital Ratio (%)	12,00
Capital Adequacy Ratio (%)	14,56
BUFFERS	
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
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	147.261
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	685.755
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.936.577
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	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	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

Details on Subordinated Liabilities:				
Issuer	T. Halk Bankası AŞ	T. Halk Bankası AŞ	T. Halk Bankası AŞ	Türkiye Varlık Fonu
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHALE2716	TRSTHAL62811	TRSTHAL92826	-
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA Legislation
Regulatory treatment				
Transitional Basel III rules	No	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond	Public Sector Bond	Public Sector Bond	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980	9.211
Par value of instrument	1.000	1.950	2.980	-
Accounting classification	346.011	346.011	346.011	347.0001
Original date of issuance	20.10.2017	03.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	03.07.2018	26.09.2018	24.04.2019
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon	No Coupon Payment
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %	5 years 25,38%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	-	-	-	-
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

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

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Group are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira. In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the foreign currency position risk of the Group is measured by "standard method" and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. In addition, the value at risk limit determined by the Board of Directors of the Parent Bank for the value at risk including foreign currency risk is monitored daily and reported to the key management personnel. As a foreign currency risk management policy, the Parent Bank is not exposed to foreign exchange risk significantly and positions related to foreign currency risk are balanced with derivative transactions when necessary.

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

	23.09.2021	24.09.2021	25.09.2021	26.09.2021	29.09.2021	30.09.2021
USD	8,7100000	8,8300000	8,8000000	8,8400000	8,8500000	8,8300000
CHF	9,4260000	9,5296000	9,4977000	9,5152000	9,4723000	9,4388000
GBP	11,9565000	12,0587000	12,0572000	11,9474000	11,8651000	11,8894000
JPY	0,0788797	0,0795150	0,0791805	0,0791795	0,0788758	0,0787117
EUR	10,2299000	10,3404000	10,2995000	10,3348000	10,2797000	10,2340000

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

	Monthly Average Buying Rate of Exchange
USD	8,5336364
CHF	9,2351409
GBP	11,6987227
JPY	0,0772283
EUR	10,0414136

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (continued)

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	26.643.756	28.409.719	13.181.304	68.234.779
Banks	953.857	675.174	1.152.521	2.781.552
Financial assets at fair value through profit and loss	124	513	15.540	16.177
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	5.330.229	12.741.967	2.603.055	20.675.251
Loans ⁽²⁾	63.463.514	40.283.267	7.386.519	111.133.300
Subsidiaries, associates and entities under common control	778.701	-	-	778.701
Financial assets measured at amortized cost ⁽⁵⁾	10.283.444	17.667.174	7.015.002	34.965.620
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	560.375	560.375
Intangible assets	-	-	-	-
Other assets ⁽³⁾	1.708.269	1.072.885	117.860	2.899.014
Total assets	109.161.894	100.850.699	32.032.176	242.044.769
Liabilities				
Bank deposits	18.539.232	9.184.094	1.898.390	29.621.716
Foreign currency deposits	103.656.212	109.944.905	32.237.720	245.838.837
Money market balances	-	2.103.316	-	2.103.316
Funds provided from other financial institutions	7.768.056	4.067.230	2.300	11.837.586
Bonds issued	-	-	-	-
Sundry creditors	109.779	869.638	13.888	993.305
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	10.837.372	785.468	456.030	12.078.870
Total liabilities	140.910.651	126.954.651	34.608.328	302.473.630
Net balance sheet position	(31.748.757)	(26.103.952)	(2.576.152)	(60.428.861)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	31.713.554	32.146.678	7.617.934	71.478.166
Financial derivative liabilities ⁽⁴⁾	1.801.920	6.840.317	3.009.001	11.651.238
Non-cash loans ⁽¹⁾	43.359.436	25.844.193	4.402.672	73.606.301
Prior period				
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
Net balance sheet position	(6.534.165)	(11.725.001)	(1.132.682)	(19.391.848)
Net off-balance sheet position				
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 ⁽¹⁾	37.665.288	19.910.193	3.871.248	61.446.729

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

⁽²⁾ Includes TRY 16.765 of foreign currency indexed loans and their accruals (31 December 2020: TRY 45.321).

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", 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.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounting to TRY 54.198 and swap precious metal purchase transactions amounting to TRY 4.681.246; financial derivative liabilities include forward precious metal sale transactions amounting to TRY 1.737.436. In addition, derivative transactions within the scope of forward foreign exchange purchase and sale are included.

⁽⁵⁾ Includes gold indexed bonds amounting to TRY 6.804.971 (31 December 2020: TRY 3.471.174).

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK

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

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

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	5.038.515	-	-	-	-	70.971.114	76.009.629
Banks	356.864	131.310	9.968	4.806	-	2.643.957	3.146.905
Financial assets at fair value through profit and loss	31.735	16.226	104.085	294	271	15.690.814	15.843.425
Money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	9.861.551	13.231.600	11.455.834	24.257.916	2.820.533	280.151	61.907.585
Loans	88.559.529	85.786.651	134.207.484	96.829.684	43.718.169	24.754.630	473.856.147
Financial assets measured at amortised cost	10.674.616	13.592.980	25.127.025	25.942.518	23.543.882	-	98.881.021
Other assets ⁽¹⁾⁽⁴⁾	2.671.763	1.163.230	1.096.423	1.941.450	629.873	7.742.378	15.245.117
Total assets	117.194.573	113.921.997	172.000.819	148.976.668	70.712.728	122.083.044	744.889.829
Liabilities							
Bank deposits	24.339.332	4.270.600	110.096	-	-	18.282.967	47.002.995
Other deposits	258.288.524	114.524.835	22.182.848	2.881.968	51.424	103.506.654	501.436.253
Money market balances	75.007.729	913.803	442.177	-	-	108.803	76.472.512
Sundry creditors	5.273.984	-	-	-	-	6.235.234	11.509.218
Bonds issued	2.585.043	4.478.860	150.000	1.000.000	-	69.509	8.283.412
Funds provided from other financial institutions ⁽³⁾	777.939	2.301.927	6.672.365	2.335.907	696.217	49.764	12.834.119
Other liabilities ⁽¹⁾⁽²⁾	1.000.530	15.500.679	4.638	9.212.699	4.929.795	56.702.979	87.351.320
Total liabilities	367.273.081	141.990.704	29.562.124	15.430.574	5.677.436	184.955.910	744.889.829
Balance sheet long position	-	-	142.438.695	133.546.094	65.035.292	-	341.020.081
Balance sheet short position	(250.078.508)	(28.068.707)	-	-	-	(62.872.866)	(341.020.081)
Off-balance sheet long position	61.132.072	18.180.923	622.795	1.020.583	6.068.347	-	87.024.720
Off-balance sheet short position	(61.347.937)	(16.901.142)	(763.431)	(1.402.993)	(6.068.347)	-	(86.483.850)
Total position	(250.294.373)	(26.788.926)	142.298.059	133.163.684	65.035.292	(62.872.866)	540.870

⁽¹⁾ TRY 111.941 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 2.152 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	6.746.564	-	-	-	-	58.237.878	64.984.442
Banks	1.578.759	31.035	34.508	5.396	-	1.441.373	3.091.071
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 ^{(1) (4)}	1.665.307	811.150	911.410	1.977.449	619.788	3.618.018	9.603.122
Total assets	84.547.442	132.579.223	161.792.971	146.855.001	65.414.505	105.025.508	696.214.650
Liabilities							
Bank deposits	21.213.099	4.168.538	32.818	66.496	-	9.584.903	35.065.854
Other deposits	239.625.563	87.530.460	18.243.189	2.417.905	27.076	85.151.781	432.995.974
Money market balances	103.677.703	795.333	-	-	-	129.576	104.602.612
Sundry creditors	4.706.444	-	-	-	-	4.536.210	9.242.654
Bonds issued	895.864	7.796.847	4.366.484	1.000.000	-	186.227	14.245.422
Funds provided from other financial institutions ⁽³⁾	839.080	5.397.838	3.653.635	2.547.328	765.962	50.679	13.254.522
Other liabilities ⁽¹⁾⁽²⁾	1.001.917	2.369	15.503.676	8.180.814	4.929.795	57.189.041	86.807.612
Total liabilities	371.959.670	105.691.385	41.799.802	14.212.543	5.722.833	156.828.417	696.214.650
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)
Total position	(286.734.533)	28.751.849	119.682.993	132.002.388	59.691.672	(51.802.909)	1.591.460

⁽¹⁾ 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.

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

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

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	-	-	12,50
Banks ⁽¹⁾	-	0,34	-	18,16
Financial assets at fair value through profit and loss ⁽⁶⁾	-	5,32	-	16,56
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,72	3,36	-	16,53
Loans ⁽²⁾	4,91	5,69	-	15,54
Financial assets measured at amortised cost	4,79	5,91	-	22,94
Liabilities				
Bank deposits ⁽⁴⁾	0,18	0,78	0,09	17,74
Other deposits ⁽⁴⁾	0,40	1,01	-	15,03
Money market borrowings	-	3,58	-	18,00
Sundry creditors ⁽³⁾	-	-	-	5,00
Bonds issued	-	-	-	15,87
Funds provided from other financial institutions	1,32	1,58	-	17,35

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

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

⁽³⁾ Declared maximum deposits interest rate with a maturity of 12 months as of 30 September 2021.

