

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

Türkiye Halk Bankası Anonim Şirketi

Consolidated Financial Statements

As of 30 June 2021

With Review Report Thereon

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

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Türkiye Halk Bankası A.Ş. (“the Parent Bank”) and its consolidated subsidiaries (together will be referred as “the Group”) as at 30 June 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Parent Bank management is responsible for the preparation and fair presentation of the accompanying consolidated interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

The Group reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9 requirements. The government bonds reclassified into financial assets measured at amortised cost amounted to TRY 19.946.749 thousand as at 30 June 2021. If such classification were not made, total assets and shareholders’ equity, excluding tax effect, would have been lower by TRY 4.035.777 thousand as at 30 June 2021.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. and its consolidated subsidiaries as at 30 June 2021, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

Emphasis of Matter

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Additional paragraph for English translation:

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

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

Müjde Aslan
Partner

Istanbul, 12 August 2021

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH ENDED 30 JUNE 2021

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

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

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

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

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

The consolidated financial statements for six-month ended 30 June 2021 and related disclosures and footnotes that are subject to audit and are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira**.

Istanbul, 12 August 2021

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

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

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

SECTION ONE

General Information About the Parent Bank

	Page No
I. Establishment Date of the Parent Bank, Initial Articles of Association, History of the Parent Bank Including The Changes of These Articles	3
II. Capital Structure of the Parent Bank, Shareholders That Retain Direct or Indirect Control and Management of the Parent Bank, Solely or Together, Changes About These Issues During the Year and Disclosures About The Group	3
III. Explanations Regarding the Parent Bank's Chairman and Members of the Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents and Their Shares Attributable to the Parent Bank, if any	4
IV. Information About the Persons and Institutions That Have Qualified Shares Attributable to the Parent Bank	5
V. Brief Information on the Parent Bank's Functions and Lines of Activity	5
VI. Explanation About Companies Within The Scope Of Consolidation	6
VII. Differences Between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which are Deducted From Equity or Not Included in These Three Methods	8
VIII. The Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholder's Equity Between the Parent Bank and Its Subsidiaries or the Reimbursement of Liabilities	8

SECTION TWO

Consolidated Financial Statements

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

SECTION THREE

Explanations on Accounting Policies Applied in the Related Period

I. Explanations on Basis of Presentation	17
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	19
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	22
VI. Explanations on Fee and Commission Income and Expenses	22
VII. Explanations on Financial Assets	22
VIII. Explanations on Impairment of Financial Assets	26
IX. Explanations on Offsetting Financial Instruments	29
X. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	29
XI. Explanations on Assets Held For Sale, Assets of Discontinued Operations and Related Liabilities	29
XII. Explanations on Goodwill and Other Intangible Assets	29
XIII. Explanations on Property and Equipment	30
XIV. Explanations on Investment Properties	30
XV. Explanations on Leasing Transactions	31
XVI. Explanations on Provisions and Contingent Liabilities	32
XVII. Explanations on Employee Benefit Liabilities	32
XVIII. Explanations on Taxation	33
XIX. Additional Explanations on Borrowings	35
XX. Explanations on Shares Issued	35
XXI. Explanations on Bill Guarantees and Acceptances	36
XXII. Explanations on Government Incentives	36
XXIII. Explanations on Segment Reporting	36
XXIV. Explanations on Other Matters	36

SECTION FOUR

Information Related to Financial Position and Risk Management of the Group

I.	Explanations on Consolidated Equity	37
II.	Explanations on Consolidated Currency Risk	45
III.	Explanations on Consolidated Interest Rate Risk	47
IV.	Explanations on Consolidated Position Risk of Shares	50
V.	Explanations on Consolidated Liquidity Risk and Liquidity Coverage Ratio	50
VI.	Explanations on Consolidated Leverage Ratio	56
VII.	Explanations Related to Consolidated Business Segmentation	58
VIII.	Explanations on Consolidated Risk Management and Risk Weighted Amounts	61

SECTION FIVE

Explanations and Notes Related to the Consolidated Financial Statements

I.	Explanations and Notes Related to the Assets	69
II.	Explanations and Notes Related to the Liabilities	88
III.	Explanations and Notes Related to the Off-Balance Sheet Items	95
IV.	Explanations and Notes Related to the Statement of Profit or Loss	96
V.	Explanations Related to the Risk Group of the Parent Bank	102
VI.	Explanation Related to the Subsequent Events	103
VII.	Other Explanations	103

SECTION SIX

Limited Review Report

I.	Explanations on Limited Review Report	105
II.	Explanations and Notes Prepared by the Independent Auditor	105

SECTION SEVEN

Interim Activity Report

I.	Interim Period Activity Report Included Chairman of the Board of Directors and CEO's Assessments for the Interim Activities	106
----	---	-----

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

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

As of 30 June 2021 the shareholders’ structure and their respective ownerships are summarized as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a) General information about the Parent Bank:

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

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

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

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

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

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

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

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

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

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

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

As of 30 June 2021, the Parent Bank operates with a total of 1015 branches consisting of 1009 domestic and 6 foreign branches that are 5 in Turkish Republic of Northern Cyprus and 1 in Bahrain. Domestic branches include 30 satellite branches. The Parent Bank has also 3 representative office in England, Iran and Singapore.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

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

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

The Parent Bank’s associates;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2021
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS
--

