

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

Türkiye Halk Bankası Anonim Şirketi

Consolidated Financial Statements

As of 31 December 2019

With Auditors' Report Thereon

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

14 February 2020

*This report contains "Auditors' Report" comprising
8 pages and; "Consolidated Financial Statements
and Related Disclosures and Footnotes" comprising
158 pages.*

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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Consolidated Financial Statements

1) Qualified Opinion

We have audited the consolidated financial statements of Türkiye Halk Bankası A.Ş. ("the Bank") and its consolidated subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of income, consolidated statement of income and expense items accounted for under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters on the consolidated financial statements described in the basis for the qualified opinion paragraphs, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

2) Basis for Qualified Opinion

During the current period, the Group reversed the total amount of general reserve amounting to TRY 451.000 thousand which was booked as of 31 December 2018. If the mentioned general provision had not been made in the prior period and not reversed in the current period, the prior periods' income would be higher by TRY 451.000 thousand and the net profit for the period would be lower by TRY 451.000 thousand as at 31 December 2019.

The Group reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost as at 31 December 2019 amounted to TRY 17.116.550 thousand. If such classification were not made, total assets and shareholders’ equity excluding tax effect would be lower by TRY 1.119.260 thousand as at 31 December 2019.

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

3) Emphasis of Matter

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

On 15 October 2019, an indictment prepared by the New York Southern District Attorney General of the United States (“US”) Department of Justice for violation of Iranian sanctions and a lawsuit was filed against the Parent Bank in the New York Southern District Court (“District Court”). This case and the Parent Bank’s objections in the District Court and the appeal process in the US Second Circuit Court of Appeals are ongoing. On 31 January 2020, the US Second Circuit Court of Appeals, granted a temporary stay on the New York Southern District Court litigation.

In addition, the appeal process of the case which resulted in conviction for the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

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

4) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p><i>Impairment of loans in accordance with TFRS 9</i></p> <p>Impairment of loans is a key area of judgement for the management. The Group has the total loans and receivables amounting to TRY 318.970.617 thousands, which comprise 68% of the Group's total assets in its consolidated financial statements and the total provision for impairment amounting to TRY 12.031.340 as at 31 December 2019.</p> <p>As of 1 January 2018, the Group recognizes provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. Applied accounting policies are explained in detail in the Section 3 Note VIII. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.</p> <p>The Group exercises significant decisions using judgement, interpretation and assumptions over calculating loan impairments. These judgements, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans.</p> <p>There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of the TFRS 9. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter.</p> <p>Related explanations relating to the impairment of loans and receivables are presented in Section V Note I.5.</p>	<p>As part of our audit work, the following procedures were performed:</p> <p>We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Group with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.</p> <p>We have read and analysed the relevant contract terms to assess management's accounting policy and classification of the instrument for selected samples.</p> <p>We have performed loan review procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant standard.</p> <p>We have tested relevant inputs and assumptions used by the management in each stage of the expected credit loss calculation by considering whether those appear reasonable, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.</p> <p>We have tested historical loss data to validate the completeness and accuracy of key parameters.</p> <p>We have tested whether the model is applied to appropriate groupings of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets' exposure periods.</p> <p>We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.</p> <p>Based on our discussions with the Group management, we evaluated whether the key assumptions and other judgements underlying the estimations of impairments were reasonable.</p>

	<p>Our specialists are involved in all procedures related to models and assumptions.</p> <p>In addition, we have evaluated the appropriateness of specific impairment provision with supportable input for non-performing loans which are assessed on individual basis by the Group. Based on our discussions with the Group management, we have evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.</p> <p>We have reviewed disclosures made within the TFRS 9 framework in the consolidated financial statements of the Group with respect to loans and receivables and related impairment provisions.</p>
Key Audit Matter	How the matter was addressed in the audit
<p><i>Valuation of Pension Fund Obligations</i></p> <p>Defined benefit pension plan that the Parent Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı and T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı (“Plan”) which were established by the 20th provisional article of the Social Security Law numbered 506 (“Law”).</p> <p>As disclosed in the Section III Note XIX to the consolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation (“SSF”) as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds’ members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation deed.</p> <p>As of 31 December 2019, the Parent Bank’s transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Plan liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in the Plan. Management uses expert</p>	<p>Our audit work included the following procedures:</p> <p>We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates.</p> <p>It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.</p> <p>In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank’s actuary.</p> <p>We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable.</p>

<p>opinion of the independent actuary in assessing uncertainties related to these underlying assumptions and estimates.</p> <p>As described in Section Five Note II.9.f considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this a key audit matter.</p>	
Key Audit Matter	How the matter was addressed in the audit
<p><i>Information Technologies Audit</i></p> <p>The Group and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Group and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Group means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.</p>	<p>Procedures within the context of our information technology audit work:</p> <p>We identified and tested the Group' controls over information systems as part of our audit procedures.</p> <p>Information generation comprise all layers of information systems including applications, networks, transmission systems and database. The information systems controls tested are categorized in the following areas:</p> <ul style="list-style-type: none"> • Manage security • Manage changes • Manage operations <p>We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner.</p> <p>We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.</p> <p>Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation.</p> <p>We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components.</p> <p>Finally, we understood and tested the controls over database, network, application and operating system layers of applications.</p>

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

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

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

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

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January - 31 December 2019 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

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

The engagement partner on the audit resulting in this independent auditor's report is Hasan Kılıç.

Additional Paragraph for English Translation

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

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

Hasan Kılıç
Partner

Istanbul, 14 February 2020

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

Subsidiaries		Associates	
1.	Halk Yatırım Menkul Değerler AŞ	1.	Demir-Halk Bank N.V.
2.	Halk Sigorta AŞ	2.	Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3.	Halk Hayat ve Emeklilik AŞ	3.	Türk P ve I Sigorta AŞ
4.	Halk Gayrimenkul Yatırım Ortaklığı AŞ		
5.	Halk Finansal Kiralama AŞ		
6.	Halk Faktoring AŞ		
7.	Halk Banka A.D., Skopje		
8.	Halkbank A.D. Beograd		
9.	Halk Varlık Kiralama AŞ		

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2019 are prepared **in thousand Turkish Lira** and they have been audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Istanbul, 14 February 2020

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

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

Name/Title : Turgay Ayık/Director
Tel : 0216 503 52 14
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	6
VI. Explanation About Companies Within The Scope Of Consolidation	7
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	9
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	9

SECTION TWO

Consolidated Financial Statements

I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)	11
II. Consolidated Statement of Off-Balance Sheet Items	13
III. Consolidated Statement of Income	14
IV. Consolidated Statement of Profit or Loss and Other Comprehensive Income	15
V. Consolidated Statement of Changes in Shareholders' Equity	16
VI. Consolidated Statement of Cash Flows	17
VII. Consolidated Statement of Profit Distribution	18

SECTION THREE

Explanations on Consolidated Accounting Policies

I. Explanations on Basis of Presentation	19
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	20
III. Information About the Consolidated Associates and Subsidiaries	20
IV. Explanations on Forward and Option Contracts and Derivative Products	22
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	31
XII. Explanations on Goodwill and Other Intangible Assets	31
XIII. Explanations on Property and Equipment	32
XIV. Explanations on Investment Properties	32
XV. Explanations on Leasing Transactions	33
XVI. Explanations on Insurance Technical Income and Expense	33
XVII. Explanations on Insurance Technical Provisions	33
XVIII. Explanations on Provisions and Contingent Liabilities	34
XIX. Explanations on Employee Benefit Liabilities	34
XX. Explanations on Taxation	36
XXI. Additional Explanations on Borrowings	38
XXII. Explanations on Shares Issued	38
XXIII. Explanations on Bill Guarantees and Acceptances	38
XXIV. Explanations on Government Incentives	38
XXV. Explanations on Segment Reporting	38
XXVI. Explanations on TFRS 16 Leases Standard	39
XXVII. Explanations on Other Matters	40

SECTION FOUR

Information Related to Financial Position and Risk Management of the Group

I.	Explanations on Consolidated Equity	41
II.	Explanations on Consolidated Credit Risk	48
III.	Explanations on Consolidated Currency Risk	59
IV.	Explanations on Consolidated Interest Rate Risk	61
V.	Explanations on Consolidated Position Risk of Shares	66
VI.	Explanations on Consolidated Liquidity Risk and Liquidity Coverage Ratio	67
VII.	Explanations on Consolidated Leverage Ratio	73
VIII.	Explanations Related to Consolidated Business Segmentation	75
IX.	Explanations on Presentation of the Consolidated Financial Assets and Liabilities at Fair Value	78
X.	Explanations Related to Transactions Made on Behalf of Others and Transactions Based on Trust	80
XI.	Explanations on Consolidated Risk Management and Risk Weighted Amounts	81
XII.	Explanations on Remuneration Policies	93

SECTION FIVE

Explanations and Notes Related to the Consolidated Financial Statements

I.	Explanations and Notes Related to the Assets	95
II.	Explanations and Notes Related to the Liabilities	124
III.	Explanations and Notes Related to the Off-Balance Sheet Items	138
IV.	Explanations and Notes Related to the Income Statement	143
V.	Explanations and Notes Related to the Statement of Changes in Shareholders' Equity	151
VI.	Explanations and Notes Related to the Cash Flow Statements	152
VII.	Explanations Related to the Risk Group of the Parent Bank	154
VIII.	Explanations on The Parent Bank's Domestic Branches, Agencies/Branches Abroad and Off-Shore Branches	156
IX.	Explanation Related to the Subsequent Events	156

SECTION SIX

Other Explanations

I.	Other Explanations on the Parent Bank's Other Activities	157
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SECTION SEVEN

Auditors' Report

I.	Explanations on the Auditor's Report	158
II.	Explanations and Notes Prepared by the Auditors	158

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

As of 31 December 2019 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2019	%	31 December 2018	%
Türkiye Varlık Fonu ⁽¹⁾	638.276	51,06	638.276	51,06
Public shares ⁽¹⁾	611.643	48,93	611.641	48,93
Other shareholders ⁽²⁾	81	0,01	83	0,01
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ The shares of the Türkiye Varlık Fonu amounting to TRY 550 have been included in Public shares. With these shares, the total shares amounting TRY 638.826 held by the Türkiye Varlık Fonu is 51,11% of the total shares.

⁽²⁾ TRY 79 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) while TRY 2 of which belong to shareholders whose shares are monitored under the shares not registered under the custody of the Central Securities Depository of Turkey due to the ongoing legal action.

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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
Himmet KARADAĞ	Vice Chairman of the Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Meltem TAYLAN AYDIN	Member of the Board of Directors
Mehmet Emin ÖZCAN	Independent Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Sadık TILTAK	Independent Member of the Board of Directors, Chairman of the Audit Committee
Sezai UÇARMAK	Member of the Supervisory Board
Mevlüt UYSAL	Member of the Supervisory Board
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
İlhan BÖLÜKBAŞ	Executive Vice President, Loan Allocation and Management
Ergin KAYA	Executive Vice President, Banking Operations and Information Technology
Yalçın MADENCİ	Executive Vice President, Corporate and Commercial Marketing
Yusuf Duran OCAK	Executive Vice President, Financial Management and Planning
Serdar SÜRER	Executive Vice President, Treasury Management and International Banking
Hasan TUNCAY	Executive Vice President, Retail Banking
Nazmi BAĞDINLI	Executive Vice President (P.P), Loan Policies, Risk Monitoring, and Legal

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 (continued)

- a) The professionals to the Parent Bank’s top management who have assigned to their position in 2019 are listed with titles and dates of assignment.

Title	Name	Starting Date
Member of the Board of Directors	Sezai UÇARMAK	27 February 2019
Executive Vice President	Erkan KİLİMCİ	22 February 2019
Member of the Board of Directors	Mehmet Emin ÖZCAN	27 May 2019
Member of the Board of Directors	Mevlüt UYSAL	27 May 2019
Executive Vice President	Yalçın MADENCİ	11 June 2019
Executive Vice President	İlhan BÖLÜKBAŞ	11 June 2019
Executive Vice President (P.P)	Serdar SÜRER	8 July 2019
Executive Vice President (P.P)	Nazmi BAĞDINLI	9 August 2019
Executive Vice President	Serdar SÜRER	6 December 2019

- b) The professionals from the Parent Bank’s top management who have left their position in 2019 are listed with titles and dates of leaving.

Title	Name and Surname	Leaving Date
Member of the Board of Directors	Mehmet Nihat ÖMEROĞLU	27 May 2019
Member of the Board of Directors	Ahmet YARIZ	27 May 2019
Executive Vice President	Selahattin SÜLEYMANOĞLU	31 May 2019
Executive Vice President	Mehmet Akif AYDEMİR	31 May 2019
Executive Vice President	Mustafa ÇÖDEK	31 May 2019
Executive Vice President	Metin KÖSTEK	31 May 2019
Executive Vice President	Mehmet Sebahattin BULUT	31 May 2019
Executive Vice President	Erkan KİLİMCİ	25 June 2019

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

a) General information about the Bank:

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

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

As of 31 December 2019, the Bank operates with a total of 1006 branches consisting of 1000 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 41 satellite branches. The Bank has also 3 representative office in England, Singapore and Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

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

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

The Parent Bank’s associates;

- Demir-Halk Bank N.V.
- Kobi Girişim Sermayesi Yatırım Ortaklığı A.Ş.
- Türk P ve I Sigorta A.Ş.

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

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

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

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

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

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

Halk Sigorta AŞ ("Halk Sigorta") was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives. Halk Sigorta's business name was changed to Halk Sigorta AŞ from Birlik Sigorta AŞ at the Extraordinary General Assembly Meeting held on 27 December 2010.

Halk Hayat ve Emeklilik AŞ ("Halk Emeklilik") was established in 1998 under the business name of Birlik Hayat Sigorta AŞ to operate in life and personal accident insurance, coinsurance, reinsurance and retrocession businesses for individuals both in Turkey and abroad. Halk Emeklilik became a subsidiary in early 2006 when Halkbank acquired the shares held by Türkiye Halk Bankası Personnel Provident Fund.

Within the scope of the planned structural reforms within the framework of the New Economic Program, the negotiations has started with Türkiye Varlık Fonu Yönetimi A.Ş. ("TVF") for the transfer of 89,18% of the shares of Halk Sigorta A.Ş and all shares of Halk Hayat ve Emeklilik A.Ş. owned by the Parent Bank to the TVF establishing a new company to acquire these shares. Based on this decision of combining the insurance and life and pension companies under the control of public banks under a single umbrella, the Parent Bank has classified Halk Sigorta and Halk Hayat ve Emeklilik A.Ş. as Assets for Held for Sale and Discontinued Operations in the current period. 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 Menkul Değerler AŞ ("Halk Yatırım"), was established in 1997 to carry out capital markets activities, to purchase and sell capital markets instruments, and to execute stock exchange transactions. Halk Yatırım became a subsidiary in early 2006 when Halkbank bought the shares of Turkey Halk Bankası Personnel Provident Fund.

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

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

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

Due to the differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards (TAS), the non-financial subsidiary, Bileşim Alternatif Dağ. Kan. AŞ, is not accounted for under consolidation principles in the consolidated financial statements. In the financial statements prepared in accordance with International Financial Reporting Standards, Bileşim Alternatif Dağ. Kan. AŞ is included in the scope of consolidation by-line method.

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ, Halk Banka A.D. Skopje, Halk Faktoring AŞ, Halkbank A.D. Beograd and Halk Varlık Kiralama AŞ are included in the scope of consolidation by line-by-line method.

Demir-Halk Bank N.V. ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta 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
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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
- VII. Statement of Profit Distribution

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019

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

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

ASSETS	Note	Audited Current Period 31 December 2019			Audited Prior Period 31 December 2018		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		30.233.397	42.074.025	72.307.422	21.452.260	39.789.022	61.241.282
1.1 Cash and Cash Equivalents		3.057.952	36.497.025	39.554.977	4.215.704	36.559.750	40.775.454
1.1.1 Cash and Balances with Central Bank	(1)	2.472.611	32.841.376	35.313.987	3.983.094	31.596.630	35.579.724
1.1.2 Banks	(3)	508.021	3.655.952	4.163.973	181.392	4.964.779	5.146.171
1.1.3 Money Markets		87.138	-	87.138	65.318	-	65.318
1.1.4 Expected Loss Provision (-)		9.818	303	10.121	14.100	1.659	15.759
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	16.295.809	9.954	16.305.763	14.516.355	22.580	14.538.935
1.2.1 Government Debt Securities		16.131.520	64	16.131.584	14.415.482	21.455	14.436.937
1.2.2 Equity Instruments		145.601	9.890	155.491	74	1.125	1.199
1.2.3 Other Financial Assets		18.688	-	18.688	100.799	-	100.799
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	10.875.940	4.418.750	15.294.690	2.720.192	2.144.620	4.864.812
1.3.1 Government Debt Securities		10.275.808	4.283.752	14.559.560	2.579.303	2.058.759	4.638.062
1.3.2 Equity Instruments		20.049	134.998	155.047	24.793	85.861	110.654
1.3.3 Other Financial Assets		580.083	-	580.083	116.096	-	116.096
1.4 Derivative Financial Assets	(2)(11)	3.696	1.148.296	1.151.992	9	1.062.072	1.062.081
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		3.696	1.148.296	1.151.992	9	1.062.072	1.062.081
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)		267.318.842	112.081.816	379.400.658	212.632.972	102.399.552	315.032.524
2.1 Loans	(5)	222.430.880	90.963.797	313.394.677	173.737.859	89.093.926	262.831.785
2.2 Lease Receivables	(10)	1.021.658	2.369.156	3.390.814	1.021.724	2.465.872	3.487.596
2.3 Factoring Receivables		2.146.745	38.381	2.185.126	1.277.726	139.535	1.417.261
2.4 Other Financial Assets Measured at Amortised Cost	(6)	53.297.037	19.174.085	72.471.122	45.172.546	11.158.799	56.331.345
2.4.1 Government Debt Securities		53.246.524	19.174.085	72.420.609	45.110.909	11.158.799	56.269.708
2.4.2 Other Financial Assets		50.513	-	50.513	61.637	-	61.637
2.5 Expected Credit Loss (-)		11.577.478	463.603	12.041.081	8.576.883	458.580	9.035.463
III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(16)	1.009.587	66.831	1.076.418	9.593	-	9.593
3.1 Held for Sale		1.009.587	66.831	1.076.418	9.593	-	9.593
3.2 Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		116.254	476.980	593.234	84.321	431.547	515.868
4.1 Investments in Associates (Net)	(7)	32.254	476.980	509.234	27.175	431.547	458.722
4.1.1 Associates Valued Based on Equity Method		21.152	476.980	498.132	17.823	431.547	449.370
4.1.2 Unconsolidated Associates		11.102	-	11.102	9.352	-	9.352
4.2 Subsidiaries (Net)	(8)	84.000	-	84.000	57.146	-	57.146
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non- Financial Subsidiaries		84.000	-	84.000	57.146	-	57.146
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)	(12)	9.107.424	201.549	9.308.973	4.514.930	124.956	4.639.886
VI. INTANGIBLE ASSETS (Net)	(13)	166.525	38.734	205.259	149.098	34.313	183.411
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		166.525	38.734	205.259	149.098	34.313	183.411
VII. INVESTMENT PROPERTIES (Net)	(14)	1.096.814	7.649	1.104.463	967.406	5.995	973.401
VIII. CURRENT TAX ASSET		602	7.469	8.071	19.860	6.183	26.043
IX. DEFERRED TAX ASSET	(15)	48.878	3.462	52.340	95.326	3.019	98.345
X. OTHER ASSETS (Net)	(17)	4.115.999	458.990	4.574.989	4.406.874	1.094.449	5.501.323
TOTAL ASSETS		313.214.322	155.417.505	468.631.827	244.332.640	143.889.036	388.221.676

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2019

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

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

		Audited			Audited		
		Current Period			Prior Period		
		31 December 2019			31 December 2018		
LIABILITIES	Note	TRY	FC	TOTAL	TRY	FC	TOTAL
I. DEPOSITS	(1)	163.097.510	137.590.041	300.687.551	137.508.551	113.070.969	250.579.520
II. FUNDS BORROWED	(3)	1.410.975	12.756.895	14.167.870	1.286.624	13.987.856	15.274.480
III. MONEY MARKETS		50.388.047	2.951.294	53.339.341	32.815.996	5.402.273	38.218.269
IV. SECURITIES ISSUED (Net)	(4)	8.781.602	10.512.530	19.294.132	4.321.374	12.024.839	16.346.213
4.1 Bills		4.745.320	-	4.745.320	2.164.993	-	2.164.993
4.2 Assets Backed Securities		2.651.546	-	2.651.546	1.951.469	-	1.951.469
4.3 Bonds		1.384.736	10.512.530	11.897.266	204.912	12.024.839	12.229.751
V. FUNDS	(5)	3.209.004	-	3.209.004	2.874.121	-	2.874.121
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		3.209.004	-	3.209.004	2.874.121	-	2.874.121
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(2) (8)	334	353.384	353.718	16	410.323	410.339
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		334	353.384	353.718	16	410.323	410.339
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		1.081	426	1.507	2.310	107	2.417
IX. LEASE LIABILITIES	(7)	534.189	109.870	644.059	85	-	85
X. PROVISIONS	(9)	1.678.800	71.545	1.750.345	4.153.786	13.000	4.166.786
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.119.640	14.108	1.133.748	915.732	10.886	926.618
10.3 Insurance for Technical Provision (Net)		-	53.652	53.652	2.215.153	-	2.215.153
10.4 Other Provisions		559.160	3.785	562.945	1.022.901	2.114	1.025.015
XI. CURRENT TAX LIABILITY	(10)	1.324.515	8.772	1.333.287	729.532	8.140	737.672
XII. DEFERRED TAX LIABILITIES	(10)	315.308	2.152	317.460	453.608	2.152	455.760
XIII. NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(11)	3.098.809	85.508	3.184.317	2.030	-	2.030
13.1 Held for Sale		3.098.809	85.508	3.184.317	2.030	-	2.030
13.2 Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	6.037.858	6.146.988	12.184.846	6.182.084	-	6.182.084
14.1 Loans		-	6.146.988	6.146.988	-	-	-
14.2 Other Debt Instruments		6.037.858	-	6.037.858	6.182.084	-	6.182.084
XV. OTHER LIABILITIES	(6)	24.768.998	1.198.004	25.967.002	22.367.642	1.063.018	23.430.660
XVI. SHAREHOLDERS' EQUITY	(13)	31.561.248	636.140	32.197.388	29.098.151	443.089	29.541.240
16.1 Paid-in Capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
16.2 Capital Reserves		1.014.978	412	1.015.390	1.267.795	-	1.267.795
16.2.1 Share Premium		39.773	-	39.773	39.740	-	39.740
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		975.205	412	975.617	1.228.055	-	1.228.055
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.650.400	1.500	2.651.900	2.486.596	(105)	2.486.491
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		337.320	(83.834)	253.486	(39.253)	(154.979)	(194.232)
16.5 Profit Reserves		23.664.169	388.010	24.052.179	20.490.940	329.114	20.820.054
16.5.1 Legal Reserves	(14)	2.459.822	29.703	2.489.525	2.009.871	8.868	2.018.739
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		21.157.205	104.574	21.261.779	18.433.927	104.574	18.538.501
16.5.4 Other Profit Reserves		47.142	253.733	300.875	47.142	215.672	262.814
16.6 Income or (Loss)		2.362.968	324.212	2.687.180	3.400.708	263.783	3.664.491
16.6.1 Prior Periods' Income or (Loss)		179.946	239.626	419.572	808.240	199.604	1.007.844
16.6.2 Current Period Income or (Loss)		2.183.022	84.586	2.267.608	2.592.468	64.179	2.656.647
16.7 Minority Shares	(15)	281.413	5.840	287.253	241.365	5.276	246.641
TOTAL LIABILITIES		296.208.278	172.423.549	468.631.827	241.795.910	146.425.766	388.221.676

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 31 DECEMBER 2019
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS