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

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

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

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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	869.165 ^(*)	759.635 ^(**)	-	159.555

^(*) Includes TRY 802.610 of unconsolidated subsidiary, TRY 66.555 of associates accounted for under the equity method.

^(**) It represents the fair value of Demirhalk Bank N.V. It is taken from the valuation report of Demirhalk Bank N.V. prepared as of 30 September 2021.

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

Portfolio	Realized gains/ losses in the current period			Unrealized gains and losses		
	Realized gains (losses) in the current period	Total	Included to Total Core Capital	Total	Included to Total Core Capital	Included in supplementary capital
	1. Private equity investments	-	-	-	-	-
2. Share certificates quoted on a stock exchange	-	-	-	-	-	-
3. Other share certificates	-	20.121	20.121	-	-	-
Total	-	20.121	20.121	-	-	-

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

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.

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

Consolidated high quality liquid assets in TRY+FC are composed of 47,28% accounts held by the CBRT and the Central Banks of the foreign branches, 48,89% securities considered as high quality liquid assets and 3,83% 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 649.574 thousand.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

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.

PERIOD	FC (%)	TRY+FC (%)
July 2021	513,78	138,95
August 2021	488,11	136,03
September 2021	490,93	142,52

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

Current Period	Total Unweighted Value ⁽¹⁾		Total Weighted Value ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			151.147.382	80.733.396
Cash Outflows				
Retail and Small Business Customers, of which;	267.688.570	122.980.180	24.318.959	12.298.018
Stable Deposits	48.997.960	-	2.449.898	-
Less Stable Deposits	218.690.610	122.980.180	21.869.061	12.298.018
Unsecured wholesale funding , of which;	205.267.925	105.694.891	90.834.877	44.061.232
Operational Deposits	41.721.272	16.412.660	10.430.318	4.103.165
Non-operational Deposits	154.668.673	86.125.188	73.064.456	37.110.634
Other Unsecured Funding	8.877.980	3.157.043	7.340.103	2.847.433
Secured Funding			-	-
Other cash outflows, of which;	8.233.771	5.351.346	5.635.350	3.854.950
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	1.490.608	1.696.778	1.490.608	1.696.778
Obligations related to structured financial products	65.460	-	65.460	-
Commitments related to debts to financial markets and other off-balance sheet obligations	6.677.703	3.654.568	4.079.282	2.158.172
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	176.161.940	65.965.357	12.375.120	4.779.157
Total Cash Outflows			133.164.306	64.993.357
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	38.689.368	8.807.000	24.091.897	6.678.557
Other Cash Inflows	338.439	46.897.785	338.439	46.897.785
Total Cash Inflows	39.027.807	55.704.785	24.430.336	53.576.342
			Total Adjusted Value	
Total HQLA Stock			151.147.382	80.733.396
Total Net Cash Outflows			108.733.968	16.251.945
Liquidity Coverage Ratio (%)			%139,13	%497,68

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

Prior Period	Total Unweighted Value ⁽¹⁾		Total Weighted Value ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			100.120.759	56.186.941
Cash Outflows				
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
Total Cash Outflows			128.119.067	51.680.057
Cash Inflows				
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
Total Cash Inflows	35.079.769	16.006.896	22.767.654	12.902.036
			Total Adjusted Value	
Total HQLA Stock			100.120.759	56.186.941
Total Net Cash Outflows			105.351.412	38.778.018
Liquidity Coverage Ratio (%)			95,40%	149,15%

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

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	Undistrib uted	Total
Assets								
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	8.808.611	66.848.477	-	352.541	-	-	-	76.009.629
Banks	2.676.063	346.599	110.013	-	-	14.230	-	3.146.905
Financial assets at fair value through profit and loss	-	7	15.500.835	91.053	60.070	271	191.189	15.843.425
Receivables from Money market	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	4.633.896	2.494.038	8.279.816	36.443.792	9.775.892	280.151	61.907.585
Loans	19.535.537	30.681.128	29.360.976	135.431.993	186.663.923	71.989.590	193.000	473.856.147
Financial assets measured at amortised cost	-	1.961.413	3.157.526	12.983.686	40.033.455	40.744.941	-	98.881.021
Other assets ⁽²⁾	437.693	918.270	2.912.122	1.086.561	1.932.251	651.892	7.306.328	15.245.117
Total assets	31.457.904	105.389.790	53.535.510	158.225.650	265.133.491	123.176.816	7.970.668	744.889.829
Liabilities								
Bank deposits	18.199.521	24.404.712	4.286.161	112.601	-	-	-	47.002.995
Other deposits	98.092.796	260.065.115	112.884.186	27.368.150	2.965.494	60.512	-	501.436.253
Funds provided from other financial institutions ⁽³⁾	-	178.179	1.168.129	1.993.022	3.501.569	5.993.220	-	12.834.119
Money market balances	-	75.111.812	35.468	-	442.232	883.000	-	76.472.512
Bonds issued	-	2.216.889	4.023.507	345.192	1.697.824	-	-	8.283.412
Sundry creditors	155.497	5.452.423	260.993	1.222.611	3.304.371	17.463	1.095.860	11.509.218
Other liabilities ⁽¹⁾	1.996.847	9.692.834	15.754.839	80.729	10.697.844	6.320.941	42.807.286	87.351.320
Total liabilities	118.444.661	377.121.964	138.413.283	31.122.305	22.609.334	13.275.136	43.903.146	744.889.829
Liquidity gap	(86.986.757)	(271.732.174)	(84.877.773)	127.103.345	242.524.157	109.901.680	(35.932.478)	-
Net off balance sheet position								
Derivative financial assets	-	(175.865)	126.880	265.864	323.991	-	-	540.870
Derivative financial liabilities	-	(61.292.937)	(9.802.212)	(828.431)	(2.423.575)	(12.136.695)	-	(86.483.850)
Non-cash loans	42.945.550	3.809.618	14.430.934	53.175.719	24.034.173	4.138.521	41.258	142.575.773
Prior Period								
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
Liquidity Gap	(63.406.916)	(280.491.658)	(49.278.115)	109.166.654	236.827.414	90.846.917	(43.664.296)	-
Net off balance sheet position								
Derivative financial assets	-	(2.304)	620.011	464.823	508.930	-	-	1.591.460
Derivative financial liabilities	-	(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)
Non-cash loans	35.094.122	2.874.408	10.434.702	40.597.782	25.043.586	2.459.251	-	116.503.851

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

VI. EXPLANATIONS ON THE CONSOLIDATED LEVERAGE RATIO

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

	Current Period	Prior Period
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS ⁽¹⁾	737.212.218	695.581.820
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽¹⁾	(6.325)	(632.830)
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments ⁽²⁾	80.392.615	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 ⁽²⁾	19.536.731	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 ⁽²⁾	6.134.751	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	-	-
Total Risk Amount	931.276.317	860.229.588

⁽¹⁾ The amounts are represented in the table as of 30 June 2021 and 31 December 2020.

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

VI. EXPLANATIONS ON THE CONSOLIDATED LEVERAGE RATIO (continued)

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

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance Sheet Items		
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	737.142.149	692.898.165
2. Assets that are deducted from core capital	(769.374)	(756.288)
3. Total on balance sheet exposures	736.372.775	692.141.877
Derivative exposures and credit derivatives		
4. Replacement cost associated with derivative financial instruments and credit derivatives	1.442.336	2.979.921
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	952.758	549.344
6. The total amount of risk on derivative financial instruments and credit derivatives	2.395.094	3.529.265
Investment securities or commodity collateral financing transactions		
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	2.144.032	2.471.560
8. Risk amount of exchange brokerage operations	-	-
9. Total risks related with securities or commodity financing transactions	2.144.032	2.471.560
Off -Balance Sheet Items		
10. Gross notional amount of off-balance sheet items	196.499.167	167.045.638
11. Adjustments for conversion to credit equivalent amounts	(6.134.751)	(4.958.752)
12. The total risk of off-balance sheet items	190.364.416	162.086.886
Capital and Total Exposures		
13. Tier 1 Capital	50.490.082	49.386.153
14. Total Exposures	931.276.317	860.229.588
Leverage Ratio		
15. Leverage Ratio	5,42%	5,74%

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

VII. EXPLANATIONS RELATED TO THE CONSOLIDATED BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 30 September 2021 are presented in the table below.