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2021

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

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

		Reviewed			Audited		
		Current Period			Prior Period		
		30 June 2021			31 December 2020		
CONSOLIDATED ASSETS	Note	TRY	FC	TOTAL	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		61.803.496	91.972.329	153.775.825	62.791.771	84.132.043	146.923.814
1.1 Cash and Cash Equivalents		7.757.651	69.448.414	77.206.065	8.916.830	59.391.599	68.308.429
1.1.1 Cash and Balances with Central Bank	(1)	7.491.197	65.518.691	73.009.888	8.396.106	56.588.336	64.984.442
1.1.2 Banks	(3)	278.626	3.930.111	4.208.737	287.479	2.803.592	3.091.071
1.1.3 Money Markets		4.703	-	4.703	252.997	-	252.997
1.1.4 Expected Loss Provision (-)		16.875	388	17.263	19.752	329	20.081
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	15.824.543	20.102	15.844.645	15.704.422	19.241	15.723.663
1.2.1 Government Debt Securities		15.576.825	629	15.577.454	15.529.875	1.349	15.531.224
1.2.2 Equity Instruments		175.040	19.473	194.513	145.757	17.892	163.649
1.2.3 Other Financial Assets		72.678	-	72.678	28.790	-	28.790
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	38.221.111	21.151.138	59.372.249	38.164.766	22.379.674	60.544.440
1.3.1 Government Debt Securities		37.597.520	20.913.033	58.510.553	37.528.538	22.192.136	59.720.674
1.3.2 Equity Instruments		44.745	238.105	282.850	44.745	187.538	232.283
1.3.3 Other Financial Assets		578.846	-	578.846	591.483	-	591.483
1.4 Derivative Financial Assets	(2)(11)	191	1.352.675	1.352.866	5.753	2.341.529	2.347.282
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		191	1.352.675	1.352.866	5.753	2.341.529	2.347.282
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)		419.310.852	143.431.468	562.742.320	401.555.604	129.174.012	530.729.616
2.1 Loans	(5)	361.709.212	113.872.566	475.581.778	353.822.723	103.387.503	457.210.226
2.2 Lease Receivables	(10)	2.132.866	2.204.519	4.337.385	1.882.644	2.339.714	4.222.358
2.3 Factoring Receivables		1.190.881	115.893	1.306.774	1.810.629	44.496	1.855.125
2.4 Other Financial Assets Measured at Amortised Cost	(6)	67.271.268	27.790.464	95.061.732	60.843.380	23.961.309	84.804.689
2.4.1 Government Debt Securities		67.220.747	27.790.464	95.011.211	60.792.861	23.961.309	84.754.170
2.4.2 Other Financial Assets		50.521	-	50.521	50.519	-	50.519
2.5 Expected Credit Loss (-)		12.993.375	551.974	13.545.349	16.803.772	559.010	17.362.782
III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(14)	2.509	-	2.509	1.441	-	1.441
3.1 Held for Sale		2.509	-	2.509	1.441	-	1.441
3.2 Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		141.663	772.246	913.909	83.121	681.339	764.460
4.1 Investments in Associates (Net)	(7)	141.663	772.246	913.909	83.121	681.339	764.460
4.1.1 Associates Valued Based on Equity Method		17.865	772.246	790.111	16.566	681.339	697.905
4.1.2 Unconsolidated Associates		123.798	-	123.798	66.555	-	66.555
4.2 Subsidiaries (Net)	(8)	-	-	-	-	-	-
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non- Financial Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)	(9)	-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)		10.260.369	569.704	10.830.073	9.775.477	503.411	10.278.888
VI. INTANGIBLE ASSETS (Net)		533.084	83.149	616.233	579.463	59.245	638.708
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		533.084	83.149	616.233	579.463	59.245	638.708
VII. INVESTMENT PROPERTIES (Net)	(12)	1.260.893	11.259	1.272.152	1.197.116	10.145	1.207.261
VIII. CURRENT TAX ASSET		7.205	-	7.205	339.626	2.897	342.523
IX. DEFERRED TAX ASSET	(13)	145.895	5.361	151.256	37.353	4.748	42.101
X. OTHER ASSETS (Net)	(15)	6.305.634	601.427	6.907.061	4.738.592	547.246	5.285.838
TOTAL ASSETS		499.771.600	237.446.943	737.218.543	481.099.564	215.115.086	696.214.650

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2021

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

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

		Reviewed			Audited		
		Current Period			Prior Period		
		30 June 2021			31 December 2020		
CONSOLIDATED LIABILITIES	Note	TRY	FC	TOTAL	TRY	FC	TOTAL
I. DEPOSITS	(1)	259.708.306	261.326.367	521.034.673	261.818.132	206.243.696	468.061.828
II. FUNDS BORROWED	(3)	881.669	12.625.593	13.507.262	706.399	12.548.123	13.254.522
III. MONEY MARKETS		91.988.516	1.571.131	93.559.647	103.487.981	1.114.631	104.602.612
IV. SECURITIES ISSUED (Net)	(4)	7.845.459	4.425.770	12.271.229	6.692.145	7.553.277	14.245.422
4.1 Bills		4.724.797	-	4.724.797	3.655.382	-	3.655.382
4.2 Assets Backed Securities		2.009.111	-	2.009.111	1.958.530	-	1.958.530
4.3 Bonds		1.111.551	4.425.770	5.537.321	1.078.233	7.553.277	8.631.510
V. FUNDS		27.347	-	27.347	3.617.303	-	3.617.303
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		27.347	-	27.347	3.617.303	-	3.617.303
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(2)(7)	60.096	808.396	868.492	20.113	514.112	534.225
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		60.096	808.396	868.492	20.113	514.112	534.225
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		1.622	5.469	7.091	1.002	636	1.638
IX. LEASE LIABILITIES (Net)	(6)	826.365	132.807	959.172	768.088	125.686	893.774
X. PROVISIONS	(8)	1.832.807	155.719	1.988.526	2.116.831	116.754	2.233.585
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.283.058	15.039	1.298.097	1.487.055	16.345	1.503.400
10.3 Insurance for Technical Provision (Net)		-	131.416	131.416	-	93.638	93.638
10.4 Other Provisions		549.749	9.264	559.013	629.776	6.771	636.547
XI. CURRENT TAX LIABILITY	(9)	837.783	2.943	840.726	777.424	989	778.413
XII. DEFERRED TAX LIABILITIES	(9)	-	2.152	2.152	331.752	2.152	333.904
XIII. NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(10)	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(11)	6.049.052	10.189.537	16.238.589	6.036.525	8.824.063	14.860.588
14.1 Loans		-	10.189.537	10.189.537	-	8.824.063	8.824.063
14.2 Other Debt Instruments		6.049.052	-	6.049.052	6.036.525	-	6.036.525
XV. OTHER LIABILITIES	(5)	31.079.284	2.341.841	33.421.125	28.274.400	1.743.535	30.017.935
XVI. SHAREHOLDERS' EQUITY	(12)	41.482.206	1.010.306	42.492.512	41.839.276	939.625	42.778.901
16.1 Paid-in Capital		2.473.776	-	2.473.776	2.473.776	-	2.473.776
16.2 Capital Reserves		6.707.169	96.233	6.803.402	6.708.624	82.326	6.790.950
16.2.1 Share Premium		5.815.863	-	5.815.863	5.815.863	-	5.815.863
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		891.306	96.233	987.539	892.761	82.326	975.087
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.985.466	3.921	2.989.387	2.998.743	4.280	3.003.023
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(798.072)	(238.498)	(1.036.570)	(220.937)	(218.119)	(439.056)
16.5 Profit Reserves		28.006.507	868.605	28.875.112	25.276.429	601.525	25.877.954
16.5.1 Legal Reserves		2.657.663	133.811	2.791.474	2.498.334	33.826	2.532.160
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		25.301.663	168.943	25.470.606	22.730.914	104.574	22.835.488
16.5.4 Other Profit Reserves		47.181	565.851	613.032	47.181	463.125	510.306
16.6 Income or (Loss)		1.843.683	271.642	2.115.325	4.347.012	461.862	4.808.874
16.6.1 Prior Periods' Income or (Loss)		1.689.647	219.145	1.908.792	796.482	327.750	1.124.232
16.6.2 Current Period Income or (Loss)		154.036	52.497	206.533	3.550.530	134.112	3.684.642
16.7 Minority Shares		263.677	8.403	272.080	255.629	7.751	263.380
TOTAL LIABILITIES		442.620.512	294.598.031	737.218.543	456.487.371	239.727.279	696.214.650