		Audited			Audited		
		Current Period			Prior Period		
		31 December 2019			31 December 2018		
OFF-BALANCE SHEET	Note	TRY	FC	TOTAL	TRY	FC	TOTAL
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		83.750.565	113.362.625	197.113.190	70.479.149	89.431.738	159.910.887
I. GUARANTEES AND WARRANTIES	(1)	40.418.066	50.599.764	91.017.830	36.985.278	46.684.697	83.669.975
1.1 Letters of guarantee		37.770.126	39.576.362	77.346.488	34.982.709	36.415.106	71.397.815
1.1.1 Guarantees subject to public procurement law		2.075.214	11.132.077	13.207.291	1.982.722	12.444.947	14.427.669
1.1.2 Guarantees given for foreign trade operations		-	91.930	91.930	-	64.120	64.120
1.1.3 Other letters of guarantee		35.694.912	28.352.355	64.047.267	32.999.987	23.906.039	56.906.026
1.2 Bank loans		8.260	6.953.738	6.961.998	11.845	7.038.415	7.050.260
1.2.1 Import acceptances		-	27.704	27.704	-	94.572	94.572
1.2.2 Other bank acceptances		8.260	6.926.034	6.934.294	11.845	6.943.843	6.955.688
1.3 Letters of credit		16.891	3.884.760	3.901.651	119.895	3.110.315	3.230.210
1.3.1 Documentary letters of credit		16.891	3.884.760	3.901.651	119.895	3.110.315	3.230.210
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		2.622.789	184.904	2.807.693	1.870.829	120.861	1.991.690
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS	(1)	28.057.633	4.628.061	32.685.694	24.243.741	3.598.496	27.842.237
2.1 Irrevocable commitments		27.742.136	2.136.154	29.878.290	24.091.603	2.105.823	26.197.426
2.1.1 Forward asset purchase commitments		967.531	1.265.092	2.232.623	807.737	1.228.932	2.036.669
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		2.564.640	573.699	3.138.339	4.159.896	530.684	4.690.580
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for Cheques		3.219.679	-	3.219.679	2.661.413	-	2.661.413
2.1.8 Tax and fund liabilities from export commitments		83.156	-	83.156	65.280	-	65.280
2.1.9 Commitments for credit card expenditure limits		16.709.743	63.100	16.772.843	12.674.648	54.296	12.728.944
Commitments for credit cards and banking services		-	-	-	-	-	-
2.1.10 promotions		24.943	-	24.943	31.409	-	31.409
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		4.172.444	234.263	4.406.707	3.691.220	291.911	3.983.131
2.2 Revocable commitments		315.497	2.491.907	2.807.404	152.138	1.492.673	1.644.811
2.2.1 Revocable loan granting commitments		-	1.347.727	1.347.727	-	1.137.584	1.137.584
2.2.2 Other revocable commitments		315.497	1.144.180	1.459.677	152.138	355.089	507.227
III. DERIVATIVE FINANCIAL INSTRUMENTS		15.274.866	58.134.800	73.409.666	9.250.130	39.148.545	48.398.675
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		15.274.866	58.134.800	73.409.666	9.250.130	39.148.545	48.398.675
3.2.1 Forward foreign currency buy/sell transactions		1.508.922	3.824.584	5.333.506	1.805.572	5.242.539	7.048.111
3.2.1.1 Forward foreign currency transactions-buy		779.407	1.490.061	2.269.468	1.553.375	3.067.752	4.621.127
3.2.1.2 Forward foreign currency transactions-sell		729.515	2.334.523	3.064.038	252.197	2.174.787	2.426.984
3.2.2 Currency and interest rate swaps		12.849.494	48.469.357	61.318.851	5.146.767	28.105.082	33.251.849
3.2.2.1 Currency swap-buy		432.526	15.653.590	16.086.116	1.012.983	7.070.935	8.083.918
3.2.2.2 Currency swap-sell		11.996.968	5.528.265	17.525.233	4.133.784	3.641.263	7.775.047
3.2.2.3 Interest rate swap-buy		210.000	13.643.751	13.853.751	-	8.696.442	8.696.442
3.2.2.4 Interest Rate swap-sell		210.000	13.643.751	13.853.751	-	8.696.442	8.696.442
3.2.3 Currency, interest rate and marketable securities options		916.450	2.604.064	3.520.514	2.297.791	3.561.455	5.859.246
3.2.3.1 Currency call options		457.977	1.302.273	1.760.250	1.148.905	1.780.728	2.929.633
3.2.3.2 Currency put options		458.473	1.301.791	1.760.264	1.148.886	1.780.727	2.929.613
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		-	3.236.795	3.236.795	-	2.239.469	2.239.469
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		1.210.945.097	362.728.818	1.573.673.915	957.578.147	312.632.590	1.270.210.737
IV. CUSTODIES		571.163.381	50.656.660	621.820.041	435.748.450	42.655.486	478.403.936
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		207.557.418	1.420.996	208.978.414	164.714.542	1.017.194	165.731.736
4.3 Cheques in collection process		15.793.262	31.771.413	47.564.675	15.459.699	26.465.087	41.924.786
4.4 Commercial notes in collection process		289.702.098	7.018.616	296.720.714	239.248.814	5.578.699	244.827.513
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		4.005.746	810.205	4.815.951	4.281.053	486.438	4.767.491
4.8 Custodians		54.104.857	9.635.430	63.740.287	12.044.342	9.108.068	21.152.410
V. PLEDGED ASSETS		639.781.716	312.072.158	951.853.874	521.829.697	269.977.104	791.806.801
5.1 Marketable securities		5.805.905	1.236.225	7.042.130	5.910.919	772.952	6.683.871
5.2 Collateral notes		7.208.610	1.344.753	8.553.363	7.602.929	1.172.031	8.774.960
5.3 Commodity		25.813	-	25.813	25.812	-	25.812
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		500.970.141	253.826.850	754.796.991	384.296.983	225.968.770	610.265.753
5.6 Other pledged assets		120.641.178	42.752.230	163.393.408	76.479.920	39.614.525	116.094.445
5.7 Pledges		5.130.069	12.912.100	18.042.169	47.513.134	2.448.826	49.961.960
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1.294.695.662	476.091.443	1.770.787.105	1.028.057.296	402.064.328	1.430.121.624

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF 31 DECEMBER 2019
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. CONSOLIDATED STATEMENT OF INCOME

		Audited Current Period	Audited Prior Period
		1 January- 31 December 2019	1 January- 31 December 2018
INCOME AND EXPENSES	Note		
I. INTEREST INCOME	(1)	47.668.735	37.617.675
1.1 Interest on Loans		37.221.483	28.994.809
1.2 Interest on Reserve Requirements		96.989	97.387
1.3 Interest on Banks		344.109	666.605
1.4 Interest on Money Market Transactions		69.368	58.064
1.5 Interest on Marketable Securities Portfolio		9.197.377	7.151.547
1.5.1 Fair Value Through Profit or Loss		16.557	19.110
1.5.2 Fair Value Through Other Comprehensive Income		1.522.716	347.139
1.5.3 Measured at Amortized Cost		7.658.104	6.785.298
1.6 Financial Lease Interest Income		322.356	272.064
1.7 Other Interest Income		417.053	377.199
II. INTEREST EXPENSE (-)	(2)	36.007.406	28.674.763
2.1 Interest on Deposits		23.011.889	20.298.335
2.2 Interest on Funds Borrowed		552.139	769.204
2.3 Interest Expense on Money Market Transactions		9.445.246	5.795.550
2.4 Interest on Securities Issued		2.637.772	1.555.203
2.5 Interest on Leases		96.205	-
2.6 Other Interest Expenses		264.155	256.471
III. NET INTEREST INCOME (I - II)		11.661.329	8.942.912
IV. NET FEES AND COMMISSIONS INCOME		2.716.482	1.904.363
4.1 Fees and Commissions Received		3.851.049	2.831.050
4.1.1 Non – cash Loans		936.746	625.174
4.1.2 Other	(13)	2.914.303	2.205.876
4.2 Fees and Commissions Paid (-)		1.134.567	926.687
4.2.1 Non – cash Loans		4.692	3.835
4.2.2 Other	(13)	1.129.875	922.852
V. DIVIDEND INCOME	(3)	14.441	13.177
VI. TRADING INCOME / LOSS (Net)	(4)	(3.227.754)	231.483
6.1 Trading Gains / (Losses) on Securities		294.927	33.081
6.2 Gains / (Losses) on Derivate Financial Transactions		(1.473.142)	1.979.221
6.3 Foreign Exchange Gains / (Losses)		(2.049.539)	(1.780.819)
VII. OTHER OPERATING INCOME	(5)	2.620.242	2.489.370
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		13.784.740	13.581.305
IX. EXPECTED LOSS PROVISIONS (-)	(6)	4.672.517	2.598.891
X. OTHER PROVISION EXPENSES (-)	(6)	147.354	821.625
XI. PERSONNEL EXPENSE (-)		3.029.501	2.608.022
XII. OTHER OPERATING EXPENSES (-)	(7)	3.562.647	4.546.592
XIII. NET OPERATING INCOME /LOSS (IX-X-XI)		2.372.721	3.006.175
XIV. INCOME AFTER MERGER		-	-
XV. INCOME /(LOSS) FROM INVESTMENTS IN SUBSIDIARIES		-	-
CONSOLIDATED BASED ON EQUITY METHOD		33.538	26.620
XVI. INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XVII. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(8)	2.406.259	3.032.795
XVIII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(9)	(306.921)	(361.833)
18.1 Current Tax Provision		477.171	175.752
18.2 Deferred Tax Income Effect (+)		1.221.643	1.161.994
18.3 Deferred Tax Expense Effect (-)		1.391.893	975.913
XIX. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(10)	2.099.338	2.670.962
XX. INCOME FROM DISCONTINUED OPERATIONS		2.163.741	22.727
20.1 Income from non- Current Assets Held for Sale		2.163.741	22.727
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3 Income from Other Discontinued Operations		-	-
XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)		1.798.587	9.737
21.1 Expenses for Non-current Assets Held for Sale		1.798.587	9.737
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)	(8)	365.154	12.990
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(9)	(171.619)	(2.860)
23.1 Current Tax Provision		176.370	2.890
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		4.751	30
XXIV. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)	(10)	193.535	10.130
XXV. NET PROFIT/(LOSS) (XVIII+XXIII)	(11)	2.292.873	2.681.092
25.1 Profit / (Loss) of Group		2.267.608	2.656.647
25.2 Profit / (Loss) of Minority Shares (-)	(12)	25.265	24.445
Profit / (Loss) Per Share (full TRY)		1,8140864	2,1253176

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

TÜRKİYE HALK BANKASI AŞ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF 31 DECEMBER 2019

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

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

		Audited	Audited
		Current Period	Prior Period
		1 January - 31 December	1 January - 31 December
		2019	2018
STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY			
I.	CURRENT PERIOD INCOME/LOSS	2.292.873	2.681.092
II.	OTHER COMPREHENSIVE INCOME	609.117	657.118
2.1	Not Reclassified Through Profit or Loss	161.399	225.317
2.1.1	Property and Equipment Revaluation Increase/Decrease	206.466	211.669
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(87.021)	24.320
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	29.011	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	12.943	(10.672)
2.2	Reclassified Through Profit or Loss	447.718	431.801
2.2.1	Foreign Currency Translation Differences	(4.392)	(54.085)
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	543.008	580.811
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	(90.898)	(94.925)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	2.901.990	3.338.210

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2019
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Audited	Audited
		Current Period	Prior Period
		1 January- 31 December 2019	1 January- 31 December 2018
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		(1.285.633)	(3.186.823)
1.1.1 Interest received		42.017.429	33.712.282
1.1.2 Interest paid		(36.205.992)	(26.586.389)
1.1.3 Dividend received		14.580	13.177
1.1.4 Fees and commissions received		3.973.956	2.858.270
1.1.5 Other income		3.236.634	2.178.061
1.1.6 Collections from previously written off loans		1.858.918	1.328.304
1.1.7 Cash payments to personnel and service suppliers		(3.171.206)	(2.643.408)
1.1.8 Taxes paid		(351.948)	(172.670)
1.1.9 Other	(1)	(12.658.004)	(13.874.450)
1.2 Changes in Assets and Liabilities Subject to Banking Operations		14.563.051	6.967.809
1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss		(1.768.837)	(42.439)
1.2.2 Net (increase) / decrease in due from banks		-	(11.619)
1.2.3 Net (increase) / decrease in loans		(52.972.613)	(51.561.378)
1.2.4 Net (increase) / decrease in other assets		1.129.813	(2.140.784)
1.2.5 Net increase / (decrease) in bank deposits		(3.408.437)	11.890.000
1.2.6 Net increase / (decrease) in other deposits		53.709.536	43.814.081
1.2.7 Net Increase / decrease in financial liabilities at fair value through profit or loss		-	-
1.2.8 Net increase / (decrease) in funds borrowed		(1.269.042)	(4.756.024)
1.2.9 Net increase / (decrease) in matured payables		-	-
1.2.10 Net increase / (decrease) in other liabilities	(1)	19.142.631	9.775.972
I. Net cash provided from banking operations		13.277.418	3.780.986
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net cash provided from/ (used in) investing activities		(22.359.553)	(18.289.736)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(111.070)	(310.473)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		39.375	-
2.3 Fixed assets purchases		(557.443)	(1.091.076)
2.4 Fixed assets sales		699.405	236.886
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income		(21.377.381)	(12.081.446)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income		11.592.662	6.051.624
2.7 Cash paid for purchase of investment securities		(19.959.111)	(17.449.447)
2.8 Cash obtained from sale of investment securities		7.407.102	6.368.539
2.9 Other		(93.092)	(14.343)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		7.577.393	5.601.920
3.1 Cash obtained from loans borrowed and securities issued		12.282.799	8.553.666
3.2 Cash used for repayment of loans borrowed and securities issued		(4.478.815)	(2.763.036)
3.3 Bonds issued		-	-
3.4 Dividends paid		-	(188.795)
3.5 Payments for leases		(226.591)	-
3.6 Other		-	85
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	2.353.847	5.233.224
V. Net increase / (decrease) in cash and cash equivalents		849.105	(3.673.606)
VI. Cash and cash equivalents at beginning of the period	(4)	23.448.585	27.122.191
VII. Cash and cash equivalents at end of the period	(5)	24.297.690	23.448.585

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

TÜRKİYE HALK BANKASI AŞ

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2018

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

VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

	Audited	Audited
	Current Period	Prior Period
	31 December 2019 ⁽¹⁾	31 December 2018
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1. Current Period Profit	1.968.257	2.717.818
1.2. Taxes and Legal Duties Payables (-)	(247.948)	(196.023)
1.2.1. Corporate Tax (Income Tax)	(435.511)	(9.840)
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	187.563	(186.183)
A. Net Profit For The Period (1.1-1.2)	1.720.309	2.521.795
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	126.090
1.5. Other Statutory Reserves (-)	-	-
B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]	-	2.395.705
1.6. First Dividend to shareholders (-)	-	-
1.6.1. To Owners of Ordinary Shares	-	-
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Redeemed Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. Dividends to personnel (-)	-	-
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	-
1.9.1. To Owners of Ordinary Shares	-	-
1.9.2. To Owners of Privileged Shares	-	-
1.9.3. To Owners of Redeemed Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	-
1.11. Status Reserves (-)	-	3.100.239
1.12. Extraordinary Reserves ⁽²⁾	-	-
1.13. Other Reserves	-	-
II. Distribution of Reserves		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.2.1. Dividends to Shareholders (-)	-	-
2.2.2. To Owners of Ordinary Shares	-	-
2.2.3. To Owners of Privileged Shares	-	-
2.2.4. To Profit Sharing Bonds	-	-
2.2.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.3. Dividends to Personnel (-)	-	-
2.4. Dividends to the Boards of Directors (-)	-	-
III. Earnings per Share		
3.1. To Owners of Ordinary Shares	1,3762	2,0174
3.2. To Owners of Ordinary Shares (%)	137,62%	201,74%
3.3. To Owners of Privileged Shares	-	-
3.4. To Owners of Privileged Shares (%)	-	-
IV. Dividend per Share		
4.1. To Owners of Ordinary Shares	-	-
4.2. To Owners of Ordinary Shares (%)	-	-
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

(1) As of the date of 31 December 2019 financial statements the General Assembly of the Parent Bank has not been held yet.

(2) The balance amounting to TRY 704.534, composed as a result of the transition to TFRS 9 on 1 January 2018, and accounted for under retained earnings, has been transferred to extraordinary reserves.

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

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

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

In accordance with the “Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 with No. 30673, the accompanying previous period financial statements were presented in compliance with the new financial statement formats.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

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 in the weekly Asset and Liability Committee meetings.

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

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

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

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

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

III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES

1. Basis of consolidation:

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

a. Basis of consolidation of subsidiaries:

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Faktoring AŞ, Halk Banka A.D., Skopje, Halkbank A.D. Beograd and Halk Varlık Kiralama AŞ are included in the scope of consolidation.

A subsidiary is an entity that is 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):

a. Basis of consolidation of subsidiaries (continued):

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

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

b. Basis of consolidation of associates:

The Parent Bank's investments in associates, Demir-Halk Bank N.V. ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta 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.

Accounting principles used by the consolidated associates accounted for at equity method, Demir-Halk Bank N.V., Kobi Girişim Sermayesi AŞ and Türk P ve I Sigorta 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):

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

Acquisitions on or 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.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

Explanations related to credit derivatives and its risk exposures:

The Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic's credit risk. As of 31 December 2019, the bank has credit default swap transaction amounting to USD 310 million with 5 year maturity. In these transactions, the Parent Bank sells the protection.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

Starting from 1 January 2018, the Group has started to accrue interest on non-performing loans. Gross book value of the non-performing loans are discounted with effective interest rate.

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.

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Assessment of Business Model

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 YEAR ENDED 31 DECEMBER 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Measurement Categories of Financial Assets and Liabilities

As of 1 January 2018, the 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. The Parent Bank determines the estimated inflation rate accordingly. The inflation rate estimated by taking into consideration the expectations of the T.R. Central Bank and the Parent Bank's expectations is updated during the year when deemed necessary.

1. Financial Assets Measured at Amortised Cost

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

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

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

2. Financial Assets Measured at Fair Value through other comprehensive income

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

3. Financial Assets Measured at Fair Value through profit or loss

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

Cash Equivalents and Banks

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

Loans and receivables

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

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

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

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

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

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

Calculation of expected credit losses (continued)

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. The Bank has been collectively calculating and accounting for expected credit loss provisions. As of 31 December 2019, the Parent Bank has individually assessed a portion of the loans, which were classified as the 3rd stage lifetime expected credit loss-default whose ECL was collectively calculated since the date of transition to TFRS 9 standard as of 1 January 2018, on a prudent basis by assessing alternative cash flows and possible sales of collaterals, and reflected the results of this assessment in the expected credit loss provisions in the financial statements.

Probability of Default (PD)

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

Loss given Default (LGD)

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

Exposure at Default (EAD)

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

12 Month Probability of Default

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

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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

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

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

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

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

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

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

Low Credit Risk

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

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

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

The Rules of Significant Increase in Credit Risk

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

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

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

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

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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

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

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

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

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

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

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

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

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

Classification of Investment Properties:

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

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

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

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

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

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 “TFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease was removed and the lease transactions were started to be recognised under “Property and Equipment” as an asset (tenure) and under “Liabilities from Leasing” as a liability. Impact and application of TFRS 16 concerning this transition were explained in Section three, footnote XXVI.

XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

Insurance premium income is recognised subsequent to the share of reinsurers in policy income is deducted.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers’ share of claims paid and outstanding claims are offset in these provisions.

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

According to the current insurance regulation, insurance companies should recognize provisions for unearned premium claims, unexpired risk reserves, provision for outstanding claims and life-mathematical provisions.

The unearned premiums consist of the gross portion of accrued premiums for insurance contracts that are overlapping to other period or periods on a daily basis without deducting a commission or any other discount. In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount calculated by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer. In accordance with the circular numbered 2016/37 issued on 11 November 2016, URR computation method is revised. Based on the new method, motor vehicles, compulsory traffic, third party liability and general liability branches’ multiplier will be used as 95% for 2016, 90% for 2017 and 85% for 2018.

Outstanding claims reserves comprise incurred and accrued but not yet paid claims in the current or prior periods or incurred but not reported claims. Insurance companies may discount net cash outflows from outstanding claims reserves with respect to related insurance legislation, as per the Undersecretariat of Treasury’s “Circular on Outstanding Claims Reserves Arising from Discounting of the Net Cash Flow” No. 2016/22 dated 10 June 2016.

Mathematical provision is recognized in order to meet the requirements of policyholders and beneficiaries for long-time life, health and personal accident insurance contracts on an actuarial basis.

Effective from 1 January 2005, the insurance entities comply with TFRS 4, Insurance Contracts (“TFRS 4”). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts are fully addressed. TFRS 4 requires that all contracts issued by insurance companies are classified as either insurance contracts or investment contracts.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS (continued)**

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. A change in accounting policy is adopted only in case of presentation of more reliable results. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TFRS 9.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with earning of premium.

In accordance with TFRS 4, at each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related Deferred Acquisition Costs (DAC) and premiums receivable. Investment income from the assets matching the liabilities is taken into account in calculating the provision. The deficit, if any, is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests. Any DAC written off as a result of this test cannot subsequently be reversed.

XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

The retirement pay provision of the 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.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)**

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

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

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

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the present value of the actuarial liabilities will be calculated with the technical interest rate of 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2019 no technical deficit has been reported.

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**XX. EXPLANATIONS ON TAXATION**

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

The tax rate used in the calculation of deferred tax assets and liabilities is 22% over temporary timing differences expected to reverse in 2018, 2019 and 2020 and 20% over temporary timing differences expected to reverse on and after 2021.

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

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

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

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Tax practices in the countries that foreign branches operate:**Turkish Republic of Northern Cyprus (TRNC)**

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

Bahrain

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XX. EXPLANATIONS ON TAXATION (continued)

Tax practices of the consolidated subsidiaries:

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

Halk Banka A.D. Skopje

The Parent Bank's newly acquired subsidiary in 2011 Halk Banka A.D., Skopje is subject to tax regulations in the Republic of Macedonia. The income tax computation base had been shifted from the profit before taxes to the income "distribution" concept in the Republic of Macedonia.

"Distributions" are split into two components:

- Tax on any dividend distribution – i.e. the tax base is the dividend paid,
- Tax on non deductible items – i.e. the tax base is the non deductible items specified in the tax rulebook less any allowable tax credits. The tax on non deductible items is paid each month in monthly advance installments based on the previous fiscal year computation of such non deductible differences. At year end a final tax computation is prepared with a final tax settlement.

As such, the new income tax regime provokes certain implications on the presentation of the tax in the financial statements which are summarized below:

Recognition of tax provisions:

In case of tax contingencies, provisions are made in line with TAS 37 adopted in the Republic of Macedonia.

Such provisions are not presented as deferred tax assets or deferred tax liabilities, but as other assets or other liabilities.

Recognition/reversal of such tax provisions (that is not income taxes) is presented within the other expenses/other income.

Halk Bank A.D. Beograd

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

XXII. EXPLANATIONS ON SHARES ISSUED

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

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

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

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

XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

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

XXV. EXPLANATIONS ON SEGMENT REPORTING

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXVI. EXPLANATIONS ON TFRS 16 LEASES STANDARD

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 TFRS 16. ATMs, and other leasing transaction balances are not considered within the scope of TFRS 16 as they are below the materiality level and the corresponding rent payments are recognized under Other Operating Expenses.

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

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

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

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

The Lease Obligations:

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXVI. EXPLANATIONS ON TFRS 16 LEASES STANDARD (continued)

First Transition to TFRS 16 Leasing Standard

“TFRS 16 Leases” Standard was promulgated in the Official Gazette to be applied in the accounting period starting on 31 December 2018. The Group applied TFRS 16 “Leases” standard as of 1 January 2019 in its financial statements.

TFRS 16 Leases standard abolishes the dual accounting model previously applied for lessees through recognizing finance leases in the balance sheet whereas recognizing operational lease as off-balance sheet. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The Group preferred to adopt the facilitative procedure at its first transition date and has not made any changes in the comparative financial statements of the previous period.

Details based on the asset with regard to the recognised asset tenure is as follows:

Existence of Right-of-use	1 January 2019	31 December 2019
Real Estate	579.938	724.302
Vehicles	96.363	92.875
Total	676.301	817.177

In accordance with TFRS 16, the Group recognized a lease liability and right-of-use asset amounting to TRY 668.438 as of 1 January 2019 for leases previously classified as operating leases.