Current Period (1 January – 30 September 2021)	Corporate/ Commercial	Integrated	Treasury/ Investment⁽¹⁾	Other⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	10.873.843	27.100.411	15.786.966	538.470	54.299.690
<i>Interest on loans</i>	10.787.936	26.922.701	517.209	-	38.227.846
<i>Interest income on marketable securities</i>	-	156.258	14.264.087	-	14.420.345
<i>Interest received from banks</i>	-	-	897.088	5.896	902.984
<i>Other interest income</i>	85.907	21.452	108.582	532.574	748.515
Interest expense	12.299.094	18.336.415	17.584.267	219.136	48.438.912
<i>Interest on deposits</i>	12.265.340	17.949.554	2.084.580	-	32.299.474
<i>Interest on borrowings</i>	13.091	46.325	93.739	104.138	257.293
<i>Interest on money market borrowings</i>	-	35.810	13.238.171	90.280	13.364.261
<i>Interest on marketable bonds issued</i>	-	-	2.059.904	24.468	2.084.372
<i>Other interest expense</i>	20.663	304.726	107.873	250	433.512
Net interest income	(1.425.251)	8.763.996	(1.797.301)	319.334	5.860.778
Net fees and commissions income / (expenses)	905.898	1.609.874	590.869	(1.525)	3.105.116
Net trading profit / (loss) (Net)	12.983	1.388.384	(6.935.663)	14.067	(5.520.229)
Dividend income	-	-	3.861	-	3.861
Other income	1.697.298	881.725	3.294.508	77.164	5.950.695
Expected Loss Provisions	390.038	965.889	410.080	67.733	1.833.740
Other expenses	162.477	3.151.774	3.920.902	54.444	7.289.597
Income before taxes	638.413	8.526.316	(9.174.708)	286.863	276.884
Income tax provision	-	-	181.886	(24.860)	157.026
Net profit for the period	638.413	8.526.316	(8.992.822)	262.003	433.910
SEGMENT ASSETS (30 September 2021)					
Marketable securities ⁽²⁾	-	3.790.654	172.827.717	628	176.618.999
Derivative financial assets	-	384.222	1.429.946	-	1.814.168
Banks and money market receivables	-	227.071	2.862.272	56.140	3.145.483
Associates and subsidiaries (net)	-	-	869.165	-	869.165
Loans ⁽²⁾	147.648.407	292.320.437	20.605.539	-	460.574.383
Other assets ⁽²⁾	3.767.886	4.742.704	87.391.746	5.965.295	101.867.631
TOTAL ASSETS	151.416.293	301.465.088	285.986.385	6.022.063	744.889.829
SEGMENT LIABILITIES (30 September 2021)					
Deposits	183.411.546	317.727.811	47.299.891	-	548.439.248
Derivative financial liabilities	-	268.144	473.172	-	741.316
Money market balances	-	2.103.317	73.612.021	757.174	76.472.512
Loans	376.132	920.705	9.940.468	1.596.814	12.834.119
Marketable Securities issued	-	-	6.891.509	1.391.903	8.283.412
Other liabilities	3.008.442	8.734.396	39.999.975	269.516	52.012.329
Provisions and tax payable	172.389	302.242	2.812.346	19.436	3.306.413
Shareholders' equity	751.843	8.593.986	32.773.532	681.119	42.800.480
TOTAL LIABILITIES	187.720.352	338.650.601	213.802.914	4.715.962	744.889.829
OFF BALANCE SHEET ITEMS (30 September 2021)					
Guarantees and surety ships	71.935.206	47.800.022	22.840.545	-	142.575.773
Commitments	1.016.756	14.677.273	45.157.157	7.273	60.858.459
Derivative financial instruments	-	16.212.371	157.296.199	-	173.508.570

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

**SEGMENT ASSETS
(30 September 2020)**

Marketable securities ⁽²⁾	-	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	3.304.218	39.211	3.343.713
Associates and subsidiaries (net)	-	-	764.460	-	764.460
Loans ⁽²⁾	142.281.833	285.849.473	12.303.576	-	440.434.882
Other assets ⁽²⁾	3.836.074	4.737.307	73.357.898	6.330.979	88.262.258
TOTAL ASSETS	146.117.907	293.039.885	250.684.850	6.372.008	696.214.650

**SEGMENT LIABILITIES
(30 September 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
TOTAL LIABILITIES	176.173.679	287.611.272	228.547.106	3.882.593	696.214.650

**OFF BALANCE SHEET ITEMS
(30 September 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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

Overview of Risk Weighted Amounts^(*) :

		Risk Weighted Amounts		Minimum Capital Requirements	
		Current Period	Prior Period	Current Period	Prior Period
1	Credit risk (excluding counterparty credit risk) (CCR) ^(**)	421.323.136	372.232.593	33.705.851	29.778.607
2	Standardized approach (SA)	421.323.136	372.232.593	33.705.851	29.778.607
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	3.693.531	4.087.852	295.482	327.028
5	Standardized approach for counterparty credit risk (SA-CCR)	3.693.531	4.087.852	295.482	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	17.092.988	16.667.625	1.367.439	1.333.410
17	Standardized approach (SA)	17.092.988	16.667.625	1.367.439	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)	1.803.940	1.513.386	144.315	121.071
24	Floor adjustment	-	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	469.875.112	416.944.817	37.590.008	33.355.585

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

^(**) According to the BRSA's decisions dated 8 December 2020 and 16 September 2021 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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 and information on balances with the 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	1.555.472	5.040.866	1.737.084	3.325.836
CBRT	6.219.378	61.837.205	6.659.022	52.037.405
Other ⁽¹⁾	-	1.356.708	-	1.225.095
Total	7.774.850	68.234.779	8.396.106	56.588.336

⁽¹⁾ As of 30 September 2021, TRY 416.407 includes the reserve requirement held by the Central Bank of Macedonia and TRY 940.290 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 ⁽¹⁾	5.831.190	22.185.626	6.502.868	19.937.084
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	8.307.240
Other ⁽²⁾	388.188	39.651.579	156.154	23.793.081
Total	6.219.378	61.837.205	6.659.022	52.037.405

⁽¹⁾ Reserve deposits kept in CBRT.

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

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

With the decision No.1072 dated 27 December 2019 of the Central Bank of the Turkish Republic of Northern Cyprus, reserve requirement ratio is applied between 5% to 8% for the Turkish currency and foreign currency liabilities.

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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 and information on balances with the Central Bank of the Republic of Turkey (continued):

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

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	15.073.402	-	15.046.930	-
Total	15.073.402	-	15.046.930	-

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	65.997	-	16.265
Swap transactions	19.445	1.719.874	5.418	2.324.729
Futures transactions	-	-	-	-
Options	65	8.787	335	535
Other	-	-	-	-
Total	19.510	1.794.658	5.753	2.341.529

(3) Information on banks and other financial institutions:

Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	286.794	159.275	183.661	138.589
Foreign banks	78.559	2.622.277	103.818	2.665.003
Branches and offices abroad	-	-	-	-
Total	365.353	2.781.552	287.479	2.803.592

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

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

a) Financial assets at fair value through other comprehensive income 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	
	TP	YP	TP	YP
Treasury bills, government bonds and similar securities.	9.573.563	17.382.822	6.842.329	20.028.890
Total	9.573.563	17.382.822	6.842.329	20.028.890

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	47.959	-	245.865	-
Total	47.959	-	245.865	-

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

	Current Period	Prior Period
Debt securities	62.249.109	60.510.119
<i>Quoted on a stock exchange</i>	60.910.794	59.489.397
<i>Not quoted</i>	1.338.315	1.020.722
Share certificates	297.432	249.564
<i>Quoted on a stock exchange</i>	227.894	180.620
<i>Not quoted</i>	69.538	68.944
Impairment provision(-)	638.956	215.243
Total	61.907.585	60.544.440

(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	683.208	-	612.522	-
Total	683.208	-	612.522	-

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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):

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

Cash Loans	Standard Loans	Loans under close monitoring		
		Loans Not Subject Not Subject to restructuring	Restructured Loans	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	337.121.790	16.590.595	99.476	18.416.261
<i>Corporation loans</i>	205.593.480	12.514.073	86.679	18.412.203
<i>Export loans</i>	9.137.280	146.893	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	1.533.918	89.654	-	-
<i>Consumer loan^s</i>	75.646.951	1.290.038	12.229	1.312
<i>Credit cards</i>	17.624.319	375.171	568	-
<i>Other</i>	27.585.842	2.174.766	-	2.746
Specialized lending	73.741.158	3.477.664	-	-
Other receivables	-	-	-	-
Accruals	6.425.867	877.382	3.239	1.056.696
Total	417.288.815	20.945.641	102.715	19.472.957

	Standard Loans		Loans under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months expected loss provision	1.703.202	2.278.896	-	-
Significant Increase in Credit Risk	-	-	1.964.287	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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

(5) Information on loans (continued):