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 30 JUNE 2021

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

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS

		Reviewed			Audited		
		Current Period			Prior Period		
		30 June 2021			31 December 2020		
CONSOLIDATED OFF-BALANCE SHEET	Note	TRY	FC	TOTAL	TRY	FC	TOTAL
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		164.125.552	181.646.235	345.771.787	115.245.846	128.240.627	243.486.473
I. GUARANTEES AND WARRANTIES	(1)	63.431.589	73.013.272	136.444.861	55.057.122	61.446.729	116.503.851
1.1 Letters of guarantee		56.688.594	61.594.771	118.283.365	50.051.793	52.484.618	102.536.411
1.1.1 Guarantees subject to public procurement law		3.234.670	7.219.487	10.454.157	2.868.957	6.032.807	8.901.764
1.1.2 Guarantees given for foreign trade operations		190.735	12.135.907	12.326.642	151.890	11.076.113	11.228.003
1.1.3 Other letters of guarantee		53.263.189	42.239.377	95.502.566	47.030.946	35.375.698	82.406.644
1.2 Bank loans		51.627	7.573.993	7.625.620	185.902	6.309.693	6.495.595
1.2.1 Import acceptances		-	192.320	192.320	-	161.040	161.040
1.2.2 Other bank acceptances		51.627	7.381.673	7.433.300	185.902	6.148.653	6.334.555
1.3 Letters of credit		33.180	3.776.291	3.809.471	55.249	2.554.133	2.609.382
1.3.1 Documentary letters of credit		33.180	3.776.291	3.809.471	55.249	2.554.133	2.609.382
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed refinancing		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		6.658.188	68.217	6.726.405	4.764.178	98.285	4.862.463
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS	(1)	48.433.886	9.363.544	57.797.430	42.401.518	7.565.424	49.966.942
2.1 Irrevocable commitments		47.444.028	3.425.664	50.869.692	41.793.629	2.726.999	44.520.628
2.1.1 Forward asset purchase commitments		1.196.398	2.090.313	3.286.711	371.052	1.455.693	1.826.745
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		4.232.959	876.059	5.109.018	3.912.914	808.401	4.721.315
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for Cheques		5.613.474	-	5.613.474	4.472.298	-	4.472.298
2.1.8 Tax and fund liabilities from export commitments		123.573	-	123.573	124.240	-	124.240
2.1.9 Commitments for credit card expenditure limits		31.136.720	120.665	31.257.385	27.941.932	90.210	28.032.142
2.1.10 Commitments for credit cards and banking services promotions		26.965	-	26.965	22.752	-	22.752
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		5.113.939	338.627	5.452.566	4.948.441	372.695	5.321.136
2.2 Revocable commitments		989.858	5.937.880	6.927.738	607.889	4.838.425	5.446.314
2.2.1 Revocable loan granting commitments		-	2.870.049	2.870.049	-	2.210.353	2.210.353
2.2.2 Other revocable commitments		989.858	3.067.831	4.057.689	607.889	2.628.072	3.235.961
III. DERIVATIVE FINANCIAL INSTRUMENTS		52.260.077	99.269.419	151.529.496	17.787.206	59.228.474	77.015.680
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		52.260.077	99.269.419	151.529.496	17.787.206	59.228.474	77.015.680
3.2.1 Forward foreign currency buy/sell transactions		297.319	2.853.916	3.151.235	203.727	2.589.660	2.793.387
3.2.1.1 Forward foreign currency transactions-buy		150.632	2.323.671	2.474.303	114.039	2.395.844	2.509.883
3.2.1.2 Forward foreign currency transactions-sell		146.687	530.245	676.932	89.688	193.816	283.504
3.2.2 Currency and interest rate swaps		50.583.282	86.415.437	136.998.719	17.149.875	47.388.846	64.538.721
3.2.2.1 Currency swap-buy		-	51.191.775	51.191.775	-	18.551.480	18.551.480
3.2.2.2 Currency swap-sell		49.783.282	7.176.739	56.960.021	15.739.875	4.681.336	20.421.211
3.2.2.3 Interest rate swap-buy		400.000	14.023.461	14.423.461	705.000	12.078.015	12.783.015
3.2.2.4 Interest Rate swap-sell		400.000	14.023.462	14.423.462	705.000	12.078.015	12.783.015
3.2.3 Currency, interest rate and marketable securities options		1.332.634	1.802.073	3.134.707	433.604	3.440.442	3.874.046
3.2.3.1 Currency call options		666.276	901.073	1.567.349	216.802	1.720.219	1.937.021
3.2.3.2 Currency put options		666.358	901.000	1.567.358	216.802	1.720.223	1.937.025
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		11.458	11.317	22.775	-	-	-
3.2.4.1 Currency futures-buy		11.458	-	11.458	-	-	-
3.2.4.2 Currency futures-sell		-	11.317	11.317	-	-	-
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		35.384	8.186.676	8.222.060	-	5.809.526	5.809.526
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		1.539.674.573	563.811.177	2.103.485.750	1.497.151.707	500.356.330	1.997.508.037
IV. CUSTODIES		610.483.931	63.440.391	673.924.322	631.841.811	61.211.567	693.053.378
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		123.159.545	2.710.027	125.869.572	127.376.877	2.619.679	129.996.556
4.3 Cheques in collection process		26.431.230	41.992.961	68.424.191	21.031.738	44.640.396	65.672.134
4.4 Commercial notes in collection process		410.863.617	12.375.979	423.239.596	427.050.907	9.156.674	436.207.581
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		881.934	1.114.327	1.996.261	2.319.655	1.143.741	3.463.396
4.8 Custodians		49.147.605	5.247.097	54.394.702	54.062.634	3.651.077	57.713.711
V. PLEDGED ASSETS		929.190.642	500.370.786	1.429.561.428	865.309.896	439.144.763	1.304.454.659
5.1 Marketable securities		8.740.672	1.776.396	10.517.068	6.996.977	1.733.141	8.730.118
5.2 Collateral notes		10.715.878	2.264.570	12.980.448	7.863.081	1.769.758	9.632.839
5.3 Commodity		25.813	-	25.813	25.813	-	25.813
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		700.839.107	390.030.898	1.090.870.005	650.415.346	338.008.605	988.423.951
5.6 Other pledged assets		170.098.258	65.284.138	235.382.396	169.327.906	56.874.541	226.202.447
5.7 Pledges		38.770.914	41.014.784	79.785.698	30.680.773	40.758.718	71.439.491
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1.703.800.125	745.457.412	2.449.257.537	1.612.397.553	628.596.957	2.240.994.510