In accordance with TFRS 16, the Group recognised prepaid rent payments amounting to TRY 7.863 as of 1 January 2019, under tangible assets as right-of-use which were previously classified under prepaid expenses.

As of 1 January 2019, the weighted average of the incremental borrowing interest rates applied to TL, EUR, USD and GBP lease liabilities presented in the Bank’s statement of financial position are 21,98%, 3,01%, 4,97% and 1,59% respectively.

	1 January 2019
Operational Leasing Commitments	1.104.863
Contracts that are excluded from the scope of TFRS 16 (-)	121.964
Total Leasing Liability	982.899
Discounted Lease Obligation	668.438

XXVII. EXPLANATIONS ON OTHER MATTERS

None.

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 December 2019, the Group's capital adequacy ratio in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" is 13,65% (31 December 2018: 13,36%). The equity is calculated as TRY 46.276.327 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2018: TRY 37.420.830).

1. Information About Total Consolidated Capital Items:

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 Capital Items (continued):

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 Capital Items (continued):

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 Capital Items (continued):

		Amounts related to treatment before 1/1/2014 ^(*)
Prior Period	Amount	
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	39.740	
Reserves	20.821.125	
Other Comprehensive Income according to TAS	2.507.445	
Profit	3.664.491	
Current Period Profit	2.656.647	
Prior Period Profit	1.007.844	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	4.723	
Minority Interests	1.900	
Common Equity Tier I Capital Before Deductions	29.509.875	
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 (-)	213.376	
Leasehold Improvements on Operational Leases (-)	78.907	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	183.411	183.411
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 (-)	-	
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	475.694	
Total Common Equity Tier 1 Capital	29.034.181	

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 Capital 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	-
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	-
Deductions from Additional Tier I Capital	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
Items to be Deducted from Tier I Capital During the Transition Period	-
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	29.034.181
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.466.826
Tier II Capital Before Deductions	8.396.621
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	8.396.621
Total Capital (Total Tier I Capital and Tier II Capital)	37.430.802
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 (-)	9.972

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 Capital Items (continued):

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	37.420.830
Total Risk Weighted Assets	280.132.781
CAPITAL ADEQUACY RATIOS	
CET1 Capital Ratio (%)	10,36
Tier I Capital Ratio (%)	10,36
Capital Adequacy Ratio (%)	13,36
BUFFERS	
Bank-specific total CET1 Capital Ratio	2,696
Capital Conservation Buffer Ratio (%)	1,875
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,071
Systemic Bank Buffer Ratio (%)	0,750
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,364
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	96.852
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	2.447.392
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.579.308
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.466.826
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.466.826
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

- 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 YEAR ENDED 31 DECEMBER 2019

(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 A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	Türkiye Varlık Fonu
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHALE2716	TRSTHAL62811	TRSTHAL92826	-
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA Legislation
Regulatory treatment				
Transitional Basel III rules	No	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond	Public Sector Bond	Public Sector Bond	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980	5,959
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	3.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	3.07.2018	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 YEAR ENDED 31 DECEMBER 2019

(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 CREDIT RISK

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 CREDIT RISK (continued)

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

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

The Group's largest 100 and 200 cash loan customers compose 26,38% and 31,73% of the total cash loan portfolio, respectively.

The Group's largest 100 and 200 non-cash loan customers compose 41,22% and 52,73% of the total non-cash loan portfolio, respectively.

The Group's largest 100 ve 200 cash and non-cash loan customers represent 17,50% and 22,21% of the total "on and off balance sheet" assets, respectively.

Stage I and Stage II expected losses for credit risks of the Bank is TRY 2.605.035 (31 December 2018: TRY 2.244.820).

	Current Period		Prior Period	
	Credit Risk Amount ⁽¹⁾	Average Risk Amount	Risk Amount ⁽¹⁾	Average Risk Amount
Exposure Categories:				
Conditional and unconditional exposures to central governments or central banks	125.735.774	124.400.202	110.371.526	103.462.066
Conditional and unconditional exposures to regional governments or local authorities	3.137.023	3.418.604	3.887.468	3.644.854
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	735.067	1.031.548	3.222.986	3.020.021
Conditional and unconditional exposures to multilateral development banks	61.819	69.304	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	9.613.528	10.565.900	15.181.630	12.794.943
Conditional and unconditional exposures to corporates	165.770.190	156.910.238	141.127.895	118.198.354
Conditional and unconditional retail exposures	88.950.562	85.308.495	73.203.463	70.252.474
Conditional and unconditional exposures secured by real estate property	75.089.042	69.935.742	70.334.762	66.237.125
Past due items	7.000.426	4.488.762	2.287.307	1.528.694
Items in regulatory high-risk categories	-	16.107	139.449	98.848
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Stock Investments	861.057	537.478	538.697	512.727
Other Receivables	22.963.553	21.564.186	17.661.893	14.857.533

⁽¹⁾Includes the risk amounts after credit conversions.

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 CREDIT RISK (continued)

Profile of significant exposures in major regions:

Risk Classifications ⁽¹⁾													
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to Multilateral Development Banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Stock Investments	Other	Total
Current Period													
1. Domestic	124.428.259	3.126.743	692.715	61.819	3.404.291	158.967.966	87.552.020	73.936.374	6.923.621	-	848.786	22.216.951	482.159.545
2. European Union (EU) Countries	-	-	-	-	3.050.418	269.806	5.262	8.848	44	-	23	42.008	3.376.409
3. OECD Countries ⁽²⁾	-	-	-	-	182.521	46.584	179	1.700	-	-	-	1.158	232.142
4. Off-Shore Banking Regions	-	-	-	-	606	1.852.894	134	-	-	-	-	15	1.853.649
5. USA, Canada	-	-	-	-	1.671.037	4.739	216	243	-	-	-	24	1.676.259
6. Other Countries	1.307.515	10.280	42.352	-	1.304.655	4.628.201	1.392.751	1.141.877	76.761	-	12.248	703.397	10.620.037
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	125.735.774	3.137.023	735.067	61.819	9.613.528	165.770.190	88.950.562	75.089.042	7.000.426	-	861.057	22.963.553	499.918.041
Prior Period													
1. Domestic	110.368.546	3.887.468	3.222.986	-	4.605.418	139.223.547	72.873.180	69.784.435	2.230.464	77.157	538.697	17.661.870	424.473.768
2. European Union (EU) Countries	-	-	-	-	5.159.833	244.996	177.859	339.812	37.805	-	-	-	5.960.305
3. OECD Countries	-	-	-	-	181.356	-	105.187	116.630	2.286	62.094	-	21	467.574
4. Off-Shore Banking Regions	-	-	-	-	1.035	-	16	-	-	-	-	-	1.051
5. USA, Canada	2.490	-	-	-	4.706.381	30.133	220	4.496	1	-	-	-	4.743.721
6. Other Countries	490	-	-	-	527.607	1.629.219	47.001	89.389	16.751	198	-	2	2.310.657
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	110.371.526	3.887.468	3.222.986	-	15.181.630	141.127.895	73.203.463	70.334.762	2.287.307	139.449	538.697	17.661.893	437.957.076

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

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

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 CREDIT RISK (continued)

Profile of significant exposures by sectors:

Current Period	Risk Classifications ⁽¹⁾														
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to Multilateral Development Banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Stock Investments	Other	TRY	FC	Total
Agriculture	550.501	-	70.223	78	-	2.823.316	1.095.089	1.236.140	343.126	-	-	159.901	4.175.491	2.102.883	6.278.374
<i>Farming and Stockbreeding</i>	354.095	-	319	78	-	1.508.312	627.001	718.982	58.374	-	-	139.821	2.036.338	1.370.644	3.406.982
<i>Forestry</i>	38.905	-	2	-	-	17.217	243.971	46.740	7.739	-	-	19.960	361.910	12.624	374.534
<i>Fishery</i>	157.501	-	69.902	-	-	1.297.787	224.117	470.418	277.013	-	-	120	1.777.243	719.615	2.496.858
Manufacturing	83.412.698	3.020.513	621.795	44.698	1.074.315	77.304.223	21.814.716	24.047.260	3.581.160	-	-	2.731.339	142.872.067	74.780.650	217.652.717
<i>Mining and Quarrying</i>	33.759	-	111	-	-	69.373	116.586	81.146	8.575	-	-	988	283.260	27.278	310.538
<i>Production Electricity, Gas and Water</i>	83.200.151	3.020.513	621.684	44.698	1.074.315	64.850.943	21.599.682	21.883.504	3.182.622	-	-	2.718.965	138.527.435	63.669.642	202.197.077
<i>Construction</i>	178.788	-	-	-	-	12.383.907	98.448	2.082.610	389.963	-	-	11.386	4.061.372	11.083.730	15.145.102
<i>Construction</i>	2.198	-	-	-	-	1.761	16.188	4.364	358	-	-	3	24.833	39	24.872
Services	7.142.949	29.748	414	13.403	6.557.483	65.738.709	15.545.634	16.640.159	2.267.418	-	1.198	845.880	53.894.609	60.888.386	114.782.995
<i>Wholesale and Retail Trade</i>	4.544.598	-	51	7.946	-	21.908.387	10.409.374	6.975.362	946.800	-	-	15.060	31.807.034	13.000.544	44.807.578
<i>Accommodation and Dining</i>	1.044.448	10	185	124	-	8.279.910	1.487.682	6.566.181	302.252	-	-	260	4.063.191	13.617.861	17.681.052
<i>Transportation and Telecom.</i>	233.583	-	-	382	-	2.709.950	485.043	402.424	234.791	-	-	758	2.053.989	2.012.942	4.066.931
<i>Financial Institutions</i>	415.887	-	-	-	6.557.483	2.997.878	579.640	333.887	27.425	-	1.198	729.721	4.268.832	7.374.287	11.643.119
<i>Real Estate and Rental Services</i>	556.976	-	122	1.766	-	28.292.302	2.223.117	1.520.919	710.527	-	-	96.871	9.326.860	24.075.740	33.402.600
<i>Professional Services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Educational Services</i>	34	-	31	-	-	116.923	7.662	3.251	-	-	-	10	127.554	357	127.911
<i>Health and Social Services</i>	347.423	29.738	25	3.185	-	1.433.359	353.116	838.135	45.623	-	-	3.200	2.247.149	806.655	3.053.804
Other	34.627.428	86.762	42.635	3.640	1.981.730	19.902.181	50.478.935	33.161.119	808.364	-	859.859	19.226.430	108.488.612	52.690.471	161.179.083
Toplam	125.735.774	3.137.023	735.067	61.819	9.613.528	165.770.190	88.950.562	75.089.042	7.000.426	-	861.057	22.963.553	309.455.612	190.462.429	499.918.041

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 CREDIT RISK (continued)

Profile of significant exposures by sectors (continued):

Prior Period	Risk Classifications ⁽¹⁾														
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to Multilateral Development Banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Stock Investments	Other	TRY	FC	Total
Agriculture	134.020	53	-	-	-	380.008	579.537	154.445	14.910	-	-	21	986.422	276.572	1.262.994
<i>Farming and Stockbreeding</i>	122.792	53	-	-	-	223.959	551.344	141.715	12.118	-	-	21	903.765	148.237	1.052.002
<i>Forestry</i>	252	-	-	-	-	1.167	6.184	1.597	-	-	-	-	9.200	-	9.200
<i>Fishery</i>	10.976	-	-	-	-	154.882	22.009	11.133	2.792	-	-	-	73.457	128.335	201.792
Manufacturing	8.884.851	234	1.272.633	-	-	54.554.706	11.187.879	20.355.533	746.470	-	-	33.440	44.978.073	52.057.673	97.035.746
<i>Mining and Quarrying</i>	109.537	-	805.542	-	-	2.033.920	260.045	187.114	6.249	-	-	-	583.647	2.818.760	3.402.407
<i>Production</i>	8.624.750	8	449.974	-	-	40.136.618	10.788.963	18.456.722	739.960	-	-	33.440	41.281.620	37.948.815	79.230.435
<i>Electricity, Gas and Water</i>	150.564	226	17.117	-	-	12.384.168	138.871	1.711.697	261	-	-	-	3.112.806	11.290.098	14.402.904
Construction	1.407.604	-	537	-	-	15.039.058	2.346.518	2.099.436	258.038	-	-	1	13.216.038	7.935.154	21.151.192
Services	8.377.278	10.654	1.242.486	-	15.089.207	39.344.693	32.434.845	19.980.338	1.011.325	-	-	17.421.343	81.154.848	53.757.321	134.912.169
<i>Wholesale and Retail Trade</i>	6.153.897	2.033	602.851	-	-	15.908.730	19.833.799	9.422.488	700.486	-	-	856	43.450.788	9.174.352	52.625.140
<i>Accommodation and Dining</i>	1.078.626	169	1.903	-	-	7.740.969	1.199.490	5.645.843	211.056	-	-	12	3.432.978	12.445.090	15.878.068
<i>Transportation and Telecom.</i>	351.622	8.448	284.352	-	-	4.917.618	9.533.295	899.028	24.282	-	-	2.002	11.421.162	4.599.485	16.020.647
<i>Financial Institutions</i>	47.762	-	328.209	-	15.054.460	3.918.437	73.990	862.616	8	-	-	16.078.826	15.824.346	20.539.962	36.364.308
<i>Real Estate and Rental Services</i>	190.054	-	1.066	-	-	4.469.943	565.986	1.907.806	47.135	-	-	3.704	1.896.627	5.289.067	7.185.694
<i>Professional Services</i>	78.642	-	-	-	34.747	3.114	864.278	126.002	3.183	-	-	294.804	1.404.423	347	1.404.770
<i>Educational Services</i>	181.628	-	753	-	-	1.551.208	168.397	342.197	10.224	-	-	9.443	1.376.218	887.632	2.263.850
<i>Health and Social Services</i>	295.047	4	23.352	-	-	834.674	195.610	774.358	14.951	-	-	1.031.696	2.348.306	821.386	3.169.692
Other	91.567.773	3.876.527	707.330	-	92.423	31.809.430	26.654.684	27.745.010	256.564	139.449	538.697	207.088	115.159.243	68.435.732	183.594.975
Toplam	110.371.526	3.887.468	3.222.986	-	15.181.630	141.127.895	73.203.463	70.334.762	2.287.307	139.449	538.697	17.661.893	255.494.624	182.462.452	437.957.076

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 CREDIT RISK (continued)

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

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

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

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	1.076.863	1.172.870	1.962.225	5.029.589	101.129.979
2. Conditional and unconditional exposures to regional governments or local authorities	59.483	15.347	35.149	268.548	3.508.941
3. Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	561.337	38.004	24.494	250.653	2.348.498
4. Conditional and unconditional exposures to Multilateral Development Banks	-	-	-	-	-
5. Conditional and unconditional exposures to banks and brokerage houses	6.258.408	95.975	84.047	195.583	8.547.617
6. Conditional and unconditional exposures to corporates	15.156.299	6.293.531	11.863.455	23.243.367	84.571.243
7. Conditional and unconditional retail exposures	5.045.053	1.712.444	2.897.652	8.278.047	55.270.267
8. Conditional and unconditional exposures secured by real estate property	6.428.222	2.516.455	4.611.594	10.074.353	46.704.137
9. Past due items	2.277.675	-	15	170	9.447
10. Items in Regulatory High-Risk Categories	-	-	-	-	139.449
11. Stock Investments	538.697	-	-	-	-
12. Other Items	50.755	375.674	191.166	151.962	16.892.336
Total	37.452.792	12.220.300	21.669.797	47.492.272	319.121.914

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

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

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

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

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

II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)

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

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 CREDIT RISK (continued)

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

Receivables from consolidated private sector :

Country Name	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
TURKEY	233.955.780	-	233.955.780
MACEDONIA	2.005.470	-	2.005.470
VIRGIN ISLAND (US)	1.851.015	-	1.851.015
SERBIA	1.452.729	-	1.452.729
TRNC	413.554	-	413.554
MALTA	183.802	-	183.802
OTHERS ^(*)	314.572	-	314.572

* Risk-Weighted Assets TRY 150 Million (Full TRY) are grouped under OTHER headings.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 CREDIT RISK (continued)

Exposures by Consolidated risk weights:

Current Period													Deductions from Equity
Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	4%	
1 Exposures before Credit Risk Mitigation													
2. Exposures after Credit Risk Mitigation	94.789.688	-	4.981.802	-	29.377.066	153.349.499	223.637.881	809.084	-	496.684	606	-	11.332
1 Exposures before Credit Risk Mitigation													
2. Exposures after Credit Risk Mitigation	109.701.870	-	4.981.794	44.268.679	63.236.681	89.047.339	187.549.970	634.418	-	496.684	606	-	11.332
Prior Period													Deductions from Equity
Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	2%	4%	
1 Exposures before Credit Risk Mitigation													
2. Exposures after Credit Risk Mitigation	74.137.076	-	9.941.657	-	32.993.033	129.600.006	190.598.044	139.449	-	547.811	-	-	272.304
1 Exposures before Credit Risk Mitigation													
2. Exposures after Credit Risk Mitigation	93.822.578	844.508	11.527.606	40.119.826	66.125.319	72.750.843	152.079.136	139.449	-	547.811	-	-	272.304

Information by major sectors and type of counterparties:

Current Period	Credits ⁽⁴⁾		
	Significant Increase in Credit Risk (Stage II) ⁽¹⁾	Credit – Impaired Losses (Stage III) ⁽²⁾	Expected Credit Loss (IFRS 9) ⁽³⁾
Major Sectors /Counterparties			
Agriculture	135.710	134.957	108.881
Farming and Stockbreeding	125.416	106.205	91.644
Forestry	884	468	515
Fishery	9.410	28.284	16.722
Manufacturing	4.585.651	5.355.233	3.235.156
Mining and Quarrying	113.601	400.529	280.916
Production	4.423.368	4.412.984	2.693.836
Electricity, Gas and Water	48.682	541.720	260.404
Construction	4.900.510	2.470.468	1.674.684
Services	12.949.723	5.599.915	3.731.543
Wholesale and Retail Trade	4.687.630	2.993.474	2.131.936
Accommodation and Dining	1.773.177	679.275	451.288
Transportation and Telecommunication	772.347	219.059	140.973
Financial Institutions	598.581	14.320	27.413
Real Estate and Rental Services	4.764.455	1.124.598	677.695
Professional Services	69.481	13.135	10.301
Educational Services	105.893	430.273	194.533
Health and Social Services	178.159	125.781	97.404
Other	2.767.984	1.177.526	873.751
Total	25.339.578	14.738.099	9.624.015

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

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

⁽³⁾Income accruals amounting to TRY 1.051.217 are not included in the table.

⁽⁴⁾Leasing receivables and factoring receivables are not included in the table.

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 CREDIT RISK (continued)

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

Prior Period	Credits ⁽³⁾		
	Significant Increase in Credit Risk (Stage II) ⁽¹⁾	Credit – Impaired Losses (Stage III) ⁽²⁾	Expected Credit Loss (TFRS 9)
Major Sectors /Counterparties			
Agriculture	64.089	111.085	95.410
<i>Farming and Stockbreeding</i>	45.205	98.231	84.737
<i>Forestry</i>	75	634	608
<i>Fishery</i>	18.809	12.220	10.065
Manufacturing	3.620.694	3.514.758	3.174.777
<i>Mining and Quarrying</i>	80.219	380.056	269.114
<i>Production</i>	3.046.630	3.129.795	2.892.720
<i>Electricity, Gas and Water</i>	493.845	4.907	12.943
Construction	3.582.220	1.143.815	1.146.633
Services	7.854.301	3.195.260	2.831.468
<i>Wholesale and Retail Trade</i>	3.059.057	2.078.831	1.718.848
<i>Accommodation and Dining</i>	756.180	547.878	411.419
<i>Transportation and Telecommunication</i>	433.496	94.339	100.072
<i>Financial Institutions</i>	848.267	11.384	70.776
<i>Real Estate and Rental Services</i>	2.521.579	343.596	417.590
<i>Professional Services</i>	43.507	10.767	8.760
<i>Educational Services</i>	97.696	21.470	22.996
<i>Health and Social Services</i>	94.519	86.995	81.007
Others	1.461.127	949.601	741.141
Total	16.582.431	8.914.519	7.989.429

⁽¹⁾ Income accruals amounting to TRY 723.658 are not included in the table..

⁽²⁾ Income accruals amounting to TRY 368.479 are not included in the table.

⁽³⁾ Leasing receivables and factoring receivables are not included in the table.

Movements in value adjustments and provisions:

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Stage III expected credit loss	6.782.554	4.054.788	1.411.037	-	9.426.305
2. Stage I and Stage II expected credit loss	2.244.820	542.649	182.434	-	2.605.035

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1. Stage III expected credit loss	4.886.081	1.814.758	37.273	118.988	6.782.554
2. Stage I and Stage II expected credit loss	2.185.709	462.311	-	(403.200)	2.244.820

* TFRS 9 includes ECL balances due to transition effect.

SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)**II. EXPLANATIONS ON THE CONSOLIDATED CREDIT RISK (continued)**

Overdue and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

The net value and type of collaterals of the loans amounting TRY 24.976.536 followed under loans and other receivables under close monitoring section is below (31 December 2018: TRY 16.311.877).

Collateral Types⁽¹⁾	Net Value of Collateral Current Period
Real estate mortgage	11.541.948
Salary pledge, vehicle pledge and pledge of commercial undertaking	371.405
Financial collaterals (cash, securities pledge, etc.)	80.926
Cheque / bills	172.918
Sureties	4.109.100
Other	8.700.239
Total	24.976.536

^(*) Income accruals amounting to TRY 1.207.564 are not included in the table.

Collateral Types⁽¹⁾⁽²⁾	Net Value of Collateral Prior Period
Real estate mortgage	9.040.540
Salary pledge, vehicle pledge and pledge of commercial undertaking	346.327
Financial collaterals (cash, securities pledge, etc.)	1.122
Cheque / bills	73.795
Sureties	2.902.109
Other	3.947.984
Total	16.311.877

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered on the table above.

⁽²⁾ Income accruals amounting to TRY 723.658 are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 14.738.099 followed under non-performing loans section is below (31 December 2018: TRY 8.914.518).

Collateral Types⁽²⁾	Net Value of Collateral Current Period
Cash	6.805
Mortgage	3.462.996
Pledge	405.400
Cheque / bills	12.735
Sureties	7.187.822
Other ⁽¹⁾	3.662.341
Total	14.738.099

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

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

TÜRKİYE HALK BANKASI AŞ**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019***(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 CREDIT RISK (continued)**

Collateral Types⁽²⁾	Net Value of Collateral Prior Period
Cash	4.638
Mortgage	2.108.062
Pledge	387.032
Cheque / bills	24.060
Sureties	4.321.922
Other ⁽¹⁾	2.068.804
Total	8.914.518

⁽¹⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized.⁽²⁾ Income accruals amounting to TRY 368.479 are not included in the table.**III. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK**

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

In accordance with “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”, the foreign currency position risk of the 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 Bank as at 31 December 2019 and the previous five working days in full TRY are as follows:

	24.12.2019	25.12.2019	26.12.2019	27.12.2019	30.12.2019	31.12.2019
USD	5,9100000	5,9200000	5,9100000	5,9300000	5,9100000	5,9000000
CHF	6,0124000	6,0250000	6,0188000	6,0679000	6,0874000	6,0966000
GBP	7,6423000	7,6593000	7,6629000	7,7555000	7,7591000	7,7781000
JPY	0,0538574	0,0537593	0,0537615	0,0539829	0,0540500	0,0541523
EURO	6,5480000	6,5715000	6,5577000	6,6164000	6,6177000	6,6210000

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

	Monthly average
USD	5,8281818
CHF	5,9226682
GBP	7,6237727
JPY	0,0532374
EURO	6,4781045

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 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	16.354.329	13.042.249	3.444.798	32.841.376
Banks	1.227.948	1.435.172	992.832	3.655.952
Financial assets at fair value through profit and loss ⁽³⁾	-	64	9.890	9.954
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2.827.394	500.487	1.090.869	4.418.750
Loans ⁽²⁾	48.838.724	38.870.469	3.488.044	91.197.237
Subsidiaries, associates and entities under common control	476.980	-	-	476.980
Financial assets measured at amortized cost	6.680.149	12.231.169	262.767	19.174.085
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	201.549	201.549
Intangible assets	-	-	-	-
Other assets ⁽³⁾	1.805.726	1.737.713	92.552	3.635.991
Total assets	78.211.250	67.817.323	9.583.301	155.611.874
Liabilities				
Bank deposits	9.160.439	4.189.063	500.838	13.850.340
Foreign currency deposits	60.282.800	51.347.396	12.109.505	123.739.701
Money market balances	2.356.660	594.634	-	2.951.294
Funds provided from other financial institutions	8.350.631	4.392.018	14.246	12.756.895
Bonds issued	-	10.512.530	-	10.512.530
Sundry creditors	224.539	237.443	31.637	493.619
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	6.698.274	542.814	241.942	7.483.030
Total liabilities	87.073.343	71.815.898	12.898.168	171.787.409
Net balance sheet position	(8.862.093)	(3.998.575)	(3.314.867)	(16.175.535)
Net off-balance sheet position	8.232.005	(64.451)	3.132.568	11.300.122
Financial derivative assets ⁽⁴⁾	9.662.721	8.011.214	4.032.321	21.706.256
Financial derivative liabilities ⁽⁴⁾	1.430.716	8.075.665	899.753	10.406.134
Non-cash loans ⁽¹⁾	29.073.296	18.430.536	3.095.932	50.599.764
Prior period				
Total assets	65.485.213	68.428.923	10.704.454	144.618.590
Total liabilities	65.061.244	73.121.732	7.799.701	145.982.677
Net balance sheet position	423.969	(4.692.809)	2.904.753	(1.364.087)
Net off-balance sheet position	223.198	2.534.947	(1.995.069)	763.076
Financial derivative assets	1.065.746	5.996.311	1.250.482	8.312.539
Financial derivative liabilities	842.548	3.461.364	3.245.551	7.549.463
Non-cash loans ⁽¹⁾	12.618.873	16.362.849	1.714.234	30.695.956

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

⁽²⁾ Includes TRY 233.440 of foreign currency indexed loans and their accruals (31 December 2018: TRY 764.208).