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

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	527.981	69.327.378	69.855.359
<i>Real estate loans</i>	7.692	46.555.396	46.563.088
<i>Automobile loans</i>	1.646	402.504	404.150
<i>Consumer loans</i>	518.643	22.369.478	22.888.121
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	1.799	676.920	678.719
<i>Real estate loans</i>	-	616.321	616.321
<i>Automobile loans</i>	-	12.177	12.177
<i>Consumer loans</i>	1.799	48.422	50.221
<i>Other</i>	-	-	-
Consumer loans- FC	7.904	4.164.157	4.172.061
<i>Real estate loans</i>	562	1.372.565	1.373.127
<i>Automobile loans</i>	48	5.724	5.772
<i>Consumer loans</i>	5.639	2.732.739	2.738.378
<i>Other</i>	1.655	53.129	54.784
Individual credit cards-TRY	4.844.073	565	4.844.638
<i>Installment</i>	1.481.455	565	1.482.020
<i>Non-installment</i>	3.362.618	-	3.362.618
Individual credit cards-FC	376	163.287	163.663
<i>Installment</i>	-	157.922	157.922
<i>Non-installment</i>	376	5.365	5.741
Personnel loans-TRY	24.316	360.966	385.282
<i>Real estate loans</i>	-	81	81
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	24.316	360.885	385.201
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	45	35.687	35.732
<i>Real estate loans</i>	-	32.720	32.720
<i>Automobile loans</i>	-	130	130
<i>Consumer loans</i>	45	2.837	2.882
<i>Other</i>	-	-	-
Personnel loans-FC	316	67.412	67.728
<i>Real estate loans</i>	60	49.130	49.190
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	256	17.798	18.054
<i>Other</i>	-	484	484
Personnel credit cards-TRY	153.527	-	153.527
<i>Installment</i>	42.201	-	42.201
<i>Non-installment</i>	111.326	-	111.326
Personnel credit cards-FC	183	4.141	4.324
<i>Installment</i>	-	3.681	3.681
<i>Non-installment</i>	183	460	643
Overdraft accounts-TRY (Retail customers) ^(**)	1.608.191	-	1.608.191
Overdraft accounts-FC (Retail customers) ^(***)	133.297	14.161	147.458
Total	7.302.008	74.814.674	82.116.682

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

^(**) TRY 35.749 of the overdraft account consists of loans given to personnel.

^(***) TRY 866 of the overdraft account consists of loans given to personnel.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

(5) Information on loans (continued):

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

Prior Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	482.483	74.674.956	75.157.439
<i>Real estate loans</i>	6.782	48.574.630	48.581.412
<i>Automobile loans</i>	1.816	511.311	513.127
<i>Consumer loans</i>	473.885	25.589.015	26.062.900
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	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
Total	6.419.147	79.057.065	85.476.212

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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):

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

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.015.956	35.672.972	36.688.928
<i>Business premises loans</i>	211	753.802	754.013
<i>Automobile loans</i>	24.946	979.337	1.004.283
<i>Consumer loans</i>	990.799	33.939.833	34.930.632
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	204.432	1.578.853	1.783.285
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	4.119	4.119
<i>Other</i>	204.432	1.574.734	1.779.166
Commercial installment loans - FC	1.087.118	42.305.088	43.392.206
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	53.384	37.575.277	37.628.661
<i>Other</i>	1.033.734	4.729.811	5.763.545
Corporate credit cards-TRY	12.828.784	-	12.828.784
<i>Installment</i>	5.520.909	-	5.520.909
<i>Non-installment</i>	7.307.875	-	7.307.875
Corporate credit cards-FC	569	4.553	5.122
<i>Installment</i>	-	4.306	4.306
<i>Non-installment</i>	569	247	816
Overdraft accounts-TRY (Commercial customers)	4.997.425	-	4.997.425
Overdraft accounts-FC (Commercial customers)	26.038	-	26.038
Total	20.160.322	79.561.466	99.721.788

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

Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	479.625	38.139.826	38.619.451
<i>Business premises loans</i>	4.416	805.467	809.883
<i>Automobile loans</i>	26.881	1.002.576	1.029.457
<i>Consumer loans</i>	448.328	36.331.783	36.780.111
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	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
Total	15.303.062	70.677.403	85.980.465

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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):

e) Domestic and foreign loans^(*):

	Current Period	Prior Period
Domestic loans	443.915.097	428.811.083
Foreign loans	13.895.031	11.281.979
Total	457.810.128	440.093.062

^(*)Non-performing loans balance is not included in the table above.

f) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans to Subsidiaries and Associates	-	35.597
Indirect Loans to Subsidiaries and Associates	-	-
Total	-	35.597

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

	Current Period	Prior Period
Loans with limited collectability	395.292	809.513
Loans with doubtful collectability	452.211	277.729
Uncollectible loans	8.766.772	10.072.813
Total	9.614.275	11.160.055

The decrease in the expected loan loss provision balance allocated for Stage 3 loans is caused by non-performing loans which are structured and transferred to performing loans in the current period and the individual assessment process carried out within the scope of the relevant articles of TFRS 9 and Provisions Regulation.

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

h.1. Information on non-performing loans and restructured loans^(*):

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period			
Gross amounts before the specific provisions	386.622	70.949	1.258.004
Restructured loans	386.622	70.949	1.258.004
Priod Period			
Gross amounts before the specific provisions	355.455	75.667	2.178.938
Restructured loans	355.455	75.667	2.178.938

^(*)Rediscount is not included.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

(5) Information on loans (continued):

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

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

Current Period:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period end balance	2.362.520	650.741	14.103.903
Additions (+)	2.057.062	51.818	245.966
Transfers from other categories of loans under non-performing (+)	-	1.608.624	1.765.316
Transfers to other categories of loans under non-performing (-)	2.454.367	919.573	-
Collections (-)*	428.896	282.928	2.685.821
Write-offs (-)	-	573	27.773
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	1.536.319	1.108.109	13.401.591
Provision (-)	395.292	452.211	8.766.772
Net balance on balance sheet	1.141.027	655.898	4.634.819

* 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:

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
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>
Current period end balance	2.362.520	650.741	14.103.903
Provision (-)	809.513	277.729	10.072.813
Net balance on balance sheet	1.553.007	373.012	4.031.090

* 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

(5) Information on loans (continued):

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

h.3. Information on foreign currency non-performing loans^(*):

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period			
Balance at the end of the period	229.071	184.789	3.853.558
Provisions(-)	35.281	68.530	2.460.799
Net balance in the balance sheet	193.790	116.259	1.392.759
Prior period			
Balance at the end of the period	953.504	93.375	4.374.385
Provisions(-)	306.470	42.301	3.559.796
Net balance in the balance sheet	647.034	51.074	814.589

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

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

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period (Net)	1.141.027	655.898	4.634.819
Loans to granted real persons and legal entities (Gross)	1.536.319	1.108.109	13.401.591
Provisions (-)	395.292	452.211	8.766.772
Loans to granted real persons and legal entities (Net)	1.141.027	655.898	4.634.819
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans (Net)	-	-	-
Prior Period (Net)	1.553.007	373.012	4.031.090
Loans to granted real persons and legal entities (Gross)	2.362.520	650.741	14.103.903
Provisions (-)	809.513	277.729	10.072.813
Loans to granted real persons and legal entities (Net)	1.553.007	373.012	4.031.090
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans (Net)	-	-	-

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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:

	III. Group	IV. Group	V.Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (Net)	10.357	2.842	612.529
Interest Accruals and Valuation Differences	16.292	18.167	2.022.701
Provision (-)	5.935	15.325	1.410.172
Prior Period (Net)	10.391	7.603	659.545
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 receivables from loans.

k) Explanations on write-off policy:

The Group derecognised non-performing loan amounting to TRY 28.346 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 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:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Government bonds and other securities	44.666.587	23.014.222	31.097.699	20.519.825
Total	44.666.587	23.014.222	31.097.699	20.519.825

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	4.916.864	3.778.567	18.884.916	1.995.236
Total	4.916.864	3.778.567	18.884.916	1.995.236

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

	Current Period	Prior Period
Government bonds	98.135.746	83.763.130
Treasury bills	197.494	172.517
Other public sector debt securities	497.259	818.523
Total	98.830.499	84.754.170

c) Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Debt securities	98.881.021	84.804.689
<i>Quoted on a stock exchange</i>	98.670.990	84.621.031
<i>Not quoted</i>	210.031	183.658
Impairment provision (-)	-	-
Total	98.881.021	84.804.689

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	3.902.220	5.543.919
<i>Purchases during the year</i>	19.215.409	24.351.440
<i>Disposals through sales and redemptions⁽¹⁾</i>	(9.041.297)	(17.561.792)
<i>Impairment provision (-)</i>	-	-
Balance at the end of the period	98.881.021	84.804.689

⁽¹⁾ Interest income accrual differences between 30 September 2021 amounting to TRY 17.500.035 and 31 December 2020 amounting to TRY 14.515.145 have been included in disposals through sales and redemptions row.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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 AŞ ⁽¹⁾	Istanbul	18,18	18,18
2. Platform Ortak Kartlı Sistemler AŞ ⁽²⁾	Istanbul	20,00	20,00
3. Bileşim Finansal Teknolojiler ve Ödeme Sistemleri AŞ ⁽¹⁾	Istanbul	33,33	33,33

Information related to the associates as sorted above:

	Total Shareholders' assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketabl e securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	468.526	272.775	220.891	18.594	-	41.963	48.549	-
2.	4.851	4.763	51	-	-	(464)	(22)	-
3.	210.504	158.280	108.340	13.103	-	146	1.852	-

⁽¹⁾ Financial informations are obtained from unaudited financial statements of 30 September 2021.