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

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

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Reviewed Current Period	Reviewed Prior Period	Reviewed Current Period	Reviewed Prior Period
		1 January- 30 June 2021	1 January- 30 June 2020	1 April- 30 June 2021	1 April- 30 June 2020
	STATEMENT OF PROFIT OR LOSS				
I.	INTEREST INCOME	(1)	33.786.087	24.448.665	18.317.496
1.1	Interest on Loans	23.917.107	17.826.159	12.571.818	8.996.489
1.2	Interest on Reserve Requirements	1.612	780	876	280
1.3	Interest on Banks	536.311	67.614	329.647	32.688
1.4	Interest on Money Market Transactions	59.535	10.701	26.735	5.303
1.5	Interest on Marketable Securities Portfolio	8.839.612	6.166.064	5.169.612	3.288.908
1.5.1	Fair Value Through Profit or Loss	11.437	8.067	6.622	7.220
1.5.2	Fair Value Through Other Comprehensive Income	2.993.327	1.659.770	1.672.931	996.917
1.5.3	Measured at Amortized Cost	5.834.848	4.498.227	3.490.059	2.284.771
1.6	Financial Lease Interest Income	198.688	170.032	109.278	92.401
1.7	Other Interest Income	233.222	207.315	109.530	87.675
II.	INTEREST EXPENSE (-)	(2)	32.406.854	17.031.353	7.000.270
2.1	Interest on Deposits	21.218.136	8.790.514	11.139.624	4.633.060
2.2	Interest on Funds Borrowed	167.877	222.101	88.213	102.077
2.3	Interest Expense on Money Market Transactions	9.284.820	2.793.495	4.908.137	1.421.724
2.4	Interest on Securities Issued	1.427.763	1.214.063	752.458	596.672
2.5	Interest on Leases	52.314	41.158	28.721	19.910
2.6	Other Interest Expenses	255.944	327.110	114.200	226.827
III.	NET INTEREST INCOME (I - II)	1.379.233	11.060.224	1.286.143	5.503.474
IV.	NET FEES AND COMMISSIONS INCOME	1.888.617	1.333.178	1.052.365	626.161
4.1	Fees and Commissions Received	2.600.539	1.740.788	1.426.335	835.886
4.1.1	Non – cash Loans	554.345	406.274	289.148	182.333
4.1.2	Other	2.046.194	1.334.514	1.137.187	653.553
4.2	Fees and Commissions Paid (-)	711.922	407.610	373.970	209.725
4.2.1	Non – cash Loans	2.869	1.407	1.165	643
4.2.2	Other	709.053	406.203	372.805	209.082
V.	DIVIDEND INCOME	2.436	4.322	2.413	3.896
VI.	TRADING INCOME / LOSS (Net)	(3)	(2.797.040)	(2.174.818)	(1.141.135)
6.1	Trading Gains / (Losses) on Securities	33.391	80.160	7.765	(4.968)
6.2	Gains / (Losses) on Derivate Financial Transactions	2.368.726	1.707.342	715.289	413.192
6.3	Foreign Exchange Gains / (Losses)	(5.199.157)	(4.173.683)	(2.897.872)	(1.549.359)
VII.	OTHER OPERATING INCOME	(4)	5.305.635	932.200	1.854.189
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)	5.778.881	10.943.743	2.020.292	5.224.620
IX.	EXPECTED LOSS PROVISIONS (-)	(5)	1.076.389	4.323.723	(220.615)
X.	OTHER PROVISION EXPENSES (-)	(5)	4.159	231.820	2.274
XI.	PERSONNEL EXPENSE (-)	2.033.329	1.980.964	922.944	1.039.990
XII.	OTHER OPERATING EXPENSES (-)	(6)	2.664.225	2.184.447	1.398.953
XIII.	NET OPERATING INCOME / LOSS (IX-X-XI)	779	2.222.789	(83.264)	966.675
XIV.	INCOME AFTER MERGER	-	-	-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD	17.236	5.078	10.422	(1.157)
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION	-	-	-	-
XVII.	PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+....+XVI)	(7)	18.015	2.227.867	(72.842)
XVIII.	TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(8)	192.080	209.483	(403.425)
18.1	Current Tax Provision	87.362	1.172.319	43.225	1.137.690
18.2	Deferred Tax Income Effect (+)	1.524.272	387.255	246.673	(298.949)
18.3	Deferred Tax Expense Effect (-)	1.803.714	958.182	499.381	435.316
XIX.	CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII+XVIII)	(9)	210.095	1.626.475	562.093
XX.	INCOME FROM DISCONTINUED OPERATIONS	-	1.481.462	-	867.529
20.1	Income from non- Current Assets Held for Sale	-	613.933	-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures	-	867.529	-	867.529
20.3	Income from Other Discontinued Operations	-	-	-	-
XXI.	EXPENSES FOR DISCONTINUED OPERATIONS (-)	-	494.089	-	-
21.1	Expenses for Non-current Assets Held for Sale	-	494.089	-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures	-	-	-	-
21.3	Expenses for Other Discontinued Operations	-	-	-	-
XXII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (IXX-XX)	-	987.373	-	867.529
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	-	(48.603)	-	-
23.1	Current Tax Provision	-	48.981	-	-
23.2	Deferred Tax Expense Effect (+)	-	-	-	-
23.3	Deferred Tax Income Effect (-)	-	378	-	-
XXIV.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX+XXII)	-	938.770	-	867.529
XXV.	NET PROFIT/(LOSS) (XVIII+XXIII)	(10)	210.095	2.565.245	1.429.622
25.1	Profit / (Loss) of Group	206.533	2.558.411	135.448	1.429.973
25.2	Profit / (Loss) of Minority Shares (-)	3.562	6.834	1.193	(351)
	Profit / (Loss) Per Share (full TRY)	0,083489	1,6843156	0,0547535	0,7997954