⁽³⁾ In accordance with the provisions of "Regulation on Calculation and Implementation of Foreign Currency Net General Position / Equity Standard Ratio by Banks on Consolidated and Unconsolidated Basis"; foreign currency intangible assets TRY 38.734, prepaid expenses TRY 337, and in liabilities equity TRY 636.140 were not taken into account in foreign currency risk calculation.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounting to TRY 954.621 and swap precious metal purchase transactions amounting to TRY 2.149.575; Financial derivative liabilities include forward precious metal sale transactions amounting to TRY 132.599. In addition, derivative transactions within the scope of forward foreign exchange purchase and sale are included.

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

IV. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK

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

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.

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 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):

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	1.211.251	-	-	-	-	34.102.736	35.313.987
Banks	1.703.123	75.925	26.233	25	-	2.358.667	4.163.973
Financial assets at fair value through profit and loss	967	2.131	43.028	64	-	16.259.573	16.305.763
Money market placements	87.138	-	-	-	-	-	87.138
Financial assets at fair value through other comprehensive income	6.287	3.064.929	4.705.821	6.210.378	1.152.228	155.047	15.294.690
Loans ⁽⁴⁾	79.286.442	47.433.244	82.557.824	68.879.279	12.361.233	22.876.655	313.394.677
Financial assets measured at amortised cost ⁽⁴⁾	1.093.097	23.928.321	7.588.857	17.565.511	22.295.336	-	72.471.122
Other assets ^{(1) (4)}	2.463.410	1.051.857	1.714.880	1.828.684	187.799	4.353.847	11.600.477
Total assets	85.851.715	75.556.407	96.636.643	94.483.941	35.996.596	80.106.525	468.631.827
Liabilities							
Bank deposits	13.223.458	8.494.169	6.062	-	-	5.981.240	27.704.929
Other deposits	155.025.988	47.071.325	17.657.100	1.957.470	16.198	51.254.541	272.982.622
Money market balances	52.715.358	590.314	-	-	-	33.669	53.339.341
Sundry creditors	3.189.863	34	-	-	-	3.190.908	6.380.805
Bonds issued	2.050.069	8.708.287	1.371.317	6.895.630	-	268.829	19.294.132
Funds provided from other financial institutions ⁽³⁾	1.852.476	5.131.640	4.388.711	2.241.874	478.803	74.366	14.167.870
Other liabilities ⁽¹⁾⁽²⁾	1.114.772	65.474	18.330.452	95.511	10.888.695	44.267.224	74.762.128
Total liabilities	229.171.984	70.061.243	41.753.642	11.190.485	11.383.696	105.070.777	468.631.827
Balance sheet long position	-	5.495.164	54.883.001	83.293.456	24.612.900	-	168.284.521
Balance sheet short position	(143.320.269)	-	-	-	-	(24.964.252)	(168.284.521)
Off-balance sheet long position	611.253	1.663.639	7.773.732	88.667	5.546.352	21.390.139	37.073.782
Off-balance sheet short position	(21.238)	(424.625)	(7.917.232)	(1.049.537)	(5.546.352)	(21.376.900)	(36.335.884)
Total position	(142.730.254)	6.734.178	54.739.501	82.332.586	24.612.900	(24.951.013)	737.898

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

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

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

⁽⁴⁾ Accruals and provisions are presented within non-bearing interest column.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 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	16.093.521	-	-	-	-	19.486.203	35.579.724
Banks	3.170.150	-	15.421	-	-	1.960.600	5.146.171
Financial assets at fair value through profit and loss	50.564	27.363	56.535	185	21.478	14.382.810	14.538.935
Money market placements	65.318	-	-	-	-	-	65.318
Financial assets at fair value through other comprehensive income	29.872	821.692	1.130.375	2.180.907	591.312	110.654	4.864.812
Loans ⁽⁴⁾	39.128.094	34.164.780	99.547.841	61.694.102	14.155.806	14.141.162	262.831.785
Financial assets measured at amortised cost ⁽⁴⁾	537.372	10.945.489	7.402.692	10.247.672	19.739.535	7.458.585	56.331.345
Other assets ^{(1) (4)}	2.288.676	1.091.349	933.479	1.636.020	299.373	2.614.689	8.863.586
Total assets	61.363.567	47.050.673	109.086.343	75.758.886	34.807.504	60.154.703	388.221.676
Liabilities							
Bank deposits	8.733.726	1.535.846	14.896	-	-	20.733.926	31.018.394
Other deposits	120.338.792	46.331.914	17.657.731	1.021.878	18.037	34.192.774	219.561.126
Money market balances	37.173.264	854.887	-	-	-	190.118	38.218.269
Sundry creditors	2.423.899	29.785	84.089	111.421	-	2.260.212	4.909.406
Bonds issued	1.492.975	1.956.694	2.495.116	10.208.711	-	192.717	16.346.213
Funds provided from other financial institutions ⁽³⁾	1.166.612	5.804.740	4.209.579	3.149.178	753.878	190.493	15.274.480
Other liabilities ⁽¹⁾⁽²⁾	1.150.250	22.679	1.774.367	14.529.699	6.870.185	38.546.608	62.893.788
Total liabilities	172.479.518	56.536.545	26.235.778	29.020.887	7.642.100	96.306.848	388.221.676
Balance sheet long position	-	-	82.850.565	46.737.999	27.165.404	-	156.753.968
Balance sheet short position	(111.115.951)	(9.485.872)	-	-	-	(36.152.145)	(156.753.968)
Off-balance sheet long position	1.131.188	1.413.449	4.506.341	1.139.324	3.208.897	13.021.620	24.420.819
Off-balance sheet short position	(745.075)	(1.049.773)	(4.084.721)	(1.983.234)	(3.208.897)	(12.906.156)	(23.977.856)
Total position	(110.729.838)	(9.122.196)	83.272.185	45.894.089	27.165.404	(36.036.681)	442.963

⁽¹⁾ TRY 98.345 of deferred tax assets is disclosed under the non-bearing interest column in other assets and TRY 455.760 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⁾ Accruals and provisions are presented within non-bearing interest column.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 INTEREST RATE RISK (continued)

2. Average interest rates applied to financial instruments:

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

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

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

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

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2019.

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

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⁾	-	2,00	-	13,00
Banks ⁽¹⁾	0,19	2,22	-	19,58
Financial assets at fair value through profit and loss	-	6,62	-	19,73
Money market placements	-	-	-	22,00
Financial assets at fair value through other comprehensive income	4,05	5,83	-	22,81
Loans ⁽²⁾	5,09	7,22	1,54	16,25
Financial assets measured at amortised cost	-	5,61	-	21,93
Liabilities				
Bank deposits	2,72	5,30	-	24,33
Other deposits ⁽⁴⁾	2,45	4,53	0,25	18,82
Money market borrowings	-	4,55	-	23,35
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	16,87
Funds provided from other financial institutions ⁽⁴⁾	1,37	3,17	1,40	21,95

⁽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 2018.

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2018.

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

**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
MANAGEMENT OF THE GROUP (continued)****IV. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (continued)**

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

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

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

According to the mentioned regulation, the ratio of losses incurred due to economic value changes after interest shocks to own funds - legal maximum rate - is limited to 20%. On the other hand, the Parent Bank's internally determined limit and risk appetite levels are monitored on a daily basis, provided that they are below the legal maximum rate.

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

Current Period			
Currency	Applied Shock (+/- x base point)	Gains/(Losses)	Gains/Shareholders' Equity –Losses/ Shareholders' Equities
TRY	500	(7.837.303)	(16,84%)
	(400)	7.628.456	16,39%
EUR ^(*)	200	1.367.969	2,94%
	(200)	(1.859.217)	(3,99%)
USD	200	(1.558.638)	(3,35%)
	(200)	2.184.010	4,69%
Total (For negative shocks)		7.953.249	17,09%
Total (For positive shocks)		(8.027.972)	(17,25%)
Prior Period			
Currency	Applied Shock (+/- x base point)	Gains/(Losses)	Gains/Shareholders' Equity –Losses/ Shareholders' Equities
TRY	500	(4.147.592)	(11,17%)
	(400)	3.990.457	10,75%
EUR ^(*)	200	610.795	1,64%
	(200)	(654.359)	(1,76%)
USD	200	(1.027.985)	(2,77%)
	(200)	1.493.270	4,02%
Total (For negative shocks)		4.829.368	13,01%
Total (For positive shocks)		(4.564.782)	(12,30%)

^(*) Other currencies are shown under EUR

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 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	593.234 ^(*)	482.671 ^(**)	-	106.945

^(*) Includes TRY 84.000 of unconsolidated subsidiary, TRY 498.132 of associates accounted for under the equity method and TRY 11.102 of unconsolidated associates.

^(**) It represents the fair value of Demirhalk Bank N.V. whose balance sheet value is TRY 482.671. It is taken from the valuation report of Demirhalk Bank N.V. prepared as of 31 December 2019.

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

Portfolio	Realized gains (losses) in the current period	Revaluation surplus in the fair value		Unrealized gains and losses	
		Total	Included in supplementary capital	Total	Included in total core capital
1. Private equity investments	-	-	-	-	-
2. Share certificates quoted on a stock exchange	-	-	-	-	-
3. Other share certificates	-	47.283	47.283	-	-
Total	-	47.283	47.283	-	-

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

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

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

The liquidity risks of the Parent Bank are managed within the framework of risk and transaction limits approved by the Board of Directors and the duties and responsibilities of the units related to liquidity risk management are notified in written. Within this scope, limits determined in terms of TRY and FC are followed for gap values according to certain maturity tranches for liquidity analysis. On the other hand, for Treasury transactions; There are upper limits on TL and FX terms in all maturities in the over-the-counter market, upper limits on repo and reverse repo transactions that can be realized in TRY and FC terms with maximum FX position limits on all maturities in the interbank market, and maximum limits on foreign currency position, forward and swap transactions.

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

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

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

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

The reduction of liquidity risk is provided by effective collateral management structure. The Parent Bank participates in the organized markets (CBRT, BIST and TAKASBANK). Debt upper limits and balance sheet size are determined under certain criteria by the relevant authorities. Existing limits available to use are continuously monitored with the cooperation of Treasury Management Middle Office and Treasury Operations Department though the Parent Bank's projected and instant liquidity needs under the condition that depositing and/or withdrawing additional collateral.

**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
MANAGEMENT OF THE GROUP (continued)****VI. EXPLANATIONS ON THE CONSOLIDATED LIQUIDITY RISK AND LIQUIDITY
COVERAGE RATIO (continued)**

According to “Regulation for Banks’ Liquidity Coverage Ratio Calculations”, for the purposes of foreign currency and total liquidity coverage ratio (“LCR”), banks are required to have the ability to cover net cash outflows with high quality liquid assets. Mentioned ratios are calculated by using high quality liquid assets divided by net cash outflows to be realized within 30 days based on TRY+FC and FC. According to the mentioned Regulation, the legal minimum limits of the LCR ratio on both unconsolidated and consolidated basis should be 100% for TRY+FC and 80% for FC.

Consolidated high quality liquid assets are composed of 40,78% accounts held by the CBRT and the Central Banks of the foreign branches, 54,80% securities considered as high quality liquid assets and 4,41% cash and cash equivalents.

The consolidated main funding source of the Parent Bank is deposits, other funding sourced are money market borrowings, securities issued and subordinated debt instruments, funds borrowed, and the rest consists of other sources.

As in the previous period, 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 725.331.

Each of the consolidated subsidiaries manage their own liquidity risk and liquidity adequacy is ensured on a consolidated basis.

Liquidity ratios and its daily changes monitored under calculated "Liquidity Coverage Ratio" and "Liquidity Emergency Action Plan" within the scope of the Regulation on “Banks' Liquidity Coverage Ratio Calculation" prepared by BRSA and then they are notified to the Parent Bank Audit Committee and the Asset-Liability Committee regularly.

Throughout the current period, Group’s Liquidity Coverage Ratio’s lowest and highest values and the weeks these values are monitored are given in the table below:

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Month	(%)	Related Month	(%)
Maximum	04.11.2019 10.11.2019	472,92	23.12.2019 29.12.2019	140,62
Minimum	23.12.2019 29.12.2019	244,80	21.10.2019 27.10.2019	110,95

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)

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

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 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			53.741.958	26.678.480
Cash Outflows				
Retail and Small Business Customers, of which;	117.269.450	44.798.170	10.455.442	4.479.817
Stable Deposits	25.430.060	-	1.271.503	-
Less Stable Deposits	91.839.390	44.798.170	9.183.939	4.479.817
Unsecured wholesale funding , of which;	102.988.536	45.361.867	42.324.808	19.856.835
Operational Deposits	35.321.672	10.662.628	8.830.418	2.665.657
Non-operational Deposits	62.158.485	31.683.085	28.644.497	14.650.858
Other Unsecured Funding	5.508.379	3.016.154	4.849.893	2.540.320
Secured Funding			-	-
Other cash outflows, of which;	8.025.355	4.873.951	3.868.181	2.600.740
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	330.890	723.519	330.890	723.519
Obligations related to structured financial products	58.314	-	58.314	-
Commitments related to debts to financial markets and other off-balance sheet obligations	7.636.151	4.150.432	3.478.977	1.877.221
Other revocable off-balance sheet commitments and contractual obligations.	91.205	-	91.205	-
Other irrevocable or conditionally revocable off-balance sheet obligations	99.572.967	42.704.063	7.900.145	3.477.943
Total Cash Outflows			64.639.781	30.415.335
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	26.146.432	11.739.757	18.447.182	9.836.588
Other Cash Inflows	164.036	2.013.894	164.036	2.013.894
Total Cash Inflows	26.310.468	13.753.651	18.611.218	11.850.482
			Total Adjusted Value	
Total HQLA Stock			53.741.958	26.678.480
Total Net Cash Outflows			46.028.563	18.564.853
Liquidity Coverage Ratio (%)			116,85%	144,62%

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 LIQUIDITY RISK AND THE LIQUIDITY COVERAGE RATIO (continued)

Presentation of assets and liabilities according to their remaining maturities:

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	4.341.316	30.822.609	-	150.062	-	-	-	35.313.987
Banks	2.522.131	1.577.235	33.312	26.233	25	5.037	-	4.163.973
Financial assets at fair value through profit and loss	8.716	967	2.130	16.147.107	68	-	146.775	16.305.763
Receivables from Money market	-	87.138	-	-	-	-	-	87.138
Financial assets at fair value through other comprehensive income	-	58	21.184	4.600.819	9.112.338	1.405.244	155.047	15.294.690
Loans	18.490.682	20.048.261	16.411.998	79.241.930	142.952.534	36.249.272	-	313.394.677
Financial assets measured at amortised cost	-	756.789	1.553.976	3.743.512	34.850.595	31.566.250	-	72.471.122
Other assets ⁽²⁾	299.597	2.711.272	1.475.471	2.242.049	1.633.559	287.614	2.950.915	11.600.477
Total assets	25.662.442	56.004.329	19.498.071	106.151.712	188.549.119	69.513.417	3.252.737	468.631.827
Liabilities								
Bank deposits	6.066.738	13.123.091	8.508.642	6.458	-	-	-	27.704.929
Other deposits	48.281.713	156.986.074	45.614.499	20.039.248	2.024.949	36.139	-	272.982.622
Funds provided from other financial institutions ⁽³⁾	18	891.855	1.006.528	4.084.214	5.181.511	3.003.744	-	14.167.870
Money market balances	-	52.744.394	4.947	-	-	590.000	-	53.339.341
Bonds issued	-	1.154.408	7.105.778	3.403.317	7.630.629	-	-	19.294.132
Sundry creditors	80.375	2.649.672	125.359	676.974	2.152.786	29.053	666.586	6.380.805
Other liabilities ⁽¹⁾	1.574.520	4.421.427	244.771	19.100.566	2.135.037	13.524.348	33.761.459	74.762.128
Total liabilities	56.003.364	231.970.921	62.610.524	47.310.777	19.124.912	17.183.284	34.428.045	468.631.827
Liquidity gap	(30.340.922)	(175.966.592)	(43.112.453)	58.840.935	169.424.207	52.330.133	(31.175.308)	-
Net off balance sheet position	-	(12.504)	16.212	161.060	573.130	-	-	737.898
Derivative financial assets	-	15.933.967	3.170.567	5.162.933	1.713.612	11.092.703	-	37.073.782
Derivative financial liabilities	-	(15.946.471)	(3.154.355)	(5.001.873)	(1.140.482)	(11.092.703)	-	(36.335.884)
Non-cash loans	27.943.882	3.072.636	9.160.038	31.876.345	16.382.132	2.582.797	-	91.017.830
Prior Period								
Total Assets	10.552.904	49.562.729	17.639.883	96.759.477	140.606.047	63.269.381	9.831.255	388.221.676
Total Liabilities	54.386.534	175.132.693	52.971.540	41.638.496	21.162.901	11.570.306	31.359.206	388.221.676
Liquidity Gap	(43.833.630)	(125.569.964)	(35.331.657)	55.120.981	119.443.146	51.699.075	(21.527.951)	-
Net off balance sheet position	(291)	44.055	(118.416)	(8.676)	526.291	-	-	442.963
Derivative financial assets	98.324	8.307.418	1.331.178	4.617.257	3.648.848	6.417.794	-	24.420.819
Derivative financial liabilities	(98.615)	(8.263.363)	(1.449.594)	(4.625.933)	(3.122.557)	(6.417.794)	-	(23.977.856)
Non-cash loans	2.434.918	3.388.326	6.216.271	29.870.469	16.520.370	25.239.621	-	83.669.975

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

⁽²⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, 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 YEAR ENDED 31 DECEMBER 2019

(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 LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)

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

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

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

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments ^(*)	Total
Liabilities							
Deposits	182.643.839	49.115.829	19.099.012	1.146.346	19.202	(1.444.708)	250.579.520
Funds provided from other financial intuitions	986.565	1.827.056	4.041.735	6.160.067	3.206.289	(947.232)	15.274.480
Money market borrowings	35.305.672	348.648	108.059	2.292.146	703.800	(540.056)	38.218.269
Securities issued	1.691.031	1.915.256	3.073.272	11.429.907	-	(1.763.253)	16.346.213
Funds	178.780	4.497	118.765	311.297	2.260.831	(49)	2.874.121
Total	220.805.887	53.211.286	26.440.843	21.339.763	6.190.122	(4.695.298)	323.292.603

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

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

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

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

Prior Period: ⁽¹⁾	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	3.605.673	870.825	952.254	-	-	5.428.752
Forward Contracts – Sell	1.731.132	652.669	850.428	-	-	3.234.229
Swaps – Buy	5.474.414	447.174	1.003.129	1.370.200	-	8.294.917
Swaps – Sell	5.469.755	558.552	1.113.630	843.910	-	7.985.847
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	89.699	-	-	-	-	89.699
Forward Precious Metal - Sell	1.925.522	224.248	-	-	-	2.149.770
Money Buy Options	218.558	49.200	2.661.875	-	-	2.929.633
Money Sell Options	218.538	49.200	2.661.875	-	-	2.929.613
Swaps Interest – Buy	-	-	-	2.278.648	6.417.794	8.696.442
Swaps Interest – Sell	-	-	-	2.278.648	6.417.794	8.696.442
Total	18.733.291	2.851.868	9.243.191	6.771.406	12.835.588	50.435.344

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 2.036.669.

TÜRKİYE HALK BANKASI AŞ**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019***(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 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⁾	441.376.249	389.129.989
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⁾	1.083.590	908.313
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⁾	42.549.277	21.772.910
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⁾	43.399.965	5.371.062
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⁾	2.342.071	1.438.564
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		-
Toplam risk tutarı	585.384.107	494.815.162

⁽¹⁾ The amounts are represented in the table as of 31 December 2018 and 30 June 2019.

⁽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 YEAR ENDED 31 DECEMBER 2019

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

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

	Prior Period ⁽¹⁾
On-Balance Sheet Items	
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	383.368.941
2. Assets that are deducted from core capital	(250.620)
3. Total on balance sheet exposures	383.118.321
Derivative exposures and credit derivatives	
4. Replacement cost associated with derivative financial instruments and credit derivatives	1.063.489
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	303.383
6. The total amount of risk on derivative financial instruments and credit derivatives	1.366.872
Investment securities or commodity collateral financing transactions	
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.370.392
8. Risk amount of exchange brokerage operations	-
9. Total risks related with securities or commodity financing transactions	1.370.392
Off -Balance Sheet Items	
10. Gross notional amount of off-balance sheet items	110.398.141
11. Adjustments for conversion to credit equivalent amounts	(1.438.564)
12. The total risk of off-balance sheet items	108.959.577
Capital and Total Exposures	
13. Tier 1 Capital	28.740.329
14. Total Exposures	494.815.162
Leverage Ratio	
15. Leverage Ratio	5,81

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

SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)**VIII. EXPLANATIONS RELATED TO THE CONSOLIDATED BUSINESS SEGMENTATION**

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

The Parent Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises (SMEs) as well as individual consumers. In this context, the 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 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 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 YEAR ENDED 31 DECEMBER 2019

(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 RELATED TO THE CONSOLIDATED BUSINESS
SEGMENTATION (continued)

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 December 2019 are presented in the table below.