⁽²⁾ Financial information is taken from the financial statements as of 31 December 2020.

c) Information on consolidated associates:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketabl e securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽²⁾
1.	17.816.790	2.595.670	34.765	290.774	5.248	78.766	45.061	759.635
2.	77.015	75.973	25	5.119	-	23.332	(1.516)	-

⁽¹⁾ The financial data is obtained from 30 September 2021 financial statements used in consolidation.

⁽²⁾ Financial information on the fair value of Demir Halkbank NV has been obtained from valuation report as of 30 September 2021.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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	104.705	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>	(57.243)	10.369
<i>Revaluation decrease (-) / increase</i>	104.705	202.268
<i>Impairment Provisions (-) / Reversals</i>	-	-
Balance at the end of the period	869.165	764.460
Capital commitments		-
Share percentage at the end of the period (%)		-

e) Sectorial information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	778.701	681.339
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	23.909	16.566
Other non-financial investments	66.555	66.555

f) Associates quoted to a stock exchange:

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

(8) Information on subsidiaries (Net):

a) Information on consolidated subsidiaries ⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ	Halk Bank AD, Beograd	Halk Varlık Kiralama AŞ	Halk Osiguruvan je AD, Skopje
CORE CAPITAL								
Paid in Capital	150.000	1.020.000	323.000	799.036	96.000	356.373	100	81.435
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share premium	-	49.945	-	11.633	-	256.281	-	-
Reserves	72.504	54.657	18.181	868.665	108.020	751.405	2.238	158.817
Other Comprehensive Income according to TAS	4.604	1.063.420	-	6.548	10	10.254	-	-
Profit / Loss	130.698	24.240	66.599	(11.480)	64.505	59.804	395	(62.361)
<i>Net Profit</i>	<i>130.698</i>	<i>24.240</i>	<i>71.634</i>	<i>25.888</i>	<i>53.116</i>	<i>59.804</i>	<i>395</i>	<i>(22.706)</i>
Prior Period Profit/Loss	-	-	(5.035)	(37.368)	11.389	-	-	(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 (-)	-	-	(2.071)	613	-	154	-	-
Leasehold Improvements (-)	-	465	-	14.388	-	8.278	-	-
Intangible Assets (-)	6.498	309	1.433	29.857	2.761	38.468	-	-
Total Core Capital	351.308	2.211.488	408.418	1.629.544	265.774	1.387.217	2.733	177.891
SUPPLEMENTARY								
CAPITAL	-	-	89.270	28.971	7.987	15.607	-	-
CAPITAL	351.308	2.211.488	497.688	1.658.515	273.761	1.402.824	2.733	177.891
NET AVAILABLE								
CAPITAL	351.308	2.211.488	497.688	1.658.515	273.761	1.402.824	2.733	177.891

⁽¹⁾The financial data is obtained from 30 September 2021 financial statements used in consolidation.

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

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

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

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

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

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

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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)

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 AŞ	Istanbul	100,00	100,00
2. Halk Gayrimenkul Yatırım Ortaklığı AŞ ⁽²⁾⁽³⁾	Istanbul	79,33	79,36
3. Halk Finansal Kiralama AŞ	Istanbul	100,00	100,00
4. Halk Banka AD, Skopje	Macedonia	99,48	99,48
5. Halk Faktoring AŞ	Istanbul	100,00	100,00
6. Halk Banka AD Beograd	Serbia	100,00	100,00
7. Halk Varlık Kiralama AŞ	Istanbul	100,00	100,00
8. Halk Osiguruvanje AD, Skopje	Macedonia	-	99,48

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
1.	669.638	357.806	22.036	138.707	11.456	130.698	125.203	396.329
2.	3.171.919	2.183.506	2.107.604	5.227	-	24.240	26.873	1.798.337
3.	4.299.563	409.851	4.525	309.699	-	71.634	49.482	395.629
4.	11.134.533	1.673.789	458.235	256.966	11.200	25.888	50.177	1.636.385
5.	1.421.721	268.535	6.144	229.217	-	53.116	74.880	328.902
6.	8.378.960	1.433.963	163.820	184.513	27.840	59.804	28.343	1.279.504
7.	1.207.222	2.733	6	-	-	395	252	3.262
8.	220.648	177.891	9.004	330	49	(22.706)	1.976	-

⁽¹⁾ The financial data is obtained from 30 September 2021 financial statements used in consolidation.

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

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

Movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period (before elimination)	5.516.428	3.261.227
Movements during the period	360.332	2.255.201
Purchases ^{(1),(2),(3),(4)}	526.007	148.506
Bonus shares obtained profit from current year's share	81.981	30.224
Dividends from current year income	-	-
Sales	-	(56.003)
Transfer	-	(27.997)
Revaluation (increase)/decrease	(247.656)	2.160.471
Reversals / Provisions(-) for impairment	-	-
Share capital elimination of subsidiaries	(5.876.760)	(5.516.428)
Balance at the end of the period	-	-
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

⁽²⁾ As a result of the paid capital increase, the Bank paid TRY 198.304 and increased its shareholding in Halk Banka AD, Skopje, located in Macedonia, to 99,48%.

⁽³⁾ The Bank made a payment of TRY 300.255 due to the capital increase of Halk Banka A.D., located in Serbia, Beograd.

⁽⁴⁾ Halk Banka AD, Skopje, has paid TRY 19.066 due to the capital increase of its subsidiary Halk Osiguruvanje A.D., Skopje.

⁽⁵⁾ In the current period, the Parent Bank has purchased 2.5% of Halk Faktoring AŞ amounting to TRY 8,223 and increased its share to 100%

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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):

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

	Current Period	Prior Period
Banks	2.915.889	2.140.652
Insurance companies	38.412	19.346
Factoring companies	328.902	320.679
Leasing companies	395.629	395.629
Financing companies	-	-
Other financial subsidiaries	2.197.928	2.640.122
Other non-financial subsidiaries	-	-

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period
Quoted to domestic stock ⁽¹⁾	1.798.337	2.240.689
Quoted foreign stock exchange	-	-

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

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

None.

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

a) Maturity structure of investments on financial lease:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.699.998	1.297.046	1.418.220	1.074.572
Between 1-4 years	2.267.183	1.689.251	2.312.601	1.728.743
More than 4 years	1.108.338	828.416	1.077.725	843.739
Total	5.075.519	3.814.713	4.808.546	3.647.054

b) Information on gross investments of financial lease:

	Current Period	Prior Period
Gross financial lease investment	5.075.519	4.808.546
Unearned revenues from financial lease	(1.260.806)	(1.161.492)
Total	3.814.713	3.647.054

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

	Current Period	Prior Period
Financial lease receivables with limited collectability	347	374
Financial lease receivables with doubtful collectability	4.057	8.425
Uncollectible financial lease receivables	419.492	566.505
Provisions	(374.159)	(480.598)
Total	49.737	94.706

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

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

None (31 December 2020: None).

(12) Information on investment property:

	Current Period	Prior Period
Cost		
Opening Balance	1.303.741	1.194.428
Acquisitions	159.214	95.261
Transfer	-	15.364
Disposals	33.320	1.312
Impairment Provisions	-	-
Ending Balance	1.429.635	1.303.741
Accumulated Depreciation		
Opening Balance	96.480	89.965
Additions	5.521	6.503
Disposals (-)	179	41
Impairment Provisions (-)	-	-
Transfer	-	53
Ending Balance	101.822	96.480
Net Book Value	1.327.813	1.207.261

(13) Information on deferred tax assets:

	Current Period	Prior Period
Deferred Tax Asset / (Liability)		
Provisions ⁽¹⁾	1.593.752	1.529.133
Revaluation of Financial Assets	(1.936.078)	(1.322.586)
Other	452.115	(498.350)
Deferred Tax Asset / (Liability)⁽²⁾:	109.789	(291.803)
Deferred tax accounted in shareholders' equity	120.341	(11.841)
Fair value differences for financial assets at through other comprehensive income	259.526	128.429
Actuarial gains and losses	34.772	34.772
Property Revaluation	(173.957)	(175.042)

⁽¹⁾ Provisions are comprised of the employee termination benefits and other provisions

⁽²⁾ Net deferred tax liability amounting to TRY 109.789 consists of deferred tax assets which amounting to TRY 111.941 and deferred tax liabilities amounting to TRY 2.152.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

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

	Current Period	Prior Period
Cost	2.509	1.441
Accumulated Depreciation (-)	-	-
Net book value	2.509	1.441
Opening Balance	1.441	1.076.418
Acquisition	1.110	-
Transfer (Net)	-	-
Disposals (Net)	(42)	(1.074.977)
Revaluation Increase	-	-
Impairment (-) / Reversal	-	-
Depreciation (-)	-	-
Closing net book value	2.509	1.441

(15) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 8.041.270 and does not exceed 10% of the balance sheet total (31 December 2020: TRY 5.285.838).