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

TÜRKİYE HALK BANKASI AŞ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2021

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

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

		Reviewed	Reviewed
		Current Period	Prior Period
INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		1 January – 30 June 2021	1 January – 30 June 2020
I.	CURRENT PERIOD INCOME/LOSS	210.095	2.565.245
II.	OTHER COMPREHENSIVE INCOME	(611.150)	280.395
2.1	Not Reclassified Through Profit or Loss	(13.636)	(2.281)
2.1.1	Property and Equipment Revaluation Increase/Decrease	(14.525)	(6.783)
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-	1.101
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(196)	2.818
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	1.085	583
2.2	Reclassified Through Profit or Loss	(597.514)	282.676
2.2.1	Foreign Currency Translation Differences	1.422	6.846
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(759.316)	261.577
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	160.380	14.253
III.	TOTAL COMPREHENSIVE INCOME (I+II)	(401.055)	2.845.640

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2021
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss						Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss										
							Other(Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Expect Minority Shares	Minority Shares	Total Equity	
Reviewed (1 January – 30 June 2020)	Paid in Capital	Share Premiums	Share Cancellatio n Profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan											
I. Prior Period End Balance	1.250.000	39.773	-	975.617	2.665.635	(61.018)	47.283	(5.846)	259.332	-	24.052.179	419.572	2.267.608	31.910.135	287.253	32.197.388	
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I-II)	1.250.000	39.773	-	975.617	2.665.635	(61.018)	47.283	(5.846)	259.332	-	24.052.179	419.572	2.267.608	31.910.135	287.253	32.197.388	
IV. Total Comprehensive Income	-	-	-	-	(6.105)	1.006	2.818	6.846	275.830	-	-	-	2.558.411	2.838.806	6.834	2.845.640	
V. Capital Increase by Cash	1.223.776	5.776.224	-	-	-	-	-	-	-	-	-	-	-	7.000.000	-	7.000.000	
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase / Decrease by Other Changes	-	(134)	-	(16.440)	-	-	-	-	-	-	(80.026)	2.483.707	(2.267.608)	119.499	(43.244)	76.255	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	1.766.775	(1.768.179)	-	(1.404)	1.404	-	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(1.404)	-	(1.404)	1.404	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	1.766.775	(1.766.775)	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period End Balance (III+IV+.....+X+XI)	2.473.776	5.815.863	-	959.177	2.659.530	(60.012)	50.101	1.000	535.162	-	25.738.928	1.135.100	2.558.411	41.867.036	252.247	42.119.283	
Reviewed (1 January – 30 June 2021)																	
I. Prior Period End Balance	2.473.776	5.815.863	-	975.087	3.090.256	(139.318)	52.085	(2.070)	(436.986)	-	25.877.954	1.124.232	3.684.642	42.515.521	263.380	42.778.901	
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I-II)	2.473.776	5.815.863	-	975.087	3.090.256	(139.318)	52.085	(2.070)	(436.986)	-	25.877.954	1.124.232	3.684.642	42.515.521	263.380	42.778.901	
IV. Total Comprehensive Income	-	-	-	-	(13.440)	-	(196)	1.422	(598.936)	-	-	-	206.533	(404.617)	3.562	(401.055)	
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase / Decrease by Other Changes	-	-	-	12.452	-	-	-	-	-	-	99.964	3.682.645	(3.684.642)	110.419	4.247	114.666	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	2.897.194	(2.898.085)	-	(891)	891	-	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(891)	-	(891)	891	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	2.897.194	(2.897.194)	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period End Balance (III+IV+.....+X+XI)	2.473.776	5.815.863	-	987.539	3.076.816	(139.318)	51.889	(648)	(1.035.922)	-	28.875.112	1.908.792	206.533	42.220.432	272.080	42.492.512	