Current Period (1 January – 31 December 2019)	Corporate/ Commercial	Integrated	Treasury/ Investment⁽¹⁾	Other⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	12.397.599	24.910.172	9.698.902	662.062	47.668.735
Interest on loans	12.395.130	24.451.585	374.768	-	37.221.483
Interest income on marketable securities	-	440.623	8.756.754	-	9.197.377
Interest received from banks	-	-	344.109	-	344.109
Other interest income	2.469	17.964	223.271	662.062	905.766
Interest expense	7.172.263	14.622.240	13.847.507	365.396	36.007.406
Interest on deposits	7.127.917	14.165.507	1.718.465	-	23.011.889
Interest on borrowings	34.472	75.019	212.251	230.397	552.139
Interest on money market borrowings	-	189.927	9.197.353	57.966	9.445.246
Interest on marketable bonds issued	-	-	2.564.881	72.891	2.637.772
Other interest expense	9.874	191.787	154.557	4.142	360.360
Net interest income	5.225.336	10.287.932	(4.148.605)	296.666	11.661.329
Net fees and commissions income / (expenses)	1.080.148	1.383.476	465.462	(212.604)	2.716.482
Net trading profit / (loss) (Net)	25.263	554.155	(3.818.480)	11.308	(3.227.754)
Dividend income	-	-	14.025	416	14.441
Other income	1.018.591	583.321	992.658	2.222.951	4.817.521
Loans and other receivables' impairment loss	2.157.124	1.934.567	505.383	75.443	4.672.517
Other expenses	148.426	2.478.234	4.147.690	1.763.739	8.538.089
Income before taxes	5.043.788	8.396.083	(11.148.013)	479.555	2.771.413
Income tax provision	-	-	(278.849)	(199.691)	(478.540)
Net profit for the period	5.043.788	8.396.083	(11.426.862)	279.864	2.292.873

SEGMENT ASSETS
(31 December 2019)

Marketable securities ⁽²⁾	-	4.833.999	99.226.017	1.818	104.061.834
Derivative financial assets	-	211.149	940.843	-	1.151.992
Banks and money market receivables	-	570	4.247.494	2.592	4.250.656
Associates and subsidiaries (net)	-	-	593.234	-	593.234
Loans ⁽²⁾	112.937.819	179.703.613	9.261.100	-	301.902.532
Other assets ⁽²⁾	3.903.011	3.381.194	41.856.754	7.530.620	56.671.579
TOTAL ASSETS	116.840.830	188.130.525	156.125.442	7.535.030	468.631.827

SEGMENT LIABILITIES
(31 December 2019)

Deposits	101.179.185	174.651.324	24.857.042	-	300.687.551
Derivative financial liabilities	-	148.937	204.781	-	353.718
Money market balances	-	2.951.294	50.276.129	111.918	53.339.341
Loans	1.028.956	1.150.633	10.053.720	1.934.561	14.167.870
Marketable Securities issued	-	-	17.321.413	1.972.719	19.294.132
Other liabilities	1.667.559	8.660.217	31.669.750	3.193.209	45.190.735
Provisions and tax payable	229.542	288.258	2.864.624	18.668	3.401.092
Shareholders' equity	4.053.543	7.964.223	18.210.535	1.969.087	32.197.388
TOTAL LIABILITIES	108.158.785	195.814.886	155.457.994	9.200.162	468.631.827

OFF BALANCE SHEET ITEMS
(31 December 2019)

Guarantees and surety ships	47.403.374	27.348.373	16.266.083	-	91.017.830
Commitments	645.977	9.433.236	22.586.752	19.729	32.685.694
Derivative financial instruments	-	17.613.566	55.796.100	-	73.409.666

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 RELATED TO THE CONSOLIDATED BUSINESS SEGMENTATION
(continued)

Prior Period (1 January – 31 December 2018)	Corporate/ Commercial	Integrated	Treasury/ Investment ⁽¹⁾	Other ⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	8.986.726	20.166.245	7.788.094	676.610	37.617.675
Interest on loans	8.985.606	19.700.018	309.185	-	28.994.809
Interest income on marketable securities	-	441.185	6.633.254	77.108	7.151.547
Interest received from banks	-	6	666.599	-	666.605
Other interest income	1120	25.036	179.056	599.502	804.714
Interest expense	3.413.331	15.455.276	9.430.905	375.251	28.674.763
Interest on deposits	3.372.432	15.110.679	1.809.122	6.102	20.298.335
Interest on borrowings	9532	41.519	434.855	283.298	769.204
Interest on money market borrowings	-	184.063	5.596.092	15.395	5.795.550
Interest on marketable bonds issued	-	-	1.491.114	64.089	1.555.203
Other interest expense	31.367	119.015	99.722	6.367	256.471
Net interest income	5.573.395	4.710.969	(1.642.811)	301.359	8.942.912
Net fees and commissions income / (expenses)	692.490	979.116	415.222	(182.465)	1.904.363
Net trading profit / (loss) (Net)	15.028	1.024.491	(840.192)	32.156	231.483
Dividend income	-	-	12.788	389	13.177
Other income	152.172	318.097	503.147	1.565.301	2.538.717
Loans and other receivables' impairment loss	1.062.255	1.119.258	1.005.011	233.992	3.420.516
Other expenses	120.864	2.119.558	3.646.282	1.277.647	7.164.351
Income before taxes	5.249.966	3.793.857	(6.203.139)	205.101	3.045.785
Income tax provision	-	-	(218.543)	(146.150)	(364.693)
Net profit for the period	5.249.966	3.793.857	(6.421.682)	58.951	2.681.092
SEGMENT ASSETS (31 December 2018)					
Marketable securities ⁽²⁾	-	8.756.221	66.702.373	268.409	75.727.003
Derivative financial assets	-	102.003	960.078	-	1.062.081
Banks and money market receivables	-	2.088	5.208.415	986	5.211.489
Associates and subsidiaries (net)	-	-	515.868	-	515.868
Loans ⁽²⁾	94.240.858	152.062.318	7.973.928	-	254.277.104
Other assets ⁽²⁾	746.613	2.793.595	41.939.409	5.948.514	51.428.131
TOTAL ASSETS	94.987.471	163.716.225	123.300.071	6.217.909	388.221.676
SEGMENT LIABILITIES (31 December 2018)					
Deposits	81.197.300	141.103.733	28.278.487	-	250.579.520
Derivative financial liabilities	-	53.332	357.007	-	410.339
Money market balances	-	5.402.273	32.759.788	56.208	38.218.269
Loans	393.832	1.114.372	11.401.579	2.364.697	15.274.480
Marketable Securities issued	-	-	14.883.998	1.462.215	16.346.213
Other liabilities	1.184.135	7.070.252	23.963.880	273.130	32.491.397
Provisions and tax payable	246.071	288.821	2.489.232	2.336.094	5.360.218
Shareholders' equity	4.948.569	3.392.443	19.638.194	1.562.034	29.541.240
TOTAL LIABILITIES	87.969.907	158.425.226	133.772.165	8.054.378	388.221.676
OFF BALANCE SHEET ITEMS (31 December 2018)					
Guarantees and surety ships	46.377.673	23.260.633	14.031.669	-	83.669.975
Commitments	966.222	9.648.799	17.107.670	119.546	27.842.237
Derivative financial instruments	-	12.025.139	36.373.536	-	48.398.675

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

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

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

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

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

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

	Book Value	Fair Value
	Prior Period	Prior Period
Financial Assets	360.427.511	346.870.595
Cash and Balances with the Central Bank of Turkey	35.579.724	35.579.724
Financial assets at fair value through P&L ⁽³⁾ ⁽⁴⁾	97.151	97.151
Banks	5.146.171	5.145.043
Money market placements	65.318	65.318
Financial assets at Fair Value through OCI ⁽¹⁾	4.754.158	4.878.942
Financial assets measured at amortised cost	56.331.345	50.372.897
Loans ⁽²⁾	254.147.852	246.425.728
Receivables from leasing transactions	2.913.193	2.913.193
Factoring receivables	1.392.599	1.392.599
Financial Liabilities	325.738.312	332.195.793
Deposits	250.579.520	252.283.543
Derivative financial liabilities held for trading	410.339	410.339
Funds provided from other financial intuitions	15.274.480	15.621.467
Money market borrowings	38.218.269	38.384.847
Securities issued	16.346.213	20.676.357
Miscellaneous payables	4.909.406	4.819.155
Lease payables	85	85

⁽¹⁾ "Equity investments not quoted on stock exchange" amounting to TRY 110.654 that are followed in financial assets at fair value through other comprehensive income are not included.

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

⁽³⁾ Marketable securities amounting to TRY 66.205 that are not valued at market price, followed in financial assets at fair value through profit or loss are not included.

⁽⁴⁾ The securities lending transactions amounting to TRY 14.374.380 followed in financial assets at fair value through profit or loss are not included in the table.

SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)**IX. EXPLANATIONS ON PRESENTATION OF THE CONSOLIDATED FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued)**

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

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

Classification of Fair Value Measurement

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

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

Classification requires using observable market data if possible.

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

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

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value:				
Financial Assets Measured at Fair Value through Profit/Loss ^{(2) (4)}	98.350	-	-	98.350
Derivative financial assets	-	1.062.081	-	1.062.081
Financial Assets at Fair Value through Other Comprehensive Income ⁽¹⁾	4.445.045	-	-	4.445.045
Subsidiaries	-	-	57.146	57.146
Associates ⁽³⁾	-	-	458.722	458.722
Total Financial Assets	4.543.395	1.062.081	515.868	6.121.344
Financial Liabilities Measured at Fair Value:				
Derivative financial liabilities	-	410.339	-	410.339
Total Financial Liabilities	-	410.339	-	410.339

⁽¹⁾ Share certificates amounting to TRY 419.767 of "securities not quoted on the stock exchange" in financial assets at fair value through other comprehensive income.

⁽²⁾ Marketable securities amounting to TRY 66.205 that are not valued at fair value, are not included in financial assets measured at fair value through profit/loss.

⁽³⁾ Securities lending transactions amounting to TRY 14.374.380 are not included in the financial assets measured at fair value through profit/loss.

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

	Current Period
Balance at the beginning of the period	515.868
Purchases during the year	1.750
Non-paid up shares	875
Valuation Difference	74.741
Transfers	-
Period End Balance	593.234
	Prior Period
Balance at the beginning of the period	405.316
Purchases during the year	375
Non-paid up shares	9.032
Valuation Difference	101.145
Transfers	-
Period End Balance	515.868

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

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

The Group does not engage in fiduciary transactions.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

Explanations Related To Risk Management

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

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

Overview of RWA :

		Risk Weighted Amounts		Minimum Capital Requirements	
		Current Period	Prior Period	Current Period	Prior Period
1	Credit risk (excluding counterparty credit risk) (CCR)	297.590.914	252.966.471	23.807.273	20.237.318
2	Standardized approach (SA)	297.590.914	252.966.471	23.807.273	20.237.318
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	5.804.936	3.625.642	464.395	290.051
5	Standardized approach for counterparty credit risk (SA-CCR)	5.804.936	3.625.642	464.395	290.051
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	12.630.875	3.869.238	1.010.470	309.539
17	Standardized approach (SA)	12.630.875	3.869.238	1.010.470	309.539
18	Internal model approaches (IMM)	-	-	-	-
19	Operational Risk	21.710.397	18.548.003	1.736.832	1.483.840
20	Basic Indicator Approach	21.710.397	18.548.003	1.736.832	1.483.840
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.241.710	1.123.427	99.337	89.874
24	Floor adjustment	-	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	338.978.832	280.132.781	27.118.307	22.410.622

*Credit risk standard approach also includes the amounts which below discount threshold.

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

Differences and Matching Between Accounting and Regulatory Scopes of Consolidation:

	Carrying values in financial statements prepared as per TAS	Carrying values for legal consolidation prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and Balances with the Central Bank	-	35.313.987	35.313.987	-	-	-	-
Derivative Financial Assets	-	1.151.992		1.151.992	-	335.485	-
Financial assets at fair value through profit and loss	-	16.305.763	201.682	-	-	40.569	16.104.081
Banks	-	4.153.852	4.153.852	-	-	-	-
Receivables from Money markets	-	87.138	87.138	-	-	-	-
Financial Assets at Fair Value Through OCI (net)	-	15.294.690		-	-	15.269.024	-
Loans	-	301.902.532	301.891.200	-	-	-	11.332
Receivables from factoring	-	2.114.732	2.114.732	-	-	-	-
Financial Assets Measured at Amortised Cost (net)	-	72.461.381	72.461.381	-	-	-	-
Subsidiaries (net)	-	509.234	509.234	-	-	-	-
Associates (net)	-	84.000	84.000	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-		-	-	-	-
Finance lease receivables	-	2.922.013	2.922.013	-	-	-	-
Derivative financial liabilities held for risk management	-	-		-	-	-	-
Tangible Assets (net)	-	9.308.973	9.308.973	-	-	-	-
Intangible Assets (net)	-	205.259		-	-	-	213.176
Real estate for investment purpose (net)	-	1.104.463		-	-	-	-
Tax asset	-	60.411	60.411	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	-	1.076.418	1.076.418	-	-	230.241	-
Other assets	-	4.574.989	4.574.989	-	-	-	-
Total Assets	-	468.631.827	434.760.010	1.151.992	-	15.875.319	16.328.589
Liabilities							
Deposits	-	300.687.551	-	-	-	-	-
Derivative financial liabilities	-	353.718	-	-	-	219.817	-
Loans	-	14.167.870	-	-	-	-	-
Money market borrowings	-	53.339.341	-	4.415.413	-	-	-
Securities issued	-	19.294.132	-	-	-	-	-
Funds	-	3.209.004	-	-	-	-	-
Other Liabilities	-	25.967.002	-	-	-	283	-
Factoring payables	-	1.507	-	-	-	-	-
Finance lease payables	-	644.059	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-
Provisions	-	1.750.345	-	-	-	-	-
Tax Liability	-	1.650.747	-	-	-	-	-
Liabilities regarding assets held for sale and discontinued operations (net)	-	3.184.317	-	-	-	-	-
Subordinated Debt	-	12.184.846	-	-	-	-	-
Shareholders' equity	-	32.197.388	-	-	-	-	-
Total liabilities	-	468.631.827	-	4.415.413	-	220.100	-

TÜRKİYE HALK BANKASI AŞ**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)****XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)****Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements:**

		Total	Credit risk	Securitization positions	Counterparty credit risk	Market Risk
1	Asset carrying value amount under scope of regulatory consolidation	468.631.827	434.760.010	-	1.151.992	15.875.319
2	Liabilities carrying value amount under regulatory scope of consolidation	468.631.827	-	-	4.415.413	220.100
3	Total net amount under regulatory scope of consolidation	-	434.760.010	-	5.567.405	15.655.219
4	Off-balance Sheet Amounts	197.113.190	123.703.524	-	454.106*	18.666.447
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
9	Differences due to risk reduction	-	558.463.534	-	6.021.511	34.321.666

*Shows total potential credit risk amounts caused by derivative transactions.

Explanations of differences between accounting and regulatory exposure amounts:

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

Explanations Related to Counterparty Credit Risk

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

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

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

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

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

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

Explanations Related to Counterparty Credit Risk (continued):

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)
SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)
XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)
Counterparty Credit Risk (CCR) Approach Analysis:

	Replacement cost	Potential Future exposure	EEPE*	Alpha used for computing regulatory EAD	EAD post-CRM	Risk Weighted Amount
Standardised Approach - CCR (for derivatives)	1.151.669	454.106	-	1,40	1.605.775	1.211.417
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					4.415.413	4.056.274
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
Total					6.021.188	5.267.691

*Expected effective positive risk amount

Capital requirement for credit valuation adjustment (CVA):

	EAD post-CRM	Risk weighted amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	1.605.775	523.520
Total subject to the CVA capital obligation	1.605.775	523.520

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)
XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)
Standardised Approach - Counterparty Risk Per Risk Classification And Risk Weighted Amounts:

Risk weights / Risk Classifications	0%	10%	20%	50%	75%	100%	150%	2%	4%	Total Credit Risk
Claims on sovereigns and Central Banks	137.661	-	-	52.474	-	-	-	-	-	190.135
Claims on regional governments or local authorities	-	-	-	17	-	-	-	-	-	17
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	27	-	-	-	27
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	208.099	839.740	-	2.000.919	-	-	-	3.048.758
Claims on corporates	-	-	-	-	-	3.292.803	-	-	-	3.292.803
Claims included in the regulatory retail portfolios	-	-	-	-	12.969	-	-	-	-	12.969
Claims secured by residential property	-	-	-	-	-	-	-	-	-	-
Overdue loans	-	-	-	-	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Other Assets*	-	-	12	435	1.609	12.286	-	606	-	14.948
Toplam	137.661	-	208.111	892.666	14.578	5.306.035	-	606	-	6.559.657

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

Collaterals for Counterparty Credit Risk:

	Collateral for derivative transactions				Collateral for other transactions	
	Received Collaterals		Given Collaterals		Received Collaterals	Given Collaterals
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	65.414	-	-	-	-
Cash-foreign currency	-	302.986	-	51.243	16.610	113.900
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	368.400	-	51.243	16.610	113.900

Counterparty Credit Risk-Credit Derivatives:

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

Exposures to Central Counterparties (CCP):

	Exposure at default (post-CRM)	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)		13.725
Exposures for trades at QCCPs (excluding initial margin and default	14.913	13.690
(i) OTC Derivatives	447	220
(ii) Exchange-traded Derivatives	14.466	13.470
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	19	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	1.190	35
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund		
contributions); of which)		
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

Securitisations:

None.

Qualitative Disclosure on Credit Risk:

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

Credit Quality of Assets:

		Gross carrying value as per TAS		Allowances/amortisation and impairments	Net values
		Defaulted	Non-defaulted		
1	Loans	16.725.577	302.245.040	12.031.340	306.939.277
2	Debt Securities*	-	87.984.794	27.041	87.957.753
3	Off-balance sheet exposures	-	123.703.524	288.481	123.415.043
4	Total	16.725.577	513.933.358	12.346.862	518.312.073

* As of 31 December 2019 TRY 16.104.081 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Changes in Stock of Default Loans and Debt Securities:

1	Defaulted loans and debt securities at end of the previous reporting period	9.282.998
2	Loans and debt securities defaulted since the last reporting period	9.327.134
3	Receivables back to performing status	(17.706)
4	Amounts written off	(15.516)
5	Other changes	(1.851.333)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	16.725.577

Additional Disclosure Related To The Credit Quality Of Assets:

Exposures Provisioned Against By Maturity:

Current Period	Demands	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total
Loans and Advances	18.490.682	20.048.261	16.411.998	79.241.930	142.952.534	36.249.272	313.394.677

Exposures Provisioned Against By Major Regions:

31 December 2019	Non-Performing Loans	ECL (Stage 3)
Domestic	16.506.899	9.355.059
European Union (EU) Countries	104	66
OECD Countries	-	-
Off-Shore Banking Regions	-	-
USA, Canada	10	9
Other Countries	218.564	71.171
Total	16.725.577	9.426.305

Exposures Provisioned Against By Sectors:

Explained in Section 4 Information according to sectors and counterparties

Aging analysis of overdue but not impaired financial assets:

31 December 2019	
30-60 days overdue	1.647.668
60-90 days overdue	1.666.527
Total	3.314.195

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

31 December 2019

Loans Structured from Standard Loans	710.125
Loans Composed of Follow-up Loans	10.270.072
Loans Restructured from Non-Performing Loans	1.688.504

*Rediscounts are not included in the table.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

Qualitative Disclosure on Credit Risk Mitigation Techniques:

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

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

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

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

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

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

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

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

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

Credit Risk Mitigation Techniques- Overview:

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans ⁽²⁾	159.266.779	147.672.498	93.409.196	19.138.765	15.836.236	-	-
2 Debt Instruments ⁽¹⁾	87.957.753	-	-	-	-	-	-
3 Total	247.224.532	147.672.498	93.409.196	19.138.765	15.836.236	-	-
4 Of which defaulted	3.727.701	3.571.571	2.682.525	1.042.226	970.593	-	-

⁽¹⁾ As of 31 December 2019, TRY 16.104.081 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

Credit Risk Mitigation Techniques- Overview (continued):

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

Risk Classification	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns and Central Banks	107.914.407	453.088	124.663.850	1.071.924	12.396.851	9,86%
Claims on regional governments or local authorities	3.103.067	88.806	3.098.450	38.573	1.568.511	50,00%
Claims on administrative bodies and other non-commercial undertakings	562.945	469.813	547.468	187.599	735.067	100,00%
Claims on multilateral development banks	-	-	57.854	3.965	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	7.774.547	2.693.045	7.774.547	1.838.981	5.810.485	60,44%
Claims on corporates	128.634.761	72.298.510	120.245.995	45.524.195	165.160.073	99,63%
Claims included in the regulatory retail portfolios	96.231.787	35.623.563	82.057.132	6.893.430	66.712.922	75,00%
Claims secured by residential property	42.973.196	2.773.980	42.973.196	1.295.483	15.494.038	35,00%
Claims secured by commercial property	27.852.948	4.628.202	27.852.948	2.967.415	15.410.181	50,00%
Overdue loans	7.443.942	1.180.808	6.465.393	535.033	6.226.901	88,95%
Higher risk categories decided by the Board	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	22.954.081	1.161.695	22.953.591	9.962	13.516.448	58,86%
Equity share investments	861.057	-	861.057	-	1.606.083	186,52%
Total	446.306.738	121.371.510	439.551.481	60.366.560	304.637.560	%60,94

Standardised Approach- Claims By Risk Classification And Risk Weights

Risk Classification	%0	%10	%20	%35*	%50	%75	%100	%150	%200	%250	%2	%4	Total risk amount (pt-CCF and CRM)
Claims on sovereigns and Central Banks	101.141.172	-	-	-	24.395.502	-	199.100	-	-	-	-	-	125.735.774
Claims on regional governments or local authorities	-	-	-	-	3.137.023	-	-	-	-	-	-	-	3.137.023
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	735.067	-	-	-	-	-	735.067
Claims on multilateral development banks	61.819	-	-	-	-	-	-	-	-	-	-	-	61.819
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	3.380.431	-	2.196.209	-	4.036.282	-	-	-	606	-	9.613.528
Claims on corporates	-	-	446.324	-	506.116	-	164.817.750	-	-	-	-	-	165.770.190
Claims included in the regulatory retail portfolios	-	-	-	-	-	88.950.562	-	-	-	-	-	-	88.950.562
Claims secured by residential property	-	-	-	44.268.679	-	-	-	-	-	-	-	-	44.268.679
Claims secured by commercial property	-	-	-	-	30.820.363	-	-	-	-	-	-	-	30.820.363
Overdue loans	-	-	-	-	2.181.468	-	4.184.540	634.418	-	-	-	-	7.000.426
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	364.373	-	-	496.684	-	-	861.057
Other receivables	8.498.879	-	1.155.039	-	-	96.777	13.212.858	-	-	-	-	-	22.963.553
Total	109.701.870	-	4.981.794	44.268.679	63.236.681	89.047.339	187.549.970	634.418	-	496.684	606	-	499.918.041

SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)**XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS (continued)****Publicly Announced Qualitative Disclosure on Market Risk**

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

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

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

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

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

Market Risk: Standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	5.299.250
Equity risk (general and specific)	285.800
Foreign exchange risk	7.014.388
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	31.437
Scenario approach	-
Securitization	-
Total	12.630.875

Information related to Operational Risk:

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

	2 PP Amount	1 PP Amount	CP Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	10.107.156	11.921.941	12.707.538	11.578.878	15	1.736.832
Value at Operational Risk (Total * 12,5%)						21.710.397

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

XII. EXPLANATIONS ON REMUNERATION POLICIES

1. Disclosures related with Remuneration Committee

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

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

The Parent Bank has received consultancy service from a company within the framework of the activities for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Parent Bank's board members, senior management and the Parent Bank personnel deemed to perform the functions having material impact on the Parent Bank's risk profile are considered as critical key directors; and by the end of 2019, the number of critical key directors is 45.

2. Information on the design and structure of remuneration process

The Parent Bank relies on the following values while managing its Remuneration Policy.

- Based on fair and balanced performance targets,
- Balance within the Parent Bank in terms of wage application to ensure competitiveness within the sector,
- To increase the efficiency of rewards by emphasizing the concepts of job size, performance and contribution to work,

Remuneration Committee at its meeting in December 2019 has revised the remuneration policy and practices. It has been observed that, total benefits paid to the members of the Parent Bank's Board of Directors, senior management and other staff are in line with the Parent Bank's ethical values, internal balances and strategic objectives in 2019. Regardless of the performance of the units that are audited by internal audit, the benefits of are determined on the basis of the general wage increase rate set by the Parent Bank.

According to the growing and evolving organizational structure of the Parent Bank, the Parent Bank is working with a consulting firm on a project about review of its human resources applications and comparing with other banks in the industry.