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on deposit / funds collected:

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

Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	13.787.653	-	11.738.013	79.471.292	7.502.915	3.488.519	3.477.043	129.475	119.594.910
Foreign currency deposits	42.647.294	-	25.973.768	127.879.818	11.143.406	4.421.364	11.120.781	14.007	223.200.438
<i>Residents in Turkey</i>	34.219.621	-	20.010.025	122.856.752	9.728.489	2.416.670	5.889.390	13.609	195.134.556
<i>Residents abroad</i>	8.427.673	-	5.963.743	5.023.066	1.414.917	2.004.694	5.231.391	398	28.065.882
Public sector deposits	7.317.260	-	1.958.367	4.372.752	506.238	218.797	19.656	-	14.393.070
Commercial inst. deposits	14.309.085	-	34.497.801	34.850.610	1.655.158	915.675	2.253.547	-	88.481.876
Other inst. deposits	1.408.790	-	2.330.196	17.316.073	3.155.501	3.072.853	5.844.147	-	33.127.560
Precious metals	18.622.714	-	134.562	3.477.393	163.226	89.776	150.728	-	22.638.399
Interbank deposits	18.199.521	-	13.132.507	15.305.568	365.303	96	-	-	47.002.995
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	91.987	-	11.772.640	12.067.604	365.303	-	-	-	24.297.534
<i>Foreign banks</i>	15.326.083	-	704.531	3.237.964	-	96	-	-	19.268.674
<i>Participation banks</i>	2.781.451	-	655.336	-	-	-	-	-	3.436.787
Total	116.292.317	-	89.765.214	282.673.506	24.491.747	12.207.080	22.865.902	143.482	548.439.248

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
Total	90.575.481	-	93.119.477	245.655.316	13.629.395	6.300.290	18.645.307	136.562	468.061.828

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	50.859.113	40.394.097	68.462.680	48.828.336
Foreign currency saving deposits	32.214.030	31.941.835	85.514.382	68.137.764
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	481.105	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	265.244	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	11.414	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	-	-

(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	-	24.874	-	26.206
Swap transactions	-	704.377	19.744	480.694
Future transactions	-	-	-	-
Options	100	11.965	369	7.212
Other	-	-	-	-
Total	100	741.216	20.113	514.112

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

(3) Information on funds borrowed:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	996.533	2.245.305	706.399	2.498.369
Foreign banks, institutions and funds	-	9.592.281	-	10.049.754
Total	996.533	11.837.586	706.399	12.548.123

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	793.899	1.273.061	601.693	811.014
Medium and long term	202.634	10.564.525	104.706	11.737.109
Total	996.533	11.837.586	706.399	12.548.123

c) 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 21,81% of saving deposits and 40,70% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Group borrows loans from interbank money markets.

The Group's 63,02% of bank deposits and 49,03% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

	Current period		Prior period	
	TRY	FC	TRY	FC
Bills	4.757.485	-	3.655.382	-
Asset Back Securities	2.215.510	-	1.958.530	-
Bonds	1.310.417	-	1.078.233	7.553.277
Total	8.283.412	-	6.692.145	7.553.277

(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).

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

(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	32.975	30.526	29.347	29.162
Between 1-4 years	417.983	340.107	312.254	268.799
More than 4 years	995.059	587.842	826.943	595.813
Total	1.446.017	958.475	1.168.544	893.774

(7) Information on derivative financial liabilities for hedging purposes:

None (31 December 2020: None).

(8) Explanations on provisions:

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

As of 30 September 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 30 September 2021, the Group's specific provision for unindemnified non-cash loans balance is TRY 152.241 (31 December 2020: TRY 150.942).

c) Information on other provisions:

Total other provision balance amounting to TRY 607.641 (31 December 2020: TRY 636.547) consists of TRY 152.241 for specific provisions of unindemnified and unfunded non-cash loans (31 December 2020: TRY 150.942), TRY 207.879 for stage 1 and stage 2 expected credit loss amount of non-cash loans (31 December 2020: TRY 308.709), TRY 73.154 for legal cases filed against the Group (31 December 2020: TRY 98.928), and TRY 174.367 of other provisions (31 December 2020: TRY 77.968).

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 September 2021, the Group's corporate tax payable is amounting to TRY 24.548 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	24.548	4.498
Income on securities tax	653.467	475.152
Property income tax	1.651	1.719
Banking and insurance transactions tax (BITT)	233.595	157.964
Foreign exchange transactions tax	7.286	9.021
Value added tax payable	7.011	4.810
Other	69.671	73.321
Total	997.229	726.485

a.3. Information on premiums:

	Current Period	Prior Period
Social insurance premiums-employee	318	291
Social insurance premiums-employer	988	830
Bank social aid pension fund premium-employee	25.110	18.063
Bank social aid pension fund premium-employer	41.031	28.084
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	1.843	1.311
Unemployment insurance-employer	3.712	2.634
Other	940	715
Total	73.942	51.928

b) Explanations related to deferred tax liability:

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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^(*):

Information on Subordinated Loans	Current Period		Prior Period	
	TRY	FC	TRY	FC
To be included in the calculation of additional capital borrowings instruments	-	10.283.444	-	8.824.063
Subordinated loans	-	10.283.444	-	8.824.063
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.021.752	-	6.036.525	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.021.752	-	6.036.525	-
Total	6.021.752	10.283.444	6.036.525	8.824.063

^(*)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 - September 30, 2021, the Parent Bank did not repurchase or sell any shares.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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	5.081	15.040	5.107
Valuation differences	15.040	5.081	15.040	5.107
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	(939.408)	(34.513)	(220.937)	(218.119)
Valuation differences	(939.408)	(12.679)	(220.937)	(216.049)
Exchange rate difference	-	(21.834)	-	(2.070)
Total	(924.368)	(29.432)	(205.897)	(213.012)

j) 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 2.470.042 to extraordinary reserves, after allocating TRY 130.003 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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:

Types of irrevocable commitments	Current Period	Prior Period
Commitments for credit card expenditure limits	31.920.212	28.032.142
Payment commitments for cheques	5.750.449	4.472.298
Loan granting commitments	5.499.520	4.721.315
Two days forward foreign exchange buy/sell transactions	4.862.544	1.826.745
Forward deposit purchase and sale commitments	-	-
Commitments for credit cards and banking services promotions	27.127	22.752
Tax and fund liabilities from export commitments	115.753	124.240
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	5.620.326	5.321.136
Total	53.795.931	44.520.628

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

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

	Current Period	Prior Period
Letters of credit	4.201.498	2.609.382
Bank acceptances	7.182.222	6.495.595
Other guarantees	7.172.617	4.862.463
Total	18.556.337	13.967.440

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

	Current Period	Prior Period
Letters of certain guarantees	21.555.813	17.484.487
Letters of advance guarantees	6.351.603	5.376.409
Letters of tentative guarantees	2.404.782	2.239.074
Letters of guarantee given to customs offices	3.354.781	2.706.492
Other letters of guarantee	90.352.457	74.729.949
Total	124.019.436	102.536.411

b.3. Total non-cash loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	17.426.387	14.320.385
<i>Within one year or less original maturity</i>	2.044.503	1.895.645
<i>Within more than one year maturity</i>	15.381.884	12.424.740
Other non-cash loans	125.149.386	102.183.466
Total	142.575.773	116.503.851

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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 5.750.449 (31 December 2020: TRY 4.472.298).

d) Services provided on behalf of others:

None (31 December 2020: None).

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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
Interest on loans⁽¹⁾				
Short term loans	8.672.313	214.103	3.975.576	365.223
Medium and long term loans	24.533.606	4.541.495	18.891.659	4.349.081
Interest on non-performing loans	266.107	222	363.019	194
Premiums from resource utilization support fund	-	-	-	-
Total	33.472.026	4.755.820	23.230.254	4.714.498

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

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
CBRT	853.168	-	119.940	-
Domestic banks	36.263	230	16.094	599
Overseas banks	10.777	2.546	6.012	3.342
Head office and branches	-	-	-	-
Total	900.208	2.776	142.046	3.941

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets at fair value through profit or loss	18.594	35	18.034	4
Financial assets at fair value through other comprehensive income	4.454.501	461.828	2.853.577	203.375
Financial assets measured at amortised cost	8.380.232	1.105.155	6.217.670	959.727
Total	12.853.327	1.567.018	9.089.281	1.163.106

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

d) Interest income from subsidiaries and associates:

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	106.212	132.888	113.812	206.542
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	106.212	38.119	113.812	68.647
<i>Overseas banks</i>	-	94.769	-	137.895
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	6	18.187	7	17.469
Total	106.218	151.075	113.819	224.011

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	25.976	6.881

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	1.530.011	554.361	1.229.397	645.155
Toplam	1.530.011	554.361	1.229.397	645.155

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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)

(2) Information on interest expenses: (continued)

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
Current Period									
TRY									
Bank deposits	128	1.961.970	591.917	13.217	-	-	-	2.567.232	
Saving deposits	21	1.471.559	9.101.119	1.011.646	467.809	354.711	9.385	12.416.250	
Public deposits	16	520.916	432.207	52.833	24.950	1.751	-	1.032.673	
Commercial deposits	20	4.374.294	5.130.478	237.131	136.939	856.422	-	10.735.284	
Other deposits	1	387.927	2.356.789	347.429	221.371	171.171	-	3.484.688	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	186	8.716.666	17.612.510	1.662.256	851.069	1.384.055	9.385	30.236.127	
Foreign currency									
Deposits	1.753	227.727	1.458.006	81.568	50.514	95.017	58	1.914.643	
Bank deposits	25	12.933	122.252	117	162	-	-	135.489	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	440	11.337	640	249	549	-	13.215	
Total	1.778	241.100	1.591.595	82.325	50.925	95.566	58	2.063.347	
Grand total	1.964	8.957.766	19.204.105	1.744.581	901.994	1.479.621	9.443	32.299.474	