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

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

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed	Reviewed
	Current Period	Prior Period
	1 January- 30 June 2021	1 January- 30 June 2020
Note		
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	(7.077.468)	1.009.871
1.1.1 Interest received	30.214.331	21.668.548
1.1.2 Interest paid	(30.770.769)	(13.629.367)
1.1.3 Dividend received	2.436	4.322
1.1.4 Fees and commissions received	2.127.706	1.740.788
1.1.5 Other income	2.663.770	551.834
1.1.6 Collections from previously written off loans	984.256	734.364
1.1.7 Cash payments to personnel and service suppliers	(2.060.553)	(2.004.842)
1.1.8 Taxes paid	(231.991)	(154.772)
1.1.9 Other	(10.006.654)	(7.901.004)
1.2 Changes in Assets and Liabilities Subject to Banking Operations	8.744.578	23.988.920
1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss	(119.847)	(368.174)
1.2.2 Net (increase) / decrease in due from banks	(115.672)	-
1.2.3 Net (increase) / decrease in loans	(21.429.936)	(114.604.597)
1.2.4 Net (increase) / decrease in other assets	(10.711.840)	4.079.771
1.2.5 Net increase / (decrease) in bank deposits	2.275.572	2.281.141
1.2.6 Net increase / (decrease) in other deposits	49.459.938	105.081.896
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	(55.987)	(49.496)
1.2.9 Net increase / (decrease) in matured payables	-	-
1.2.10 Net increase / (decrease) in other liabilities	(10.557.650)	27.568.379
I. Net cash provided from banking operations	1.667.110	24.998.791
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/ (used in) investing activities	(4.549.200)	(33.057.203)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	(575.027)	(148.506)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	-
2.3 Fixed assets purchases	(526.204)	(306.770)
2.4 Fixed assets sales	1.095.954	778.679
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income	(2.512.745)	(34.191.208)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income	2.948.163	5.756.086
2.7 Cash paid for purchase of investment securities	(11.386.547)	(9.976.731)
2.8 Cash obtained from sale of investment securities	6.475.527	5.058.942
2.9 Other	(68.321)	(27.695)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	(3.734.460)	2.807.907
3.1 Cash obtained from loans borrowed and securities issued	10.089.924	14.241.124
3.2 Cash used for repayment of loans borrowed and securities issued	(13.702.355)	(18.323.298)
3.3 Bonds issued	-	7.000.000
3.4 Dividends paid	-	-
3.5 Payments for leases	(122.029)	(109.919)
3.6 Other	-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	5.367.840	2.872.185
V. Net increase / (decrease) in cash and cash equivalents	(1.248.710)	(2.378.320)
VI. Cash and cash equivalents at beginning of the period	43.121.553	24.462.797
VII. Cash and cash equivalents at end of the period	41.872.843	22.084.477

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 and Auditing Standards Authority (“POA”) for the matters not regulated by the aforementioned legislations.

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

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

In accordance with the Group's statement of financial position dated 30 June 2021 prepared in accordance with the uniform chart of accounts that entered into force on January 1, 2021, collaterals given over derivative transactions with foreign banks is reclassified into cash and cash equivalents from other assets amounting TRY 409,925 in the statement of financial position dated 31 December 2020. The effects of this classification on the cash flow statement have also been updated. Collaterals in institutions other than foreign banks continue to be monitored in the other assets item. This reclassification did not have any impact on the size and performance of the Group’s statement of financial position.

Effects of COVID 19

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

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

- 1) With the regulation made by the BRSA on 17 March 2020 in Regulation on Provisions, the delinquency period for the classification of loans as non-performing has been extended from 90 days to 180 days until 30 June 2021 and Expected Credit Loss provisions for the loans classified as Second Group Loans Under Close Monitoring within the scope of TFRS 9 are decided to be continued according to the banks’ own risk models. According to decision made by the BRSA on 17 June 2021, period for the classification of loans have been extended to 30 September 2021.
- 2) With the regulation made by the CBRT on 17 March 2020, foreign currency reserve deposit ratios for the banks whose credit growth rate is at qualified reference interval have been decreased by 500 basis points. With the decision made by the CBRT on 27 November 2020, beginning from 25 December 2020 loan growth rate conditions have been cancelled and same rates have been started to be applied to all banks
- 3) With the decision made by the TBA on 19 March 2020, it has been recommended that loan demands of the affected firms should be swiftly evaluated and met, credit access and terms should be improved, credit channels should be maintained, and a certain flexibility should be introduced in terms of due dates, installments and assurances regarding the clients whose income-expenditure balance is affected by the pandemic outbreak.

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

I. EXPLANATIONS ON BASIS OF PRESENTATION (continued)

Effects of COVID 19 (continued)

- 4) In the regulation issued on 23 March 2020 by BRSA, it is stated that negative valuation differences arising related to securities at Fair Value through Other Comprehensive Income and obtained before 23 March 2020 may not be taken into account in the equity calculation to be used in the CAR calculation, and impairment provisions arising from the securities owned by Banks may not be taken into account in the foreign currency net general position calculation, as effective until 30 June 2021. In accordance with the regulation dated 8 December 2020 by BRSA, the effective period of these applications is extended until 30 June 2021. With the BRSA Board Decision dated 17 June 2021, it was stated that the relevant regulations were terminated after 30 June 2021.
- 5) With the decision of the BRSA dated 26 March 2020, it has been decided to exempt Banks from their obligations to meet the Liquidity Coverage Ratio. With the decision of the BRSA dated 8 December 2020, it has been decided to terminate the relevant exemption as of 31 December 2020.
- 6) With the amendments made by the BRSA on the Regulation on Provisions on 27 March 2020, classification period to loans under close monitoring has been extended from 30 days to 90 days until 30 June 2021 and Expected Credit Loss provisions for the loans classified as First Group Loans within the scope of TFRS 9 are decided to be continued according to the banks' own risk models. According to order made by the BRSA on 17 June 2021, the ending date of related regulation has been extended to 30 September 2021.
- 7) With the Board Resolution dated 16 April 2020 issued by the BRSA, it has been decided that 0% risk weight can be applied to the foreign currency denominated receivables of the Banks from the Republic of Turkey Central Management within the scope of CAR regulation.
- 8) With the decision made by the BRSA on 23 March 2020, banks were entitled to use the buying exchange rate used in preparation of financial statements as of 30 June 2021 when calculating the amount subject to credit risk for calculating the revalued amounts as per the Turkish Accounting Standards and related specific reserves, excluding the foreign currency assets measured at historical cost. With the Board Resolution dated 8 December 2020 issued by BRSA, by terminating the previous regulation, a new practice has been issued regarding this calculation to enable using the simple arithmetic average of buying exchange rates of the Central Bank for the last 252 days before the calculation date, and the effective period is extended to 30 June 2021. In accordance with the letter of BRSA dated 14 December 2020, it has been decided that this application is effective as of the date of the Board Resolution dated 8 December 2020. With the Board Resolution dated 17 June 2021 issued by BRSA, regulation has been extended to 30 September 2021.
- 9) With the resolution numbered 8998 dated 16 April 2020 by BRSA, banks have been exempted from the obligations to meet 20% legal limit regarding the IRRBB ratio until 31 December 2020. Mentioned exemption has been terminated as of 31 December 2020 with the resolution numbered 9312 dated 8 December 2020.