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

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

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

XII. EXPLANATIONS ON REMUNERATION POLICIES (continued)

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

The Parent Bank's variable payments as performance bonuses are mostly made to the personnel working at the branches and Regional Directorships. The paid amounts are not exceed a certain percentage of the monthly fixed fees. No performance premium payments are made to other members of the bank that are considered to have performed a function that has a significant effect on the risk profile of the bank and the members of the board of directors and senior managers who are designated as critical key personnel but only a dividend payment is made up to twice of the gross monthly salary of all personnel with the decision of the General Assembly of the Parent Bank,

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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:

a) Information on balances with the CBRT:

	Current period	
	TRY	FC
Cash and foreign currency	1.370.369	2.490.953
CBRT	1.102.242	29.720.567
Other ⁽¹⁾	-	629.856
Total	2.472.611	32.841.376
	Prior period	
	TRY	FC
Cash and foreign currency	1.259.820	3.332.074
CBRT	2.723.274	27.815.892
Other ⁽¹⁾	-	448.664
Total	3.983.094	31.596.630

⁽¹⁾ As of 31 December 2019, TRY 175.723 includes the reserve requirement held by the Central Bank of Macedonia and TRY 454.128 of the Central Bank of Serbia. (31 December 2018: includes the required reserve amounting to TRY 145.344 held by Central Bank of Macedonia, TRY 303.300 held by the Central Bank of Serbia.)

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

	Current period	
	TRY	FC
Demand unrestricted amount ⁽¹⁾	1.049.181	15.456.782
Time unrestricted amount	-	-
Time restricted amount	-	200.627
Other ⁽²⁾	53.061	14.063.158
Total	1.102.242	29.720.567

⁽¹⁾ Reserve deposits kept in CBRT.

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

	Prior period	
	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.470.993	9.347.358
Time unrestricted amount	-	-
Time restricted amount	-	2.259.938
Other ⁽²⁾	252.281	16.208.596
Total	2.723.274	27.815.892

⁽¹⁾ Reserve deposits kept in CBRT.

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

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks operating in Turkey keep reserve deposits for their TRY liabilities held at TRY, US Dollar, Euro and/or standard gold and/or scrap gold with reserve deposit rates between 1%-7% varied according to their maturity compositions, for their FC liabilities at TRY, US Dollar, Euro and/or standard gold with reserve deposit rates between 5%-21% varied according to their maturity compositions. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to reserves held in TRY.

Starting from 4 September 2019, the interest related to the reserve requirements for banks held at TRY is paid as 1000 basis points for banks whose credit growth rate is at qualified reference interval, and 0 basis points for banks whose credit growth rate is out of the reference interval.

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

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

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

With the change dated 23 January 2015, it has been decided to apply a commission charge as of 1 February 2015 on the daily account balances of the banks denominated in EUR for reserve accounts and two days notice accounts held within CBRT. As of 27 July 2015 commission rates have been announced as zero percent on the CBRT website.

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

With the decision No.1005 dated 14 August 2018 of the TRNC, reserve requirement ratio is between 0,4% and 0,7% for TRY liabilities and for foreign currency liabilities. With the decision No.1072 dated 27 December 2019 of the Central Bank of the TRNC, reserve requirement ratio will be applied between 4,25% to 7,25% for the Turkish currency and foreign currency liabilities as of 31 December 2019.

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

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

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

Current Period		
	TRY	FC
Treasury bills, government bonds and similar securities	2.167.331	-
Total:	2.167.331	-
Prior Period		
	TRY	FC
Treasury bills, government bonds and similar securities	14.375.207	-
Total:	14.375.207	-

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

Current Period		
	TRY	FC
Treasury bills, government bonds and similar securities	13.561.277	-
Total:	13.561.277	-
Prior Period		
	TRY	FC
Treasury bills, government bonds and similar securities	-	15.763
Total:	-	15.763

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

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

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

	Current Period	
	TRY	FC
Forward transactions	-	53.516
Swap transactions	3.695	1.091.646
Futures transactions	-	-
Options	1	3.134
Other	-	-
Total	3.696	1.148.296

Positive differences related to the derivative financial assets held for trading:

	Prior Period	
	TRY	FC
Forward transactions	-	204.002
Swap transactions	-	857.985
Futures transactions	-	-
Options	9	85
Other	-	-
Total	9	1.062.072

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period	
	TRY	FC
Banks		
Domestic banks	302.916	1.117.127
Foreign banks	205.105	2.538.825
Branches and offices abroad	-	-
Total	508.021	3.655.952

	Prior Period	
	TRY	FC
Banks		
Domestic banks	6.675	2.642.815
Foreign banks	174.717	2.321.964
Branches and offices abroad	-	-
Total	181.392	4.964.779

b) Information on foreign banks:

	Unrestricted Balance	Restricted Balance
	Current Period	Current Period
EU Countries	1.238.760	62.908
USA and Canada	207.492	-
OECD Countries	180.162	53.825
Offshore Banking Regions	314	-
Other	337.486	662.983
Total	1.964.214	779.716

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

(3) Information on banks and other financial institutions (continued):

b) Information on foreign banks (continued):

	Unrestricted Balance	Restricted Balance
	Prior Period	Prior Period
EU Countries	681.473	42.554
USA and Canada	730.596	-
OECD Countries	180.591	2.889
Offshore Banking Regions	522	-
Other	607.836	250.220
Total	2.201.018	295.663

(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	
	TRY	FC
Treasury bills, government bonds and similar securities	-	1.999.958
Total	-	1.999.958

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	564.582	168.246
Total	564.582	168.246

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

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

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	45.539	392.500
Total	45.539	392.500

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 (continued):

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

	Current Period
Debt securities	15.139.662
<i>Quoted on a stock exchange</i>	14.614.159
<i>Not quoted</i>	525.503
Share certificates	172.328
<i>Quoted on a stock exchange</i>	129.381
<i>Not quoted</i>	42.947
Impairment provision(-)	17.300
Total	15.294.690
	Prior Period
Debt securities	4.758.820
<i>Quoted on a stock exchange</i>	4.362.283
<i>Not quoted</i>	396.537
Share certificates	128.077
<i>Quoted on a stock exchange</i>	87.532
<i>Not quoted</i>	40.545
Impairment provision(-)	22.085
Total	4.864.812

(5) Information on loans:

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

	Current period	
	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	425.076	-
Total	425.076	-
	Prior period	
	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	364.003	-
Total	364.003	-

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 and Receivables	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	218.835.022	12.843.091	99.771	10.170.124
<i>Corporation loans</i>	126.409.597	9.267.493	41.629	10.156.767
<i>Export loans</i>	14.071.531	280.090	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	1.457.594	1.475.000	-	-
<i>Consumer loans⁽¹⁾</i>	47.863.937	866.015	57.597	7.386
<i>Credit cards⁽²⁾</i>	6.139.029	464.100	545	-
<i>Other</i>	22.893.334	490.393	-	5.971
Specialized lending	47.922.688	1.863.373	-	177
Other receivables	-	-	-	-
Accruals	4.375.620	618.730	1.858	586.976
Total	271.133.330	15.325.194	101.629	10.757.277

⁽¹⁾ Includes TRY 317.581 personnel loans.

⁽²⁾ Includes TRY 107.495 personnel credit cards.

	Standard Loans		Loans under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months expected loss provision	1.356.108	1.037.945	-	-
Significant Increase in Credit Risk	-	-	1.248.927	1.206.875

*The expected loss provisions for factoring receivables and receivables from leasing transactions are included in the table.

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

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

c) Distribution of cash loans by maturity structure:

Current Period	Loans under close monitoring		
	Standard Loans	Loans with Revised Contract Terms	Refinance
Short-term Loans	47.108.804	1.799.389	347.801
Medium and Long-term Loans	224.024.526	13.525.805	10.511.105
Prior Period			
Short-term Loans	48.681.536	2.007.787	461.200
Medium and Long-term Loans	188.430.781	8.389.186	6.177.362

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

Prior Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	414.777	38.974.313	39.389.090
<i>Real estate loans</i>	6.689	24.164.588	24.171.277
<i>Automobile loans</i>	2.259	206.044	208.303
<i>Consumer loans</i>	405.829	14.603.681	15.009.510
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	2.514	310.799	313.313
<i>Real estate loans</i>	23	1.252	1.275
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	2.491	309.547	312.038
<i>Other</i>	-	-	-
Consumer loans- FC	4.765	1.411.248	1.416.013
<i>Real estate loans</i>	536	537.132	537.668
<i>Automobile loans</i>	65	8.147	8.212
<i>Consumer loans</i>	3.182	776.990	780.172
<i>Other</i>	982	88.979	89.961
Individual credit cards-TRY	3.472.907	1.457	3.474.364
<i>Installment</i>	1.229.512	1.457	1.230.969
<i>Non-installment</i>	2.243.395	-	2.243.395
Individual credit cards-FC	367	81.348	81.715
<i>Installment</i>	68	81.348	81.416
<i>Non-installment</i>	299	-	299
Personnel loans-TRY	13.206	217.270	230.476
<i>Real estate loans</i>	-	402	402
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	13.206	216.868	230.074
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	49	4.849	4.898
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	49	4.849	4.898
<i>Other</i>	-	-	-
Personnel loans-FC	370	37.317	37.687
<i>Real estate loans</i>	34	32.958	32.992
<i>Automobile loans</i>	-	144	144
<i>Consumer loans</i>	336	4.058	4.394
<i>Other</i>	-	157	157
Personnel credit cards-TRY	89.185	-	89.185
<i>Installment</i>	30.146	-	30.146
<i>Non-installment</i>	59.039	-	59.039
Personnel credit cards-FC	65	1.692	1.757
<i>Installment</i>	1	1.692	1.693
<i>Non-installment</i>	64	-	64
Overdraft accounts-TRY (Retail customers)	1.207.349	-	1.207.349
Overdraft accounts-FC (Retail customers)	64.732	175	64.907
Total	5.270.286	41.040.468	46.310.754

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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) Information on commercial installments loans and corporate credit cards^(*)(continued):

Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.018.833	26.689.452	27.708.285
<i>Business premises loans</i>	-	601.301	601.301
<i>Automobile loans</i>	13.787	411.033	424.820
<i>Consumer loans</i>	1.005.046	25.677.118	26.682.164
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	55.368	231.986	287.354
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	1.233	1.233
<i>Consumer loans</i>	142	117.988	118.130
<i>Other</i>	55.226	112.765	167.991
Commercial installment loans - FC	835.560	18.666.194	19.501.754
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	166.857	16.554.597	16.721.454
<i>Other</i>	668.703	2.111.597	2.780.300
Corporate credit cards-TRY	1.833.272	-	1.833.272
<i>Installment</i>	598.184	-	598.184
<i>Non-installment</i>	1.235.088	-	1.235.088
Corporate credit cards-FC	45	2.974	3.019
<i>Installment</i>	-	2.974	2.974
<i>Non-installment</i>	45	-	45
Overdraft accounts-TRY (Commercial customers)	2.572.296	-	2.572.296
Overdraft accounts-FC (Commercial customers)	17.740	-	17.740
Total	6.333.114	45.590.606	51.923.720

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

f) Loans by customers:

	Current Period
Public	6.777.183
Private	290.540.247
Total	297.317.430

	Prior Period
Public	7.288.472
Private	246.859.380
Total	254.147.852

g) Domestic and foreign loans^(*):

	Current Period
Domestic loans	288.462.207
Foreign loans	8.855.223
Total	297.317.430

	Prior Period
Domestic loans	247.171.753
Foreign loans	6.976.099
Total	254.147.852

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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) Loans granted to subsidiaries and associates:

None.

i) Credit-impaired losses (Stage III):

	Current Period
Loans and receivables with limited collectability	1.082.761
Loans and receivables with doubtful collectability	2.011.855
Uncollectible loans and receivables	6.331.689
Total	9.426.305

* Stage III provisions for non-performing receivables from factoring and leasing transactions are included in the table.

Special provision for loans:

	Prior Period
Specific provisions	
Loans and receivables with limited collectability	834.885
Loans and receivables with doubtful collectability	628.542
Uncollectible loans and receivables	5.319.127
Total	6.782.554

* Stage III provisions for non-performing receivables from factoring and leasing transactions are included in the table.

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

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

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

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables with	receivables with	loans and
	limited	doubtful	receivables
	collectability	collectability	collectability
Current period			
Gross amounts before provisions	157.114	102.114	1.429.276
Rescheduled loans	157.114	102.114	1.429.276
Prior period			
Gross amounts before specific provisions	64.295	150.712	1.304.294
Rescheduled loans and other receivables	64.295	150.712	1.304.294

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):

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

Current Period:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	1.807.751	1.259.139	6.216.108
Additions (+)	7.544.830	886.617	895.687
Transfers from other categories of loans under follow-up (+)	-	5.811.681	3.008.790
Transfers to other categories of loans under follow-up (-)	5.982.219	2.838.252	-
Collections (-)	463.266	591.043	804.609
Write-offs (-)	9.944	177	15.516
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	2.897.152	4.527.965	9.300.460
Provision (-)	1.082.761	2.011.855	6.331.689
Net balance on balance sheet	1.814.391	2.516.110	2.968.771

* Non-performing receivables from factoring and leasing transactions are included in the table.

Prior Period:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	679.089	768.024	5.176.799
Additions (+)	3.394.752	142.222	150.873
Transfers from other categories of loans under follow-up (+)	-	1.911.433	1.557.483
Transfers to other categories of loans under follow-up (-)	1.968.548	1.500.368	-
Collections (-)	411.282	247.433	669.589
Write-offs (-)	-	-	-
Sold (-)	-	-	72.258
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	113.740	185.261	72.800
Current period end balance	1.807.751	1.259.139	6.216.108
Provision (-)	834.885	628.542	5.319.127
Net balance on balance sheet	972.866	630.597	896.981

* Non-performing receivables from factoring and leasing transactions are included in the table.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	594.128	1.423.503	3.141.179
Provisions(-)	261.369	848.736	1.847.342
Net balance in the balance sheet	332.759	574.767	1.293.837
	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period			
Balance at the end of the period	653.299	291.437	2.304.979
Specific provisions(-)	347.223	175.060	2.062.220
Net balance in the balance sheet	306.076	116.377	242.759

* Non-performing receivables from factoring and leasing transactions are included in the table.

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	1.814.391	2.516.110	2.968.771
Loans to granted real persons and legal entities (Gross)	2.897.152	4.527.965	9.300.460
Provisions (-)	1.082.761	2.011.855	6.331.689
Loans to granted real persons and legal entities (Net)	1.814.391	2.516.110	2.968.771
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior Period (Net)	972.866	630.597	896.981
Loans to granted real persons and legal entities (Gross)	1.807.751	1.259.139	6.216.108
Provisions (-)	834.885	628.542	5.319.127
Loans to granted real persons and legal entities (Net)	972.866	630.597	896.981
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

* Non-performing receivables from factoring and leasing transactions are included in the table

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	178.457	480.977	276.827
Interest Accruals and Valuation Differences	297.411	919.761	770.306
Provision (-)	118.954	438.784	493.479
Prior Period (Net)	59.796	83.049	27.138
Interest Accruals and Valuation Differences	113.740	185.261	72.800
Provision (-)	53.944	102.212	45.662

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

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

m) Explanations on write-off policy:

As per the provisions of TFRS 9 Financial Instruments Standard and the Provisions Communiqué of the BRSA dated 27 November 2019, banks are allowed to derecognize the portion of the loans under follow-up in loan Group 5 which no reasonable expectation remains.

With respect to this, no follow-up loan was derecognised yet in the current period on the grounds that there was no reasonable expectation of the Parent Bank.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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:

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		
	TRY	FC
Bills	-	-
Government bonds and similar securities	3.044.934	9.849.904
Other	-	-
Total	3.044.934	9.849.904

Prior Period		
	TRY	FC
Bills	-	-
Government bonds and similar securities	37.236.634	2.464.985
Other	10.110	-
Total	37.246.744	2.464.985

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

Current Period		
	TRY	FC
Treasury bills, government bonds and similar	35.754.611	4.806.422
Total	35.754.611	4.806.422

Prior Period		
	TRY	FC
Treasury bills, government bonds and similar	2.194.216	8.214.062
Total	2.194.216	8.214.062

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

	Current Period
Government bonds	72.004.446
Treasury bills	262.767
Other public sector debt securities	153.396
Total	72.420.609

	Prior Period
Government bonds	56.057.685
Treasury bills	196.413
Other public sector debt securities	15.610
Total	56.269.708

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):

c) Information on financial assets measured at amortised cost:

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

	Prior Period
Debt securities	56.331.345
<i>Quoted on a stock exchange</i>	56.134.932
<i>Not quoted</i>	196.413
Impairment provision (-)	-
Total	56.331.345

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

	Current Period	Prior Period
Beginning balance	56.331.345	21.987.099
Foreign currency differences on monetary assets	1.484.018	2.031.757
Purchases during the year ⁽¹⁾	22.126.905	39.018.124
Disposals through sales and redemptions ⁽²⁾	(7.471.146)	(6.705.635)
Impairment provision (-)	-	-
Balance at the end of the period	72.471.122	56.331.345

⁽¹⁾ Interest income accrual differences between 31 December 2019 amounting to TRY 9.632.018 and 31 December 2018 amounting to TRY 7.474.620 has been included in purchases row.

⁽²⁾ The financial assets of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ measured at amortised cost, classified by the Parent Bank in the subsidiaries in the prior period and in non-current assets held for sale in the current period, are shown under "Disposals through sales and redemptions" line in the financial assets.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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. Bankalararası Kart Merkezi AŞ ⁽²⁾	Istanbul	18,95	18,95
3. Platform Ortak Kartlı Sistemler A.Ş	Istanbul	33,33	33,33

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

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1. 332.447	174.875	192.972	12.387	-	11.378	41.206	-
2. 151.277	91.498	70.414	5.591	-	26.624	15.953	-
3. 5.250	5.250	-	-	-	-	-	-

⁽¹⁾ The financial data is obtained from 31 December 2019 unaudited financial statements.

⁽²⁾ The financial data is obtained from 31 December 2019 audited financial statements.

c) Information on consolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demir-Halk Bank NV	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	33,12
3. Türk P ve I Sigorta AŞ	Istanbul	16,67	16,67

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

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽²⁾
1. 10.266.337	1.589.934	27.285	347.963	2.141	101.743	84.803	482.671
2. 53.950	53.147	29	5.534	-	3.088	1.659	-
3. 80.919	26.555	1.699	1.680	-	12.255	3.891	-

⁽¹⁾ The financial data is obtained from 31 December 2019 financial statements used in consolidation.

⁽²⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 December 2019.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):

Movement of associates:

	Current Period
Balance at the beginning of the period	458.722
Movements during the period	50.512
<i>Purchases</i>	1.750
<i>Bonus shares obtained profit from current year's share</i>	875
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfers</i>	-
<i>Revaluation decrease (-) / increase</i>	47.887
<i>Impairment Provisions (-)/ Reversals</i>	-
Balance at the end of the period	509.234
Capital commitments	-
Share percentage at the end of the period (%)	-
	Prior Period
Balance at the beginning of the period	353.138
Movements during the period	105.584
<i>Purchases</i>	375
<i>Bonus shares obtained profit from current year's share</i>	3.032
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfers</i>	-
<i>Revaluation decrease (-) / increase</i>	102.177
<i>Impairment Provisions (-)/ Reversals</i>	-
Balance at the end of the period	458.722
Capital commitments	-
Share percentage at the end of the period (%)	-

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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) Sectorial information and related carrying amounts of associates:

	Current Period
Banks	476.980
Insurance companies	4.427
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	16.725
Other non- financial investments	11.102

	Prior Period
Banks	431.547
Insurance companies	2.069
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	15.754
Other non- financial investments	9.352

e) Associates quoted to a stock exchange:

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ	Halk Osiguru vanje AD, Skopje
CORE CAPITAL										
Paid in Capital	104.000	349.000	412.000	928.000	323.000	452.226	96.000	213.395	100	62.369
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-	-
Share premium	-	134	-	49.945	-	11.633	-	99.004	-	-
Reserves	23.490	26.973	131.559	66.857	14.959	287.031	15.008	296.936	622	64.793
Other Comprehensive Income according to TAS	10.535	-	-	858.140	-	6.830	10	37.830	-	-
Profit / Loss	86.307	223.157	386.680	54.977	(74.240)	63.466	65.091	24.200	1.070	(31.715)
<i>Net Profit</i>	86.307	288.393	362.146	54.977	47.980	58.989	45.115	24.200	845	(18.209)
<i>Prior Period Profit/Loss</i>	-	(65.236)	24.534	-	(122.220)	4.477	19.976	-	225	(13.506)
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 (-)	-	642	1.299	24	95	613	-	-	-	-
Leasehold Improvements (-)	-	-	419	2.726	-	9.497	-	6.523	-	-
Intangible Assets (-)	1.424	4.789	3.128	306	1.679	8.530	1.060	15.023	3	-
Total Core Capital	222.908	593.833	925.393	1.954.863	261.945	802.546	175.049	649.819	1.789	95.447
SUPPLEMENTARY CAPITAL	-	-	-	-	39.593	13.011	27.156	7.749	-	-
CAPITAL	222.908	593.833	925.393	1.954.863	301.538	815.557	202.205	657.568	1.789	95.447
NET AVAILABLE CAPITAL	222.908	593.833	925.393	1.954.863	301.538	815.557	202.205	657.568	1.789	95.447

⁽¹⁾ The financial data is obtained from 31 December 2019 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):

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

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

c) Information on unconsolidated subsidiaries:

Description					Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)		
1.	Bileşim Alternatif Dağ. Kan. AŞ ⁽¹⁾				Istanbul	100,00	100,00		
	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.	79.045	49.587	11.607	7.463	-	13.252	11.542	84.000	

⁽¹⁾ The financial information of Bileşim Alternatif Dağ. Kan. AŞ is presented from its financial statements as of 31 December 2019.

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	99,96	100,00
2.	Halk Sigorta AŞ	Istanbul	89,18	95,32
3.	Halk Hayat ve Emeklilik A.Ş	Istanbul	100,00	100,00
4.	Halk Gayrimenkul Yatırım Ortaklığı AŞ ^{(2),(3)}	Istanbul	79,33	79,36
5.	Halk Finansal Kiralama AŞ	Istanbul	100,00	100,00
6.	Halk Banka AD, Skopje	Macedonia	99,29	99,29
7.	Halk Faktoring AŞ	Istanbul	97,50	100,00
8.	Halkbank A.D. Beograd	Serbia	100,00	100,00
9.	Halk Varlık Kiralama AŞ	Istanbul	100,00	100,00
10.	Halk Osiguruvanje A.D., Skopje	Macedonia	-	99,29

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):

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.	404.668	224.332	9.226	108.145	6.424	86.307	57.733	294.882
2.	3.068.007	598.622	15.856	377.510	55.599	288.393	145.122	576.996
3.	1.671.977	928.940	12.215	246.684	25.202	362.146	305.840	2.000.000
4.	2.392.407	1.931.733	1.562.697	3.704	-	54.977	83.202	814.812
5.	3.142.488	263.624	4.264	325.847	-	47.980	(112.634)	385.000
6.	5.953.954	820.573	130.412	203.672	12.822	58.989	54.688	818.264
7.	2.131.919	176.109	2.281	340.024	-	45.115	67.679	231.075
8.	3.892.380	671.365	88.136	129.366	17.263	24.200	15.697	610.948
9.	1.651.782	1.792	3	-	-	845	837	2.900
10.	97.447	95.447	11.137	347	76	(13.506)	-	37.189

⁽¹⁾ The financial data is obtained from 31 December 2019 financial statements used in consolidation.

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

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

Movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period (before elimination)	4.332.481	3.626.708
Movements during the period	(1.071.254)	705.773
<i>Purchases⁽¹⁾⁽²⁾</i>	109.320	310.098
<i>Bonus shares obtained profit from current year's share</i>	171.789	266.211
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer⁽³⁾</i>	(2.576.996)	(39.375)
<i>Revaluation increase</i>	926.276	236.002
<i>Reversals / Provisions(-) for impairment</i>	185.231	(161.627)
<i>Currency Differences on Valuation of Foreign Subsidiaries</i>	113.126	94.464
Share capital elimination of subsidiaries	(3.177.227)	(4.275.335)
Balance at the end of the period	84.000	57.146
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ Between 1 January – 31 March 2019, The Bank paid TRY 89.974 for 0,13% shares of Halkbank A.D. Beograd, and increased its shares to 99.29%.

⁽²⁾ Between 1 January – 31 March 2019, The Bank paid TRY 19.346 for 100% shares of Halkbank A.D. Skopje.