Account name	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
Prior Period									
TRY									
Bank deposits	91	748.832	374.781	12.302	531	-	-	1.136.537	
Saving deposits	134	368.300	3.573.350	410.155	56.793	361.275	8.023	4.778.030	
Public deposits	48	491.700	179.147	29.220	23.952	558	-	724.625	
Commercial deposits	743	1.880.669	2.647.925	132.012	39.905	452.250	-	5.153.504	
Other deposits	1	189.534	903.031	141.328	38.590	165.287	-	1.437.771	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	1.017	3.679.035	7.678.234	725.017	159.771	979.370	8.023	13.230.467	
Foreign currency									
Deposits	1.184	82.148	693.846	38.030	30.806	83.510	-	929.524	
Bank deposits	9	90.906	-	-	-	-	-	90.915	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	580	6.264	1.233	323	824	-	9.224	
Total	1.193	173.634	700.110	39.263	31.129	84.334	-	1.029.663	
Grand total	2.210	3.852.669	8.378.344	764.280	190.900	1.063.704	8.023	14.260.130	

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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):

	Current Period	Prior Period
Profit	74.503.793	43.749.974
Profit from the capital market operations	46.253	214.281
Profit on derivative financial instruments	12.959.890	8.424.569
Foreign exchange gains	61.497.650	35.111.124
Loss (-)	80.024.022	49.305.484
Loss from the capital market operations	1.943	124.799
Loss on derivative financial instruments	12.295.880	4.932.793
Foreign exchange losses	67.726.199	44.247.892

(4) Information on other operating income:

	Current period	Prior Period
Adjustments for prior period expenses	5.472.018	846.174
Insurance technical income	92.899	55.966
Income from the asset sale	158.862	229.272
Rent income	50.470	48.771
Other income	145.473	193.945
Total	5.919.722	1.374.128

(5) Information on expected credit loss and other provision expenses:

Expected Credit Losses:

	Current Period	Prior Period
Expected Credit Loss	1.833.740	5.904.220
12 Month Expected Credit Loss (Stage 1)	209.779	745.384
Significant Increase in Credit Risk (Stage 2)	184.557	2.374.005
Non – Performing Loans (Stage 3)	1.439.404	2.784.831
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	4.585	26.555
Total	1.838.325	5.930.775

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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:

	Current Period	Prior Period
Reserve for employee termination benefits	158.165	117.223
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	372.239	322.294
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	126.122	65.523
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	12.735	15.142
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	2.019.079	1.840.775
<i>Leasing Expenses on TFRS 16 Exceptions</i>	<i>100.582</i>	<i>72.790</i>
<i>Maintenance expenses</i>	<i>64.631</i>	<i>48.644</i>
<i>Advertisement expenses</i>	<i>254.879</i>	<i>160.461</i>
<i>Other expenses</i>	<i>1.598.987</i>	<i>1.558.880</i>
Loss on sales of assets	1.982	208
Other	1.366.107	984.022
Total	4.056.429	3.345.187

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

The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 5.860.778 (30 September 2020: TRY 16.842.548) of net interest income and TRY 3.105.116 (30 September 2020: TRY 2.124.988) of net fees and income. The profit from continuing operations before tax is amounting to TRY 276.884. (30 September 2020: TRY 2.660.208)

For the accounting period ending on 30 September 2021, the Group has no profit before tax for discontinued operations. (30 September 2020: TRY 987.373).

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

For the accounting period ending on 30 September 2021, the Group's tax provision expense from continued operations amounting to TRY 157.026 (30 September 2020: TRY 566.361) consists of TRY 112.384 (30 September 2020: TRY 294.774) of current tax charge and TRY 1.514.612 (30 September 2020: TRY 1.119.938) of deferred tax charge and TRY 1.784.022 (30 September 2020: TRY 848.351) of deferred tax income.

For the period ended 30 September 2021, the Group has no deferred tax provision from discontinued operations (30 September 2020: 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
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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:

For the accounting period ending on 30 September 2021, the Group's operating income after tax from continued operations is amounting to TRY 433.910 (30 September 2020: TRY TRY 2.093.847).

For the accounting period ending on 30 September 2021, the Group has no profit after tax for discontinued operations (30 September 2020: TRY 938.770).

- (10) Information on net profit/loss:

- a) If disclosure of the nature, size and recurrence rate of income and expense items arising from ordinary banking transactions is necessary to understand the bank's performance during the period, the explanation regarding the nature and amount of these items is as follows:

There is no issue to be disclosed.

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

There is no issue to be disclosed.

- (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
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

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

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

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

Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans					
Beginning balance	-	-	-	-	-	-
Closing balance	-	2.396	-	-	-	-
Interest and commissions income	-	30	-	-	-	-

Prior period:

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

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	Deposits					
Beginning balance	-	50.673	-	-	-	-
Closing Balance	141.669	-	-	-	-	-
Interest expense on deposits	25.976	-	-	-	-	-

c) Forward and option contracts and similar transactions with the Parent Bank's risk group:

None.

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

V. EXPLANATIONS RELATED TO THE RISK GROUP OF THE PARENT BANK (continued)

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	-	-
Non-cash loans	2.396	-
Deposits	141.669	0,03
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.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel of the Group are TRY 28.525 as of 30 September 2021 (30 September 2020: TRY 21.907).

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

VII. OTHER EXPLANATIONS

On October 15, 2019, the 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 the Iranian sanction violations.

First, the Parent Bank applied to the District Court on November 4, 2019 and requested a special appearance to discuss the issues of personal jurisdiction and recusal. On December 5, 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 December 17, 2019. On February 21, 2020, the Second Circuit denied Parent Bank's objection.

In the meeting held by the Parent Bank's Board of Directors on March 27, 2020, it was decided to attend the District Court hearing at which the case starts to be heard on the merits on March 31, 2020, to accept the arraignment and to appoint Williams & Connolly law firm with a proxy to represent the Parent Bank.

At the hearing on March 31, 2020, the District Court decided to postpone the hearing initially to June 9, 2020 and subsequently to June 30, 2020 due to the global scale COVID-19 outbreak.

At the hearing held in the District Court on June 30, 2020; the schedule was determined regarding the motion to recuse, discovery motions, and filings of other motions. It was decided that the jury trials would begin on March 1, 2021 for which the schedule was revised on October 26, 2020. Accordingly, the jury trials are scheduled to be held on May 3, 2021. In this regard, the Parent Bank filed its recusal motion on July 14, 2020 and its other motions to dismiss the indictment on August 10, 2020 at the District Court.

Parent Bank's recusal motion was denied by the District Court on August 24, 2020 and by the Court of Appeals for the Second Circuit on December 23, 2020.

District Court denied Parent Bank's motion to dismiss the indictment on October 1, 2020. The Parent Bank appealed the Court of Appeals for the Second Circuit through the motion to dismiss the indictment based on the Foreign Sovereign Immunity Act (exemption from the jurisdiction of the US courts). On December 23, 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, the oral argument was presented on April 12, 2021. The Court of Appeals for the Second Circuit denied Halkbank's appeal on October 22nd, 2021.

In the process ahead, the Parent Bank submits a petition for the panel rehearing by the judges who denied the appeal in addition to an en banc rehearing at the Court of Appeals for the Second Circuit. Through the petition, the stay on the District Court proceedings shall be extended till the Second Circuit issues the opinion on the rehearing petition of the Parent Bank. If the rehearing petition on the Foreign Sovereign Immunity Act appeal of the Parent Bank is denied by the Second Circuit, the District Court needs to create a new schedule for the jury trials.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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

VII. OTHER EXPLANATIONS (continued)

In addition, a civil case was filed against the Parent Bank on March 27, 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 July 1, 2020. The Parent Bank filed a motion at the District Court to dismiss the complaint of plaintiffs on September 25, 2020. The case was fully briefed on December 16, 2020. District Court conditionally granted Parent Bank's motion to dismiss, filed on December 16, 2020, on the grounds of forum non conveniens. The case was closed at the District Court on March 3, 2021.

The Plaintiffs filed their appeal brief at the Court of Appeals for the Second Circuit as to the District Court's Decision on June 30, 2021. The case is fully briefed. The appeal is still ongoing at the Court of Appeals for the Second Circuit.

The proceedings of both the criminal case and civil case are closely monitored by the Parent Bank through the 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 July 19, 2019 and returned to Turkey, is completed. The decision of the conviction was confirmed.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

SECTION VI: LIMITED REVIEW REPORT

I. EXPLANATIONS ON LIMITED REVIEW REPORT

The Parent Bank's publicly available consolidated financial statements and footnotes as of 30 September 2021 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 11 November 2021 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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

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,

The world economy is reshaping to shake off the impact of COVID-19, which is one of the worst pandemics our world has witnessed in the last 100 years. Record-breaking pace of vaccination is driving efforts to return to our pre-pandemic lives. The threat has yet to be completely eliminated, but it has weakened overall despite the sporadic new variants. All countries, including Turkey, are now striving to be a part of the picture in the emerging global order.