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

I. EXPLANATIONS ON BASIS OF PRESENTATION (continued)

Effects of COVID 19 (continued)

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

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

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

1) The Group's strategy on financial instruments:

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

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

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES

1. Basis of consolidation:

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

a. Basis of consolidation of subsidiaries:

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

Subsidiaries are entities that are controlled by the Parent Bank. Control is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of a legal person’s capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding preferred shares or of agreements with other shareholders although not owning the majority of capital.

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

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

b. Basis of consolidation of associates:

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation(continued):

b. Basis of consolidation of associates (continued):

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

c. Basis of consolidation of joint ventures:

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

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

Accounting for business combinations

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

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

Acquisitions after 1 January 2010

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

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

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

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

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

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

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

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

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

Explanations related to credit derivatives and its risk exposures:

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

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

Assessment of Business Model

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

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

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

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

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

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

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

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

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

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

3. Other Business Models:

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Measurement Categories of Financial Assets and Liabilities

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

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

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

In addition, the Parent Bank's securities portfolio includes government bonds indexed to consumer prices (CPI), which are valued and accounted for based on the effective interest method based on the index calculated by taking into account the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The reference indices used in the calculation of the actual coupon payment amounts of these assets are generated according to the CPI of previous two months announced by the T.R Ministry of Treasury and Finance. The Parent Bank determines the estimated inflation rate accordingly. The inflation rate estimated by taking into consideration the expectations of the T.R. Central Bank and the Parent Bank's expectations is updated during the year when deemed necessary. As of June 30, 2021, the valuation of the related assets was made according to the annual inflation forecast of 16%. If the valuation of these securities were made according to the reference index valid for June 30, 2021, the Parent Bank's securities valuation differences under equity would have increased by TRY 174.166 (net), and interest income from securities would have decreased by TRY 929.371.

a. Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

3. Other Business Models (continued):

Measurement Categories of Financial Assets and Liabilities (continued)

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

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

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

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.

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

Probability of Default (PD)

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Loss given Default (LGD)

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

Exposure at Default (EAD)

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

12 Month Probability of Default

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

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

Lifetime Expected Credit Losses

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Lifetime Expected Credit Losses (continued)

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

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

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

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

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

Low Credit Risk

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

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

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

The Rules of Significant Increase in Credit Risk

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

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

Classification of Investment Properties:

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

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

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

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

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

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.

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.

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON LEASING TRANSACTIONS (continued)

The Lease Obligations (continued):

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

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

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

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

XVI. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XVII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

T. Halk Bankası Employee Pension Fund and T. Ziraat Bankası ve T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members including employees of the Parent Bank. Provisional article 23 of the Banking Act No: 5411 requires the Parent Bank’s pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act.

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

The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension funds would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March

2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

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

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

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

XVIII. EXPLANATIONS ON TAXATION

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON TAXATION (continued)

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

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

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

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

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

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

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

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

Bahrain

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

Tax practices of the consolidated subsidiaries:

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON TAXATION (continued)

Tax practices of the consolidated subsidiaries (continued):

Halk Banka A.D. Skopje

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

Halk Bank A.D. Beograd

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

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

XIX. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

XX. EXPLANATIONS ON SHARES ISSUED

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

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

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

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

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

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

XXI. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES

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

XXIII. EXPLANATIONS ON SEGMENT REPORTING

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

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

XXIV. EXPLANATIONS ON OTHER MATTERS

None.

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY

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

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

As of 30 June 2021, the capital adequacy ratio and the capital amount of the Group were realized as 13,21% (31 December 2020: 14.56%) and TRY 60.558.569 (31 December 2020: TRY 60.686.958) which were calculated within the scope of the above-mentioned regulation amendments.

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

1. Information About Total Consolidated Equity Items:

Current Period	Amount	Amounts related to treatment before 1/1/2014^(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	3.694.227	
Share Premium	5.815.863	
Reserves	28.875.112	
Other Comprehensive Income according to TAS	3.492.626	
Profit	2.115.325	
Current Period Profit	206.533	
Prior Period Profit	1.908.792	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	111.670	
Minority Interest	2.396	
Common Equity Tier I Capital Before Deductions	44.107.219	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1.361.566	
Leasehold Improvements on Operational Leases (-)	160.625	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	616.233	616.233
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	351.767	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	2.490.191	
Total Common Equity Tier I Capital	41.617.028	

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	9.231.030
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Shares of Third Parties in Additional Tier I Capital	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-
Additional Tier I Capital before Deductions	9.231.030
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
Items to be Deducted from Tier I Capital During the Transition Period	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	9.231.030
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	50.848.058
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)	3.786.050
Tier II Capital Before Deductions	9.715.845
Deductions From Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	9.715.845
Total Capital (The sum of Tier I Capital and Tier II Capital)	60.563.903
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 (-)	5.334

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	60.558.569
Total Risk Weighted Assets	458.430.415
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	9,08
Tier I Capital Ratio (%)	11,09
Capital Adequacy Ratio (%)	13,21
BUFFERS	
Bank-specific total CET1 Capital Ratio (a+b+c)	4,049
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,049
c) Systemic significant bank buffer ratio (%)	1,500
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,578
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	185.992
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	772.838
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.810.004
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)	3.786.050
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3.786.050
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 PERIOD ENDED 30 JUNE 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