⁽³⁾ The bank reclassified its shares of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş., which was classified as subsidiary in prior period, under the non-current assets held for sale and discontinued operations in the balance sheet.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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
Banks	1.429.212
Insurance companies	-
Factoring companies	231.075
Leasing companies	385.000
Financing companies	-
Other financial subsidiaries	1.112.594
Other non-financial subsidiaries	84.000

	Prior Period
Banks	987.369
Insurance companies	2.018.425
Factoring companies	138.296
Leasing companies	469.551
Financing companies	-
Other financial subsidiaries	661.694
Other non-financial subsidiaries	57.146

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period⁽¹⁾
Quoted to domestic stock ⁽²⁾	814.812	925.185
Quoted foreign stock exchange	-	-

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company since Halk Sigorta AŞ does not have transaction depth on the Borsa İstanbul AŞ.

⁽²⁾ The 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

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

a) Maturity structure of investments on financial lease:

	Current Period	
	Gross	Net
Less than 1 year	1.289.704	1.053.283
Between 1-4 years	1.748.564	1.413.713
More than 4 years	415.070	349.495
Total	3.453.338	2.816.491
	Prior Period	
	Gross	Net
Less than 1 year	1.285.510	1.020.557
Between 1-4 years	1.830.927	1.420.539
More than 4 years	648.917	472.097
Total	3.765.354	2.913.193

b) Information on gross investments of financial lease:

	Current Period
Gross financial lease investment	3.453.338
Unearned revenues from financial lease	(636.847)
Total	2.816.491
	Prior Period
Gross financial lease investment	3.765.354
Unearned revenues from financial lease	(852.161)
Total	2.913.193

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

	Current Period
Financial lease receivables with limited collectability	7.866
Financial lease receivables with doubtful collectability	2.517
Uncollectible financial lease receivables	563.940
Provisions	(429.208)
Total	145.115
	Prior Period
Financial lease receivables with limited collectability	265.322
Financial lease receivables with doubtful collectability	5.280
Uncollectible financial lease receivables	303.801
Specific provisions	(406.329)
Total	168.074

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

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

(12) Information on tangible assets:

Current Period	Balance at the end of the prior period	Additions	Revaluation Increase	Disposals(-)	Transfer	Balance at the end of the period
Cost						
Immovable	3.173.927	139.382	232.398	15.020	(30.421)	3.500.266
IFRS 16	-	1.037.737	-	201.345	(19.215)	817.177
Tangible assets purchased through financial lease	25.302	-	-	1.191	-	24.111
Office machines	765.511	245.496	-	55.721	(16.153)	939.133
Fixed assets obtained due to non-performing loans	1.241.730	4.039.812	-	388.870	-	4.892.672
Lease hold improvements costs	201.413	52.596	-	458	(2.282)	251.269
Other	339.713	33.898	-	3.845	(6.526)	363.240
Total Cost	5.747.596	5.548.921	232.398	666.450	(74.597)	10.787.868
Accumulated depreciation (-)						
Immovable	234.249	16.822	32.911	2.913	(638)	280.431
IFRS 16	-	226.402	-	31.255	(5.690)	189.457
Tangible assets purchased through financial lease	24.731	-	-	773	-	23.958
Office machines	452.905	121.643	-	28.232	(11.333)	534.983
Fixed assets obtained due to non-performing loans	19.106	12.880	-	9.461	-	22.525
Lease hold improvements costs	118.955	36.532	-	2.695	(1.871)	150.921
Other	245.766	27.192	-	7.056	(917)	264.985
Total Accumulated Depreciation	1.095.712	441.471	32.911	82.385	(20.449)	1.467.260
Provision for impairment (-)						
Immovable	4.634	-	2.036	-	-	6.670
Fixed assets obtained due to non-performing loans	7.364	-	-	2.399	-	4.965
Total provision for impairment (-)	11.998	-	2.036	2.399	-	11.635
Net Book Value	4.639.886	5.107.450	197.451	581.666	(54.148)	9.308.973

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

(12) Information on tangible assets (continued):

Prior Period	Balance at the end of the prior period	Current Year Additions	Revaluation Increase	Current Year Disposals	Transfer	Balance at the end of the period
Cost						
Immovable	2.822.273	133.410	230.173	11.929	-	3.173.927
Tangible assets purchased through financial lease	26.581		-		-	
Office machines	641.336	205.083	-	80.908	-	765.511
Fixed assets obtained due to non-performing loans	743.605		-		4.753	
Lease hold improvements costs	155.704	674.609	-	181.237	-	1.241.730
Other	328.707	45.999	-	290	-	201.413
	328.707	31.881	-	23.449	2.574	339.713
Total Cost	4.718.206	1.091.076	230.173	299.186	7.327	5.747.596
Accumulated depreciation (-)						
Immovable	204.479	18.088	12.463	781	-	234.249
Tangible assets purchased through financial lease	25.893		-		-	
Office machines	369.711	228	-	1.390	-	24.731
Fixed assets obtained due to non-performing loans	16.224	111.537	-	28.343	-	452.905
Lease hold improvements costs		8.141	-	5.259	-	19.106
Other	91.269	29.362	-	1.676	-	118.955
	245.165	23.199	-	22.598	-	245.766
Total accumulated depreciation	952.741	190.555	12.463	60.047	-	1.095.712
Provision for impairment (-)						
Immovable	4.248	-	386	-	-	4.634
Fixed assets obtained due to non-performing loans	9.617	-	-	2.253	-	7.364
Total provision for impairment (-)	13.865	-	386	2.253	-	11.998
Net Book Value	3.751.600	900.521	217.324	236.886	7.327	4.639.886

(13) Information on other intangible assets:

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

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

	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Prior Period					
Cost:					
Other intangible assets	288.907	71.536	1.396	-	359.047
Total Cost	288.907	71.536	1.396	-	359.047
Accumulated Depreciation (-)					
Other intangible assets	145.812	57.193	27.369	-	175.636
Total Accumulated Depreciation	145.812	57.193	27.369	-	175.636
Net Book Value	143.095	14.343	(25.973)	-	183.411

(14) Information on investment property:

	Current Period
Cost	
Opening Balance	1.057.058
Acquisitions	86.070
Transfer	51.300
Disposals	-
Impairment Provisions	-
Ending Balance	1.194.428
Accumulated Depreciation (-)	
Opening Balance	83.657
Additions	5.874
Disposals (-)	-
Impairment Provisions (-)	-
Transfer	434
Total Accumulated Depreciation (-)	89.965
Net Book Value	1.104.463
	Prior Period
Cost	
Opening Balance	988.280
Acquisitions	74.894
Transfer	-
Disposals	6.116
Impairment Provisions	-
Ending Balance	1.057.058
Accumulated Depreciation (-)	
Opening Balance	77.902
Additions	5.835
Disposals (-)	-
Impairment Provisions (-)	80
Transfer	-
Total Accumulated Depreciation (-)	83.657
Net Book Value	973.401

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

(15) Information on deferred tax assets:

Please refer to Section Five, Explanations Related To The Liabilities footnote (10).

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

	Current Period^(*)(**)
Cost	1.076.418
Accumulated Depreciation (-)	-
Net book value	1.076.418
Opening Balance	9.593
Acquisition	145.599
Transfer (Net)	929.156
Disposals (Net)	(7.930)
Revaluation Increase	-
Impairment (-) / Reversal	-
Depreciation (-)	-
Closing net book value	1.076.418
	Prior Period
Cost	9.593
Accumulated Depreciation (-)	-
Net Book Value	9.593
Opening Balance	790
Acquisition	8.907
Transfers (Net)	-
Disposals (Net)	(104)
Revaluation Increase	-
Impairment (-) / Reversal	-
Amortization Charge (-)	-
Net Book Value	9.593

(*) In the current period, the Parent Bank has classified Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ as non-current assets held for sale within the scope of TFRS 5 Non Current Assets Held for Sale and Discontinued Operations which was classified as subsidiaries in the prior period.

(**) In the current period, the Parent Bank has classified the shares of Ojer Telekomünikasyon A.Ş. as Financial Asset at Fair Value through Profit Loss within the scope of TFRS 5 Standard for Non-current Assets Held for Sale and Discontinued Operations which was classified as Non-Current Assets Held For Sale in the prior period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 4.574.989 and does not exceed 10% of the balance sheet total (31 December 2018: TRY 5.501.323).

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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	6.742.223	-	1.948.028	45.655.985	4.207.981	2.061.570	792.495	101.935	61.510.217
Foreign currency deposits	13.897.192	-	8.911.804	53.784.069	7.669.456	3.401.033	6.795.722	11.268	94.470.544
<i>Residents in Turkey</i>	11.003.321	-	6.712.391	50.232.576	6.849.844	1.790.411	3.681.216	10.784	80.280.543
<i>Residents abroad</i>	2.893.871	-	2.199.413	3.551.493	819.612	1.610.622	3.114.506	484	14.190.001
Public sector deposits	2.920.272	-	2.293.652	3.890.644	1.257.655	1.186.540	16.715	-	11.565.478
Commercial inst. deposits	4.990.202	-	10.054.017	17.863.020	2.147.885	1.479.210	277.424	-	36.811.758
Other inst. deposits	736.010	-	344.876	5.478.120	2.459.517	2.055.496	571.269	-	11.645.288
Precious metals	3.132.484	-	1.446	353.335	16.328	22.150	32.098	-	3.557.841
Interbank deposits	20.673.730	-	952.694	9.035.768	179.870	38.214	138.118	-	31.018.394
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	116.071	-	370.152	6.526.936	17.765	4.116	6.247	-	7.041.287
<i>Foreign banks</i>	20.064.688	-	107.566	2.190.002	2.860	34.098	131.871	-	22.531.085
<i>Participation banks</i>	492.971	-	474.976	318.830	159.245	-	-	-	1.446.022
Total	53.092.113	-	24.506.517	136.060.941	17.938.692	10.244.213	8.623.841	113.203	250.579.520

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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	Current Period
Saving deposits	36.907.556	29.259.703
Foreign currency saving deposits	20.906.734	12.245.300
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	311.411	349.453
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

Saving deposits	Under the guarantee insurance	Exceeding the insurance limit
	Prior Period	Prior Period
Saving deposits	30.985.259	32.011.973
Foreign currency saving deposits	39.681.492	32.691.865
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-
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
Foreign branches' saving deposits and other accounts	225.517
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	7.073
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):

c) Saving deposits which are not under the guarantee of deposit insurance fund (continued):

	Prior Period
Foreign branches' saving deposits and other accounts	215.452
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	6.165
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	
	TRY	FC
Forward transactions	-	26.906
Swap transactions	51	323.606
Future transactions	-	-
Options	283	2.872
Other	-	-
Total	334	353.384

	Prior Period	
	TRY	FC
Forward transactions	-	98.283
Swap transactions	-	302.066
Future transactions	-	-
Options	16	9.974
Other	-	-
Total	16	410.323

(3) Information on funds borrowed:

a) Information on funds borrowed:

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

	Prior Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	1.116.624	2.396.533
Foreign banks, institutions and funds	170.000	11.591.323
Total	1.286.624	13.987.856

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 (continued):

b) Maturity structure of funds borrowed:

	Current Period	
	TRY	FC
Short-term	1.410.645	1.677.419
Medium and long-term	330	11.079.476
Total	1.410.975	12.756.895

	Prior Period	
	TRY	FC
Short-term	1.285.939	2.666.516
Medium and long-term	685	11.321.340
Total	1.286.624	13.987.856

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 22,66% of saving deposits and 38,71% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from money markets. The Group can borrow loans from institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Technology especially for constructing small industrial estates and organized industrial estates.

The Group's 49,99% of bank deposits and 45,33% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

	Current period	
	TRY	FC
Bills	4.745.320	-
Asset Back Securities	2.651.546	-
Bonds	1.384.736	10.512.530
Total	8.781.602	10.512.530

	Prior period	
	TRY	FC
Bills	2.164.993	-
Asset Back Securities	1.951.469	-
Bonds	204.912	12.024.839
Total	4.321.374	12.024.839

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Technology, funds from Ministry of Treasury and other funds.

a) Maturity structure of funds:

	Current Period	Prior Period
Short Term	1.135	1.080
Long Term	3.207.869	2.873.041
Total	3.209.004	2.874.121

(6) Information on other liabilities:

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

(31 December 2018: Other liabilities balance does not exceed 10% of the balance sheet total).

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

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

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

b) Explanation on finance lease payables:

	Current period	
	Gross	Net
Less than 1 year	-	-
Between 1-4 years	-	-
More than 4 years	-	-
Total	-	-
	Prior period	
	Gross	Net
Less than 1 year	-	-
Between 1-4 years	116	85
More than 4 years	-	-
Total	116	85

c) Explanations regarding operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	69.587	60.938	-	-
Between 1-4 years	213.886	176.372	-	-
More than 4 years	667.444	406.749	-	-
Total	950.917	644.059	-	-

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

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

None.

(9) Explanations on provisions:

a) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

As of 31 December 2019 the Parent Bank does not have a provision amount of the currency differences on foreign currency indexed loans and finance lease receivables (31 December 2018: None).

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

As of 31 December 2019, the Group's specific provision for unindemnified non-cash loans balance is TRY 114.712 (31 December 2018: TRY 169.431).

c) Information on other provisions:

Total other provision balance amounting to TRY 562.945 (31 December 2018: TRY 1.025.015) consists of TRY 114.712 (31 December 2018: TRY 169.431) for specific provisions of unindemnified and unfunded non cash loans, TRY 173.769 (31 December 2018: 198.158) for stage 1 and 2 expected loss amount of non-cash loans, TRY 78.634 (31 December 2018: TRY 129.210) for legal cases filed against the Group, and TRY 195.830 (31 December 2018: TRY 77.216) of other provisions. (General provisions for 31 December 2018: TRY 451.000).

d) Movement of employee termination benefits:

Severance indemnity provision of the Parent Bank as of 31 December 2019 is calculated by an independent company by using the actuarial conjectures.

The amount calculated for the employee termination benefits of the Parent Bank as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Inflation Rate	8,20%	12,00%
Discount Rate	12,10%	16,30%
Estimated Real Wage Growth Rate	8,40%	12,20%

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	519.825	471.506
Charge for the year	54.319	46.834
Interest Expense	82.423	57.289
Actuarial gain/loss	83.488	(24.210)
Prior period service cost composed current period	1.618	760
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	4.961	3.288
Benefits paid within the period(-)	(52.243)	(35.642)
Total	694.391	519.825

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 on provisions (continued):

e) Liabilities for employee benefits:

As of 31 December 2019, unused vacation accruals are TRY 137.260, personnel dividend provision is TRY 274.202, severance indemnity provision for Group personnel is TRY 694.391 and severance indemnity provision for outsourcing firms is TRY 27.895. (31 December 2018: TRY 107.557 for unused vacation accruals; TRY 519.825 for severance indemnity provision for Group personnel; TRY 20.277 for severance indemnity provision for outsources; TRY 278.959 for personnel dividend provision).

The Group's accounts for actuarial gains / losses under equity commencing from 1 January 2013.

f) Liabilities arising from retirement benefits:

f.1. Liabilities of pension funds founded as per the Social Security Institution:
None.

f.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees:

Based on the results of the actuarial reports prepared as of 31 December 2019, it was determined that there is no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı and T.C. Ziraat Bankası ve Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

The above mentioned actuarial review, which was made in accordance with the principles of the related law, measures the present value of the liability as of 31 December 2019, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. Actuarial assumptions used in the calculation are given below.

Assumptions	Current Period	Prior Period
Discount Rate	9,8%	9,8%
Mortality Rate	CSO 1980 woman/man	CSO 1980 woman/man

Some of the Bank's personnel are the members of T. Halk Bankası Çalışanları Emekli Sandığı Vakfı, ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2019 the number of personnel who benefit from the Fund is 36.625 (31 December 2018: 36.012).

Below table shows the present values of premiums and salary payments as of 31 December 2019, by taking into account the health expenses within the Social Security Institution limits.

Transferable Pension and Medical Benefits:	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(3.113.389)	(2.561.914)
Net Present Value of Long Term Insurance Line Premiums	3.321.573	2.944.078
Net Present Value of Total Liabilities Other Than Health	208.184	382.164
Net Present Value of Health Liabilities	(659.388)	(538.003)
Net Present Value of Health Premiums	2.075.379	1.839.474
Net Present Value of Health Liabilities	1.415.991	1.301.471
Pension Fund Assets	3.304.716	2.469.532
General Administration Expenses (1%)	(37.728)	(30.999)
Amount of Actuarial and Technical Deficit	4.891.163	4.122.168

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 on provisions (continued):

g) Liabilities arising from retirement benefits (continued):

g.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees (continued):

Plan assets are comprised as follows:

Total Assets	Current Period	Prior Period
Banks	1.890.018	1.386.529
Marketable Securities	1.136.573	908.197
Property and Equipment	104.141	112.560
Other	173.984	62.246
Total	3.304.716	2.469.532

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follows:

Change in Assumptions (%)

Assumptions	Pension Benefits	Death Benefits	Medical Benefits	Total
Discount rate+1	<(0,0%)	(19,0%)	(18,3%)	(18,3%)
Discount rate -1	0,0%	25,9%	24,8%	24,8%
Inflation rate +1	0,0%	26,2%	31,0%	31,0%
Inflation rate -1	<(0,0%)	(19,3%)	(21,9%)	(21,9%)

h) Insurance Technical Provisions (Net):

	Current period
Life-Mathematical Provisions	-
Provisions for unearned premium claims	26.900
Provision for outstanding claims	26.752
Provisions for unexpired risk reserves	-
Other	-
Total	53.652
	Prior period
Life-Mathematical Provisions	352.187
Provisions for unearned premium claims	649.756
Provision for outstanding claims	1.195.081
Provisions for unexpired risk reserves	17.019
Other	1.110
Total	2.215.153

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2019, the Group's corporate tax payable is amounting to TRY 431.563 and accounted for under corporate tax provision at the related date. (31 December 2018: TRY 44.287)

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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) Explanations related to tax liabilities (continued):

a) Information on current tax liability (continued):

a.2. Information on taxes payable:

	Current Period
Corporate tax payable	431.563
Income on securities tax	625.775
Property income tax	2.199
Banking and insurance transactions tax (BITT)	162.114
Foreign exchange transactions tax	4.360
Value added tax payable	3.830
Other	62.557
Total	1.292.398

	Prior Period
Corporate tax payable	44.287
Income on securities tax	419.083
Property income tax	1.879
Banking and insurance transactions tax (BITT)	188.173
Foreign exchange transactions tax	13
Value added tax payable	6.176
Other	42.338
Total	701.949

a.3. Information on premiums:

	Current Period
Social insurance premiums-employee	261
Social insurance premiums-employer	745
Bank social aid pension fund premium-employee	14.605
Bank social aid pension fund premium-employer	21.370
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	1.078
Unemployment insurance-employer	2.167
Other	663
Total	40.889

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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) Explanations related to tax liabilities (continued):

a.3. Information on premiums (continued):

	Prior Period
Social insurance premiums-employee	740
Social insurance premiums-employer	1.329
Bank social aid pension fund premium-employee	12.674
Bank social aid pension fund premium-employer	17.609
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	973
Unemployment insurance-employer	1.933
Other	465
Total	35.723

b) Deferred tax liability:

	Current Period	Prior Period
Deferred Tax Asset / (Liability)		
Provisions ⁽¹⁾	879.633	839.231
Revaluation of Financial Assets	(735.286)	(1.632.153)
Other	(409.467)	435.507
Deferred Tax Asset / Liability⁽²⁾:	(265.120)	(357.415)
Deferred tax accounted in shareholders' equity	(134.878)	(56.923)
Fair value differences for financial assets at through other comprehensive income	1.698	92.596
Actuarial gains and losses	15.060	(2.319)
Property Revaluation	(151.636)	(147.200)

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

⁽²⁾ Net deferred tax liability amounting to TRY 265.120 consists of deferred tax assets which amounting to TRY 52.340 and deferred tax liabilities amounting to TRY 317.460.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

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

Liabilities regarding assets held for sale and discontinued operations is amounting to TRY 3.184.317. (31 December 2018: TRY 2.030)

- (12) Explanations on the number of subordinated loans the Group used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

Information on Subordinated Loans	Current Period		Prior Period	
	TRY	FC	TRY	FC
To be included in the calculation of additional capital				
borrowings instruments	-	6.146.988	-	-
Subordinated loans	-	6.146.988	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital			6.182.084	-
calculation	6.037.858	-		
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.037.858	-	6.182.084	-
Total	6.037.858	6.146.988	6.182.084	-

* Detailed information is given in Section Four, footnote I.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

(13) Information on shareholders' equity

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

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

There is an application of registered capital system and registered capital ceiling amount is TRY 7.500.000.

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:

The Parent Bank has repurchased shares amounting to TRY 262.384 shares within the scope of the Board of directors' decision dated 29 August 2018.

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

(13) Information on shareholders' equity (continued):

h) Information on marketable securities revaluation fund:

	Current Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities		
(joint ventures)	45.126	2.157
Valuation differences	45.126	2.157
Exchange rate difference	-	-
Financial assets at fair value through other comprehensive income	337.320	(83.834)
Valuation differences	337.320	(77.988)
Exchange rate difference	-	(5.846)
Total	382.446	(81.677)
	Prior Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	18.272	-
Valuation differences	18.272	-
Exchange rate difference	-	-
Financial assets at fair value through other comprehensive income	(39.253)	(154.979)
Valuation differences	(39.253)	(153.525)
Exchange rate difference	-	(1.454)
Total	(20.981)	(154.979)

(14) Legal Reserves

Current Period	
I. Legal Reserve	1.477.618
II. Legal Reserve	686.765
Special Reserves	62.758
Share Buyback Reserve Fund	262.384
Total	2.489.525
Prior Period	
I. Legal Reserve	1.327.536
II. Legal Reserve	650.465
Special Reserves	40.738
Total	2.018.739

Extraordinary Reserves:

Current Period	
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	21.261.779
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital (-)	-
Total	21.261.779
Prior Period	
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	18.538.501
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital (-)	-
Total	18.538.501

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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)

(15) Information on minority interest shares:

	Current Period
Paid-in Capital	211.047
Export Premium	10.389
Share Cancellation Profits	(26.162)
Marketable Securities Revaluation Fund	48
Legal Reserves	5.982
Extraordinary Reserves	9.196
Retained Earnings	48.662
Other Profit Reserves	1.928
Other Capital Reserves	898
Net Period Profit / Loss	25.265
Closing Balance	287.253

	Prior Period
Paid-in Capital	192.743
Export Premium	10.404
Share Cancellation Profits	(24.189)
Marketable Securities Revaluation Fund	48
Legal Reserves	4.274
Extraordinary Reserves	11.812
Retained Earnings	24.807
Other Profit Reserves	1.857
Other Capital Reserves	440
Net Period Profit / Loss	24.445
Closing Balance	246.641

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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
Commitments for credit card expenditure limits	16.772.843
Payment commitments for cheques	3.219.679
Loan granting commitments	3.138.339
Two days forward foreign exchange buy/sell transactions	2.232.623
Forward deposit purchase and sale commitments	-
Commitments for credit cards and banking services promotions	24.943
Tax and fund liabilities from export commitments	83.156
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	4.406.707
Total	29.878.290

Types of irrevocable commitments	Prior Period
Commitments for credit card expenditure limits	12.728.944
Payment commitments for cheques	2.661.413
Loan granting commitments	4.690.580
Two days forward foreign exchange buy/sell transactions	2.036.669
Forward deposit purchase and sale commitments	-
Commitments for credit cards and banking services promotions	31.409
Tax and fund liabilities from export commitments	65.280
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.983.131
Total	26.197.426

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
Letters of credit	3.901.651
Bank acceptances	6.961.998
Other guarantees	2.807.693
Total	13.671.342

	Prior Period
Letters of credit	3.230.210
Bank acceptances	7.050.260
Other guarantees	1.991.690
Total	12.272.160

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):

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

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

	Current Period
Letters of certain guarantees	16.502.447
Letters of advance guarantees	4.510.376
Letters of tentative guarantees	761.085
Letters of guarantee given to customs offices	1.940.202
Other letters of guarantee	53.632.378
Total	77.346.488

	Prior Period
Letters of certain guarantees	17.020.690
Letters of advance guarantees	6.136.162
Letters of tentative guarantees	819.908
Letters of guarantee given to customs offices	1.742.509
Other letters of guarantee	45.678.546
Total	71.397.815

b.3. Total non-cash loans:

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

	Prior Period
Non-cash loans for providing cash loans	7.320.589
<i>Within one year or less original maturity</i>	2.486.270
<i>Within more than one year maturity</i>	4.834.319
Other non-cash loans	76.349.386
Total	83.669.975

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):
- b) Amount and nature of probable losses and commitments from the off-balance sheet items (continued):
- b.4. Sectoral risk concentration of non-cash loans

	Current Period			
	TRY	(%)	FC	(%)
Agriculture	99.163	0,24	235.498	0,46
<i>Farming and Stockbreeding</i>	73.632	0,18	12.440	0,02
<i>Forestry</i>	715	-	-	-
<i>Fishery</i>	24.816	0,06	223.058	0,44
Manufacturing	8.403.481	20,80	23.770.562	46,98
<i>Mining and Quarrying</i>	164.007	0,41	505.185	1,00
<i>Production</i>	6.417.873	15,88	21.833.097	43,15
<i>Electricity, Gas and Water</i>	1.821.601	4,51	1.432.280	2,83
Construction	12.363.810	30,59	11.646.393	23,02
Services	17.803.261	44,05	14.506.963	28,67
<i>Wholesale and Retail Trade</i>	10.642.848	26,33	6.482.681	12,81
<i>Accommodation and Dining</i>	257.825	0,64	2.467.457	4,88
<i>Transportation and Telecom.</i>	605.619	1,50	4.399.013	8,69
<i>Financial Institutions</i>	3.540.351	8,76	50.906	0,10
<i>Real Estate and Rental Services</i>	2.269.193	5,61	948.855	1,88
<i>Professional Services</i>	14.340	0,04	745	0,00
<i>Educational Services</i>	100.488	0,25	82.850	0,16
<i>Health and Social Services</i>	372.597	0,92	74.456	0,15
Other	1.748.351	4,32	440.348	0,87
Total	40.418.066	100,00	50.599.764	100,00
	Prior Period			
	TRY	(%)	FC	(%)
Agriculture	87.601	0,23	105.647	0,22
<i>Farming and Stockbreeding</i>	64.687	0,17	15.333	0,03
<i>Forestry</i>	520	-	-	-
<i>Fishery</i>	22.394	0,06	90.314	0,19
Manufacturing	7.894.909	21,34	24.049.023	51,51
<i>Mining and Quarrying</i>	156.756	0,42	407.527	0,87
<i>Production</i>	5.271.059	14,25	22.857.583	48,96
<i>Electricity, Gas and Water</i>	2.467.094	6,67	783.913	1,68
Construction	11.899.549	32,17	10.185.078	21,82
Services	16.321.575	44,15	12.019.928	25,75
<i>Wholesale and Retail Trade</i>	8.616.472	23,31	5.411.509	11,61
<i>Accommodation and Dining</i>	165.427	0,45	1.606.864	3,44
<i>Transportation and Telecom.</i>	499.807	1,35	2.924.156	6,26
<i>Financial Institutions</i>	4.030.896	10,90	215.881	0,46
<i>Real Estate and Rental Services</i>	2.605.931	7,05	1.746.339	3,74
<i>Professional Services</i>	22.065	0,06	694	-
<i>Educational Services</i>	74.897	0,20	61.570	0,13
<i>Health and Social Services</i>	306.080	0,83	52.915	0,11
Other	781.644	2,11	325.021	0,70
Total	36.985.278	100,00	46.684.697	100,00

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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):

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

b.5. Non-cash loans classified under I. and II. Group

	Group I		Group II	
	TRY	FC	TRY	FC
Non-Cash Loans	39.276.222	49.205.099	1.141.844	1.394.665
Letters of Guarantee	36.630.954	38.196.300	1.139.172	1.380.062
Bills of Exchange and Bank Acceptances	5.588	6.953.150	2.672	588
Letters of Credit	16.891	3.870.745	-	14.015
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	2.622.789	184.904	-	-

c) Information on derivative financial instruments:

Derivative transactions according to purposes		
	Trading Derivatives	Derivative Financial Instruments held for Risk Management
	Current Period	Current Period
Types of trading transactions		
Foreign Currency related Derivative Transactions (I):	42.465.369	-
Currency Forwards-Purchases/Sales	5.333.506	-
Currency Swaps-Purchases/Sales	33.611.349	-
Currency Futures-Purchases/Sales	-	-
Currency Options-Purchases/Sales	3.520.514	-
Interest Rate related Derivative Transactions (II)	27.707.502	-
Interest Rate Contracts	-	-
Interest Rate Swaps-Purchases/Sales	27.707.502	-
Interest Rate Options-Purchases/Sales	-	-
Interest Rate Futures-Purchases/Sales	-	-
Other Trading Derivatives (III) ⁽¹⁾	3.236.795	-
A. Total Trading Derivatives (I+II+III)	73.409.666	-
Derivative Financial Instruments held for Risk Management		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
FC investment in associates risk hedge	-	-
B. Total Derivative Financial Instruments held for Risk Management	-	-
Total Derivative Transactions (A+B)	73.409.666	-

⁽¹⁾ Other trading derivative transactions include forward precious metal purchase transactions amounting to TL 954.621, forward precious metal sale transactions amounting to TL 132.599, and swap precious metal purchase transactions amounting to TL 2.149.575.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 derivative financial instruments (continued):

Derivative transactions according to purposes		
	Trading Derivatives	Derivative Financial Instruments held for Risk Management
	Prior Period	Prior Period
Types of trading transactions		
Foreign Currency related Derivative Transactions (I):	28.766.322	-
Currency Forwards-Purchases/Sales	7.048.111	-
Currency Swaps-Purchases/Sales	15.858.965	-
Currency Futures-Purchases/Sales	-	-
Currency Options-Purchases/Sales	5.859.246	-
Interest Rate related Derivative Transactions (II)	17.392.884	-
Interest Rate Contracts	-	-
Interest Rate Swaps-Purchases/Sales	17.392.884	-
Interest Rate Options-Purchases/Sales	-	-
Interest Rate Futures-Purchases/Sales	-	-
Other Trading Derivatives (III) ⁽¹⁾	2.239.469	-
A. Total Trading Derivatives (I+II+III)	48.398.675	-
Derivative Financial Instruments held for Risk Management	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
FC investment in associates risk hedge	-	-
B. Total Derivative Financial Instruments held for Risk Management	-	-
Total Derivative Transactions (A+B)	48.398.675	-

⁽¹⁾ Other trading derivatives consist of forward precious metals buy and sale transactions amounting to TRY 89.699 and TRY 2.149.770, respectively.

d) Information on contingent liabilities and assets:

Group's commitments for the cheques given to customers are TRY 3.219.679 (31 December 2018: TRY 2.661.413).

e) Services provided on behalf of others:

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	9.478.759	658.879
Medium and long term loans	20.851.434	5.322.112
Interest on non-performing loans	909.582	717
Premiums from resource utilization support fund	-	-
Total	31.239.775	5.981.708

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

	Prior Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	8.185.456	377.034
Medium and long term loans	15.461.224	4.705.540
Interest on non-performing loans	261.445	4.110
Premiums from resource utilization support fund	-	-
Total	23.908.125	5.086.684

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

b) Interest received from banks:

	Current Period	
	TRY	FC
CBRT	229.026	36.754
Domestic banks	26.307	4.034
Overseas banks	21.059	26.929
Head office and branches	-	-
Total	276.392	67.717

	Prior Period	
	TRY	FC
CBRT	427.986	80.777
Domestic banks	106.347	31.104
Overseas banks	10.272	10.119
Head office and branches	-	-
Total	544.605	122.000

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 INCOME STATEMENT (continued)

(1) Information on interest income (continued):

c) Interest income on marketable securities:

	Current Period	
	TRY	FC
Financial assets at fair value through profit or loss	15.265	1.292
Financial assets at fair value through other comprehensive income	1.361.763	160.953
Financial assets measured at amortised cost	6.810.309	847.795
Total	8.187.337	1.010.040

	Prior Period	
	TRY	FC
Financial assets at fair value through profit or loss	17.696	1.414
Financial assets at fair value through other comprehensive income	259.787	87.352
Financial assets measured at amortised cost	6.231.379	553.919
Total	6.508.862	642.685

d) Interest income from subsidiaries and associates:

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 INCOME STATEMENT (continued)

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period	
	TRY	FC
Banks	221.700	311.751
<i>CBRT</i>	-	-
<i>Domestic banks</i>	206.292	78.351
<i>Overseas banks</i>	15.408	233.400
<i>Overseas head office and branches</i>	-	-
Other institutions	10	18.678
Total	221.710	330.429

	Prior Period	
	TRY	FC
Banks	255.888	493.171
<i>CBRT</i>	1	-
<i>Domestic banks</i>	191.292	51.822
<i>Overseas banks</i>	64.595	441.349
<i>Overseas head office and branches</i>	-	-
Other institutions	11	20.134
Total	255.899	513.305

b) Interest expenses to subsidiaries and associates:

	Current period
Interest expenses to subsidiaries and associates	18.726
	Prior period
Interest expenses to subsidiaries and associates	16.848

c) Information on interest expenses to marketable securities issued:

	Current period	
	TRY	FC
Interest on securities issued	1.929.024	708.748
Total	1.929.024	708.748
	Prior period	
	TRY	FC
Interest on securities issued	1.011.483	543.720
Total	1.011.483	543.720

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 INCOME STATEMENT (continued)

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

Current Period		Time deposits						
Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year	Cumulative deposit	Total
TRY								
Bank deposits	465	1.270.555	691.658	29.048	2.538	-	-	1.994.264
Saving deposits	143	449.004	7.452.676	1.116.182	319.321	369.889	11.916	9.719.131
Public deposits	41	391.095	517.626	144.028	62.663	2.479	-	1.117.932
Commercial deposits	3	1.749.694	2.850.955	353.036	256.672	374.563	-	5.584.923
Other deposits	2	86.266	1.012.290	613.921	173.823	112.053	-	1.998.355
7 days call accounts	-	-	-	-	-	-	-	-
Total	654	3.946.614	12.525.205	2.256.215	815.017	858.984	11.916	20.414.605
Foreign currency								
Deposits	1.464	299.333	1.667.899	149.603	68.129	168.281	-	2.354.709
Bank deposits	45	232.691	-	-	-	-	-	232.736
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	53	7.188	972	520	1.106	-	9.839
Total	1.509	532.077	1.675.087	150.575	68.649	169.387	-	2.597.284
Grand total	2.163	4.478.691	14.200.292	2.406.790	883.666	1.028.371	11.916	23.011.889

Prior Period		Time deposits						
Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year	Cumulative deposit	Total
TRY								
Bank deposits	1.476	405.773	525.324	48.880	691	-	-	982.144
Saving deposits	5	317.695	7.368.649	310.727	119.538	59.977	9.931	8.186.522
Public deposits	106	268.493	544.146	101.996	271.430	3.570	-	1.189.741
Commercial deposits	19	1.234.280	3.529.934	342.693	183.702	38.034	-	5.328.662
Other deposits	-	122.682	1.346.118	193.824	396.049	5.747	-	2.064.420
7 days call accounts	-	-	-	-	-	-	-	-
Total	1.606	2.348.923	13.314.171	998.120	971.410	107.328	9.931	17.751.489
Foreign currency								
Deposits	1.726	142.699	1.724.489	121.576	101.256	143.581	394	2.235.721
Bank deposits	55	305.283	537	293	43	742	205	307.158
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	29	2.808	266	319	545	-	3.967
Total	1.781	448.011	1.727.834	122.135	101.618	144.868	599	2.546.846
Grand total	3.387	2.796.934	15.042.005	1.120.255	1.073.028	252.196	10.530	20.298.335

(3) Information on dividend income:

	Current Period
Financial Assets at Fair Value Through Profit or Loss	485
Financial Assets at Fair Value Through other Comprehensive Income	2.371
Other	11.585
Total	14.441

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 INCOME STATEMENT (continued)

(3) Information on dividend income (continued):

	Prior Period
Financial Assets at Fair Value Through Profit or Loss	379
Financial Assets at Fair Value Through other Comprehensive Income	3.936
Other	8.862
Total	13.177

(4) a) Explanations on trading profit / loss (net):

	Current Period
Profit	49.224.043
Profit from the capital market operations	301.506
Profit on derivative financial instruments	8.953.732
Foreign exchange gains	39.968.805
Loss (-)	52.451.797
Loss from the capital market operations	6.579
Loss on derivative financial instruments	10.426.874
Foreign exchange losses	42.018.344

	Prior Period
Profit	55.546.634
Profit from the capital market operations	50.979
Profit on derivative financial instruments	5.911.938
Foreign exchange gains	49.583.717
Loss (-)	55.315.151
Loss from the capital market operations	17.898
Loss on derivative financial instruments	3.932.717
Foreign exchange losses	51.364.536

b) Information on derivative financial instruments

	Current period
Profit on derivative financial instruments	8.953.732
Effect of the change in foreign exchange on profit	8.640.729
Effect of the change in interest rate on profit	313.003
Loss on derivative financial instruments (-)	10.426.874
Effect of the change in foreign exchange on loss	10.154.504
Effect of the change in interest rate on loss	272.370
Profit/loss on derivative financial instruments	(1.473.142)

	Prior period
Profit on derivative financial instruments	5.911.938
Effect of the change in foreign exchange on profit	5.749.027
Effect of the change in interest rate on profit	162.911
Loss on derivative financial instruments (-)	3.932.717
Effect of the change in foreign exchange on loss	3.799.881
Effect of the change in interest rate on loss	132.836
Profit/loss on derivative financial instruments	1.979.221

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 INCOME STATEMENT (continued)

(5) Information on other operating income:

	Current period
Adjustments for prior period expenses	2.197.512
Insurance technical income	253
Income from the asset sale	115.340
Rent income	83.232
Other income	223.905
Total	2.620.242
	Prior Period
Adjustments for prior period expenses	461.355
Insurance technical income	1.512.044
Income from the asset sale	123.169
Rent income	63.122
Other income	329.680
Total	2.489.370

(6) Impairment losses on loans and other receivables:

Expected Credit Losses:

	Current Period
Expected Credit Loss	4.672.517
<i>12 Month Expected Credit Loss (Stage 1)</i>	334.685
<i>Significant Increase in Credit Risk (Stage 2)</i>	200.679
<i>Non – Performing Loans (Stage 3)</i>	4.137.153
Marketable Securities Impairment Expense	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-
<i>Financial Assets at Fair Value through Other Comprehensive Income</i>	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
Other	147.354
Total	4.819.871
	Prior Period
Expected Credit Loss	2.598.891
<i>12 Month Expected Credit Loss (Stage 1)</i>	76.916
<i>Significant Increase in Credit Risk (Stage 2)</i>	458.938
<i>Non – Performing Loans (Stage 3)</i>	2.063.037
Marketable Securities Impairment Expense	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-
<i>Financial Assets at Fair Value through Other Comprehensive Income</i>	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
Other	821.625
Total	3.420.516

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 INCOME STATEMENT (continued)

(7) Information on other operating expenses:

	Current Period
Reserve for employee termination benefits	101.973
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	2.036
Depreciation expenses of fixed assets	372.949
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	49.080
Impairment expense for equity shares subject to the equity method accounting	-
Impairment expense of assets that will be disposed of	-
Amortization expenses of assets that will be disposed of	11.509
Impairment expense for property and equipment held for sale	-
Other operating expenses	2.050.428
<i>Leasing Expenses on TFRS 16 Exceptions</i>	90.104
<i>Maintenance expenses</i>	69.920
<i>Advertisement expenses</i>	207.672
<i>Other expenses</i>	1.682.732
Loss on sales of assets	225
Other	974.447
Total	3.562.647

	Prior Period
Reserve for employee termination benefits	75.141
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	387
Depreciation expenses of fixed assets	148.432
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	43.441
Impairment expense for equity shares subject to the equity method accounting	-
Impairment expense of assets that will be disposed of	-
Amortization expenses of assets that will be disposed of	7.846
Impairment expense for property and equipment held for sale	-
Other operating expenses	2.243.268
<i>Leasing Expenses on TFRS 16 Exceptions</i>	303.879
<i>Maintenance expenses</i>	59.724
<i>Advertisement expenses</i>	214.597
<i>Other expenses</i>	1.665.068
Loss on sales of assets	273
Other	2.027.804
Total	4.546.592

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

The amount of profit before tax consists TRY 11.661.329 (31 December 2018: TRY 8.942.912) of net interest income and TRY 2.716.482 (31 December 2018: TRY 1.904.363) of net fees and income. The profit from continuing operations before tax is amounting to TRY 2.406.259 (31 December 2018: TRY 3.032.795).

Discontinued operations profit before tax is TRY 365.154 (31 December 2018: TRY 12.990).

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(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 INCOME STATEMENT (continued)

- (9) Information on tax provisions for continuing and discontinued operations:

For the period ended 31 December 2019, the Group's tax provision amounting to TRY 306.921 (31 December 2018: TRY 361.833) consists of TRY 477.171 (31 December 2018: TRY 175.752) of current tax charge and TRY 1.221.643 (31 December 2018: TRY 1.161.994) of deferred tax charge and TRY 1.391.893 (31 December 2018: TRY 975.913) of deferred tax benefit.

For the period ended 31 December 2019, the Group's deferred tax income from discontinued operations is amounting to TRY 171.619 (31 December 2018: TRY 2.860) consists of TRY 176.370 (31 December 2018: TRY 2.890) of current tax charge and TRY 4.751 (31 December 2018: TRY 30) of deferred tax benefit.

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

As of 31 December 2019, the Group's operating income after tax is amounting to TRY 2.099.338 (31 December 2018: TRY 2.670.962).

As of 31 December 2019, the Group's discontinued operations income after tax is amounting to TRY 193.535 (31 December 2018: TRY 10.130).

- (11) Information on net profit/loss from continuing and discontinued operations:

- a) Income and expenses from ordinary banking operations:

None.

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

There is no issue to be disclosed.

- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

- (12) Minority interest profit/losses:

	Current Period
Minority interest profit/losses	25.265
	Prior Period
Minority interest profit/losses	24.445

- (13) Other items in Income Statement:

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

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

V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was previously recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

- (1) Disclosures for the “other” and “the effect of foreign exchange differences on cash and cash equivalents” items of cash flow statement:

The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 19.142.631 (31 December 2018: TRY 9.775.972 increase) increase for the year 2019. The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 12.658.004 decrease for the year 2019 (31 December 2018: TRY 13.874.450 decrease)

For the year ended 31 December 2018, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 2.353.847 increase (31 December 2018: TRY 5.233.224 increase). The average exchange rates of last five weekdays were taken into consideration as of the balance sheet date when calculating the effect of change in the exchange rates.

- (2) Items used in determination of cash and cash equivalents, accounting policies used in the determination of those items: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.
- (3) The effect of any change in accounting policies:
None.
- (4) Cash and cash equivalents balance at the beginning of the period:

	Current period	Prior period
Cash	35.579.724	36.681.377
<i>Cash in TRY and foreign currency</i>	4.591.894	2.208.130
<i>Central Bank and others⁽¹⁾</i>	30.987.830	34.473.247
Cash equivalents	5.195.753	7.597.218
<i>Demand and Time Deposits Up to 3 Months</i>	5.130.435	6.309.050
<i>Money Market Placements</i>	65.318	1.288.168
Total cash and cash equivalents	40.775.477	44.278.595
Reserve deposits in Central Bank of Turkey	(16.685.658)	(16.725.443)
Banks Blocked Amount	(387.741)	(325.226)
Accruals on reserve deposits in Central Bank of Turkey	(223.863)	(89.784)
Accruals on Money Markets Placements	-	(2.669)
Accruals on banks	(29.630)	(13.282)
Total Cash and Cash Equivalents	23.448.585	27.122.191

⁽¹⁾ Other items include cheques received and required reserves that are held at The Central Bank of Macedonia and the Central Bank of Serbia.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT (continued)

(5) Cash and cash equivalents balance at the end of the period:

	Current Period	Prior Period
Cash	35.313.987	35.579.724
<i>Cash in TRY and foreign currency</i>	3.861.322	4.591.894
<i>Central Bank and others⁽¹⁾</i>	31.452.665	30.987.830
Cash Equivalents	4.221.663	5.195.753
<i>Demand and Time Deposits Up to 3 Months</i>	4.134.525	5.130.435
<i>Money Market Placements</i>	87.138	65.318
Cash and Banks	39.535.650	40.775.477
Reserve deposits in Central Bank of Turkey	(14.726.441)	(16.685.658)
Banks Blocked Amount ⁽¹⁾	(490.951)	(387.741)
Accruals on reserve deposits in Central Bank of Turkey	(19.629)	(223.863)
Accruals on Money Markets Placements	-	-
Accruals on banks	(939)	(29.630)
Total Cash and Cash Equivalents	24.297.690	23.448.585

⁽¹⁾ Other items include cheques received and required reserves that are held at The Central Bank of Macedonia and the Central Bank of Serbia.

SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE PARENT BANK**

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

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

Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	-	-	-	-	-	-
Closing balance	-	329	-	-	-	-
Interest and commissions income	-	6	-	-	-	-

- 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		Current Period		Current Period	
Deposits						
Beginning balance	42.260		-		-	
Closing Balance	50.673		-		-	
Interest expense on deposits	7.471		-		-	

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	
	Prior Period		Prior Period		Prior Period	
Deposits						
Beginning balance	21.542		-		-	
Closing Balance	42.260		-		-	
Interest expense on deposits	5.321		-		-	

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

None.

SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK (CONTINUED)**

(2) Disclosures for risk group:

- a) The relations of the 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 branches of the Bank are agencies of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ. In addition, the Bank acts as an intermediary in Halk Yatırım Menkul Değerler A.Ş.'s activities within the scope of 'Intermediary Transmission to Order Transmission'.

- 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	329	0,00%
Deposits	50.673	0,02%
Forward and option contracts	-	-
Banks and other financial institutions	-	-

Pricing of these transactions are in accordance with the general pricing policies of the Parent Bank and are in line with market rates.

- (3) Benefits given to the key management personnel:

Benefits given to the key management personnel of the Group are TRY 30.459 as of 31 December 2019 (31 December 2018: TRY 28.606).

TÜRKİYE HALK BANKASI AŞ**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION V: EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****VIII. EXPLANATIONS ON THE PARENT BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES**

- (1) Explanations on the Parent Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of Employees	Countries		
Domestic Branches	1000	18.895			
Abroad Agencies	3	4	IRAN		
			ENGLAND		
			SINGAPORE		
Overseas Branches	5	65	TRNC	Total Assets	Capital Legal
Off-shore Branches	1	3	BAHRAIN	1.338.340	-
				20.235.920	-

- (2) Explanations on branch and agency openings or closings of the Bank:

The Parent Bank opened 18 domestic branches during the year 2019.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

As per the Board of Directors' decision dated February 4, 2020, it was decided to transfer 66,67% of the shares of the the Parent Bank's subsidiary, Bileşim Alternatif Dağıtım Kanalları A.Ş.

SECTION VI: OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE PARENT BANK’S OPERATIONS

An indictment was filed against the Bank on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the Bank for violation of Iranian sanctions.

The Parent Bank sought leave the New York Southern District Court (“District Court”) to make a “special appearance” in a proceeding to challenge the court’s jurisdiction and rejection of the judge of the case. The District Court has denied that request. The Parent Bank appealed to the US Second Circuit Court of Appeals (“Court of Appeals”) for mandamus regarding the District Court deciding to allow the respective special appearance.

The District Court was requested to suspend the hearings upon the District Court’s requisition to continue the general hearings regarding the case. The District Court also denied that request. The Parent Bank also applied to the Court of Appeals for a mandamus for the approval of denied suspension request.

The Court of Appeals’s appeal committee consisting of 3 judges granted a temporary stay on the District Court litigation until the resolution of the mandamus petition.

The appeal process for the suspension of the hearings before the Court of Appeals and the order of a high court for a special appearance is still ongoing.

The prosecution process is closely monitored by the Bank through specialized US law firms.

The appeal process of the case which resulted in conviction for the defendant former executive of the Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

The Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and money transfers are open and transparent, and easily be monitored by authorities. The Bank will continue to adopt the same policies of transparency and compliance with international regulations.

The Bank placed a high importance on this matter and established a separate “Compliance Department”.

SECTION VII: AUDITORS' REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

The Parent Bank's publicly available consolidated audited financial statements and footnotes as at 31 December 2019 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 14 February 2020 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.