International institutions underline the recovery, particularly in developed countries, over the first quarter of the year, while pointing at the significant divergence between countries. The International Monetary Fund (IMF) voiced significant concern over the asymmetrical vaccination practices between developed and developing countries turning into a source of divergence. The Organisation for Economic Co-operation and Development (OECD) shared similar concerns as well. The Economic Overlook Report released by the Organization noted improving economic recovery through the advances in vaccination and the support provided by public investment and central banks. However, it underscored that the significant difference between vaccination rates in countries have exacerbated inequalities in economic recovery.

As economies accelerated, the consequent rise in demand resulted in serious price increases for food, energy, and other goods. Furthermore, supply chain disruptions and surging inflation in many countries, particularly in the U.S., are other hot risk topics in the global economy.

Turkey has had a standout performance compared to other economies during this period. The extraordinary efforts of our Ministry of Health and decisive actions of relevant public institution heads to solve the vaccination issue, which plays a key role in the recovery of economies around the world, has boosted our economic activities. Indeed, we followed the United Kingdom in second place among the OECD countries with a 21.7 percent growth in the second quarter. The world's largest economy, the U.S., within the same period showed a 12.2 percent growth, while China, as the world's second largest economy, remained at 7.9 percent.

Turkey's strong and decisive growth positively influences end-of-year estimations. The Medium Term Plan prepared by the Ministry of Treasury and Economy and the Presidency of Strategy and Budget estimate the year-end growth at 9 percent, while the IMF, the OECD and other rating institutions estimate it around 8-9 percent.

This growth was driven by a strong export performance, triggered by rising foreign demand, that broke all records in the Republic's history. Our bank contributed in this period by supporting different segments of the society. I proudly emphasize that we are one the most important financial actors to fund the Turkish economy with our total loan support that reached 603 billion Turkish lira in the third quarter of the year. We have not only supported small business owners, artisans and SMEs with a particular focus on women entrepreneurs to help them survive and thrive, but with our tailored new products and services we have also contributed to the growth of business volume and enterprises, to the increase of production and investment, and therefore, to the expansion of employment and exports.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)

Assessment of Chairman of the Board of Directors (continued)

Of course, as a public bank that contains the word Halk in its name, we cannot be expected to limit our activities to finance. We were also one of the first to reach out to the victims of the aftermath of the devastating fires and floods that afflicted our country during the summer. We strived to respond to their urgent needs with our disaster relief vans, alleviate their pain and help them get back on their feet in areas struck by the disasters. We also donated 100,000 saplings to restore those forests lost to wildfires.

Following our founding mission and our 83 years of experience, we will continue to support the healthy development of our country, and to offer our resources to our people for their financial and social development. We will continue to provide exemplary services that will boost the dynamism of our financial system with the power we take from our large, 20,000-person family at Halkbank, all adopting a solution-oriented business approach. I would like to thank all our stakeholders and shareholders for putting their trust in us and inspiring us along the way.

Sincerely,

R. Süleyman ÖZDİL
Chairman

^(*) Interim activity report information concerning amounts are consolidated and full TRY unless otherwise state

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)

General Manager's Review

Dear Stakeholders,

At Halkbank, we expanded the scope of our support to artisans, tradespeople and SMEs and launched advantageous loan packages aimed at facilitating women entrepreneurs access to financing. Our Women Entrepreneur Loan Package and Productive Women Meetings have today become one of the biggest contributors to the women entrepreneur ecosystem of Turkey. In this context, the third quarter was a period full of impressive and fruitful developments. We had the opportunity to positively affect the lives of thousands of women throughout the country within a span of just seven months. We provided 6.4 billion Turkish lira to 67,000 women entrepreneurs through the financial channels specifically designed for women. We witnessed how, imbued with entrepreneurial zeal, our women have revitalized not just their own businesses, but their local economy as well. Our support for women entrepreneurs will continue toward its first-year goal of reaching 100,000 women and 10 billion Turkish lira.

Our women-oriented efforts have resonated not only in Turkey but also abroad as well. Our Bank competed against global finance and banking players to win five gold awards at the Stevie Awards for Great Employers and Globee Business Awards programs in both the "new financial products for women," and "supporting and empowering women entrepreneurs" categories.

In addition to the awards in recognition of our support for women, we were honored by awards for our other achievements. We were chosen as the "Bank of the Year" globally and "Employer of the Year" in the human resources category at the International Business Awards, regarded as the "Oscars" of the business world. These international awards have provided a huge motivation for all Halkbank employees in their efforts to help Turkey develop and nurture unique and innovative projects.

Through our projects, our Bank continues to be one of the greatest contributors to SMEs, artisans and tradespeople, who together constitute the lifeblood and backbone of Turkey's economy. We signed up 750,000 new tradespeople customers during the pandemic. As a result, the number of artisan and tradespeople borrowers increased to 1.2 million and our loan balance reached 76.1 billion Turkish lira. We reached a market share of 20.7 percent with 205.3 billion Turkish lira in SME loans.

Continuing to fulfill its responsibilities toward the Turkish economy, our Bank increased its total assets by 9.1 percent to 724.2 billion Turkish lira, and its total deposits, by 21.4 percent to 534.8 billion Turkish lira in the third quarter compared to the same quarter of 2020. Our cash loans rose to 462.9 billion Turkish lira and our total loans, by 7.5 percent to 603.1 billion Turkish lira.

The Turkish economy gained strong momentum during this period, which also proved to be a dynamic time for our Bank. After finishing the first quarter of the year with a 7.2-percent growth, our economy showed signs of recovery from the global pandemic with a record-breaking 21.7-growth during the second quarter. The biggest drivers of this success were the service and industrial sectors, which grew by 45.8 and 40.5 percent, respectively. The strong growth was also reflected in record high export figures. Our exports reached \$20.8 billion in September and set a record by crossing the \$20-billion mark in a single month for the first time in the history of our Republic.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)

General Manager's Review (continued)

Despite the exhilarating economic news, we were deeply saddened by the natural disasters that hit our country during the summer. Halkbank has stood by the victims from the very first day. We directed relief trucks and vehicles to the affected areas and provided urgently needed items, particularly food, to our citizens in need. We donated to a campaign initiated by the Banks Association of Turkey to provide 100,000 saplings to reforest areas affected by wildfires.

As the Turkish people showed strong solidarity with its emergency responders and volunteers in their fight against the wildfires and floods, our Bank supported our people during these trying times as it always has under any all conditions. I wish Allah's mercy upon those who lost their lives, and I also wish Turkish people a quick recovery.

Dear Stakeholders,

Following the great achievements we made in the third quarter, we will continue to develop and implement projects that will help improve the economic and social wellbeing of our people in the upcoming period, and we will begin this process with micro-businesses. Our biggest supporters during this quest will be you, our esteemed investors. We thank you for your unwavering support and extend our gratitude for your trust in our Bank.

Sincerely,

Osman ARSLAN
General Manager

(*) 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
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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)

Major Financial Information

Summary Balance Sheet (TRY Million)	September 2021	December 2020	Change (%)
Total Assets	744.890	696.215	7,0
Loans	473.856	457.210	3,6
<i>TRY</i>	362.740	353.823	2,5
<i>FC</i>	111.116	103.387	7,5
Marketable Securities	176.632	161.073	9,7
Deposit	548.439	468.062	17,2
<i>TRY</i>	272.979	261.818	4,3
<i>FC</i>	275.460	206.244	33,6
Total Equity	42.800	42.779	0,1

Summary Statement of Profit or Loss (TRY Million)	September 2021	September 2020	Change (%)
Interest Income	54.300	38.930	39,5
<i>On Loan</i>	38.228	27.945	36,8
<i>On Securities</i>	14.420	10.252	40,7
Interest Expense	48.439	22.087	119,3
<i>On Deposit</i>	32.299	14.260	126,5
Net Interest Income	5.861	16.843	(65,2)
Net Fee and Commission	3.105	2.125	46,1
Net Profit	434	3.033	(85,7)

Ratio (%)	September 2021	December 2020
Cash Loans/Total Asset	63,6	65,7
Non-Performing Loans/Total Cash Loans (Gross)	3,4	3,7
Demand Deposit/Total Deposit	21,2	19,4
Loan/Deposit Ratio	86,4	97,7
Average Return on Asset (ROA)	0,08	0,63
Average Return on Equity (ROE)	1,36	9,85
Capital Adequacy Ratio	12,96	14,56

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)

2021 Third Quarter Interim Developments

Significant Developments

- Our Bank has issued bonds and bill with a par value of 3,768,000,000 Turkish lira to the qualified investors throughout this period.

New Products and Campaigns

- “Immediate Support Loan for SMEs Affected by Natural Disasters” were established so that SMEs whose commercial activities have been damaged due to natural disasters, especially earthquakes, floods and fires meet the urgent financing needs.

^(*) Interim activity report information concerning amounts are consolidated and full TRY unless otherwise stated