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

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

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

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

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

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

Details on Subordinated Liabilities:				
Issuer	T. Halk Bankası 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	9.231
Par value of instrument	1.000	1.950	2.980	-
Accounting classification	346.011	346.011	346.011	347.0001
Original date of issuance	20.10.2017	03.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	03.07.2018	26.09.2018	24.04.2019
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon	No Coupon Payment
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %	5 years 25,38%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	-	-	-	-
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-

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

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

SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)
I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)
3. Information about instruments to be included in the Equity Calculation (continued):

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

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

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

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

	23.06.2021	24.06.2021	25.06.2021	26.06.2021	29.06.2021	30.06.2021
USD	8,6000000	8,6700000	8,6900000	8,7000000	8,6900000	8,6500000
CHF	9,3705000	9,4323000	9,4758000	9,4542000	9,4197000	9,3293000
GBP	12,0138000	12,0492000	12,0857000	12,0783000	12,0015000	11,9377000
JPY	0,0774368	0,0780390	0,0782967	0,0783479	0,0784314	0,0777887
EUR	10,2882000	10,3546000	10,3980000	10,3791000	10,3385000	10,2567000

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

	Monthly Average Buying Rate of Exchange
USD	8,5895455
CHF	9,4500000
GBP	12,0331818
JPY	0,0777985
EUR	10,3528364

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

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

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

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (continued)

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	26.768.014	26.395.725	12.354.952	65.518.691
Banks	1.067.353	1.006.880	1.855.878	3.930.111
Financial assets at fair value through profit and loss	125	504	19.473	20.102
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	5.306.389	13.432.838	2.429.409	21.168.636
Loans ⁽²⁾	65.970.460	41.070.616	6.858.244	113.899.320
Subsidiaries, associates and entities under common control	772.246	-	-	772.246
Financial assets measured at amortized cost ⁽⁵⁾	10.189.537	17.392.605	7.098.128	34.680.270
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	569.704	569.704
Intangible assets	-	-	-	-
Other assets ⁽³⁾	1.821.326	989.259	137.824	2.948.409
Total assets	111.895.450	100.288.427	31.323.612	243.507.489
Liabilities				
Bank deposits	15.758.202	5.292.796	1.425.746	22.476.744
Foreign currency deposits	94.332.133	111.720.097	32.797.393	238.849.623
Money market balances	-	1.571.131	-	1.571.131
Funds provided from other financial institutions	8.444.890	4.172.958	7.745	12.625.593
Bonds issued	-	4.425.770	-	4.425.770
Sundry creditors	134.114	769.789	85.236	989.139
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	10.691.769	1.014.602	536.832	12.243.203
Total liabilities	129.361.108	128.967.143	34.852.952	293.181.203
Net balance sheet position	(17.465.658)	(28.678.716)	(3.529.340)	(49.673.714)
Net off-balance sheet position	15.766.413	27.717.716	5.286.330	48.770.459
Financial derivative assets ⁽⁴⁾	16.514.011	35.987.892	8.539.731	61.041.634
Financial derivative liabilities ⁽⁴⁾	747.598	8.270.176	3.253.401	12.271.175
Non-cash loans ⁽¹⁾	43.376.790	25.407.556	4.228.926	73.013.272
Prior period				
Total assets	91.651.172	97.672.240	30.072.394	219.395.806
Total liabilities	98.185.337	109.397.241	31.205.076	238.787.654
Net balance sheet position	(6.534.165)	(11.725.001)	(1.132.682)	(19.391.848)
Net off-balance sheet position	6.156.789	9.402.203	1.378.041	16.937.033
Financial derivative assets	7.325.960	14.650.743	4.755.882	26.732.585
Financial derivative liabilities	1.169.171	5.248.540	3.377.841	9.795.552
Non-cash loans ⁽¹⁾	37.665.288	19.910.193	3.871.248	61.446.729

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

⁽²⁾ Includes TRY 26.754 of foreign currency indexed loans and their accruals (31 December 2020: TRY 45.321).

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

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounting to TRY 335.344 and swap precious metal purchase transactions amounting to TRY 5.778.297; financial derivative liabilities include forward precious metal sale transactions amounting to TRY 2.073.035. In addition, derivative transactions within the scope of forward foreign exchange purchase and sale are included.

⁽⁵⁾ Includes gold indexed bonds amounting to TRY 6.889.806 (31 December 2020: TRY 3.471.174).

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK

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

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

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	5.942.245	-	-	-	-	67.067.643	73.009.888
Banks	774.369	17.931	101.013	-	-	3.315.424	4.208.737
Financial assets at fair value through profit and loss	58.105	44.656	46.767	712	266	15.694.139	15.844.645
Money market placements	4.703	-	-	-	-	-	4.703
Financial assets at fair value through other comprehensive income	14.465.476	7.132.006	15.514.751	19.753.060	2.224.106	282.850	59.372.249
Loans	78.759.148	75.328.544	162.204.209	99.806.649	33.584.704	25.898.524	475.581.778
Financial assets measured at amortised cost	21.834.718	9.629.677	15.127.398	25.387.036	23.082.903	-	95.061.732
Other assets ⁽¹⁾⁽⁴⁾	1.025.722	1.648.312	1.679.579	2.031.777	625.588	7.123.833	14.134.811
Total assets	122.864.486	93.801.126	194.673.717	146.979.234	59.517.567	119.382.413	737.218.543
Liabilities							
Bank deposits	17.286.099	7.691.308	13.334	-	-	12.317.045	37.307.786
Other deposits	267.539.812	93.551.329	23.598.559	2.902.124	47.822	96.087.241	483.726.887
Money market balances	92.152.771	1.264.803	-	-	-	142.073	93.559.647
Sundry creditors	5.058.912	-	-	-	-	5.508.797	10.567.709
Bonds issued	6.172.558	4.085.298	847.590	1.000.000	-	165.783	12.271.229
Funds provided from other financial institutions ⁽³⁾	919.540	5.641.133	3.902.825	2.267.136	726.914	49.714	13.507.262
Other liabilities ⁽¹⁾⁽²⁾	1.000.533	1.058	15.504.278	9.234.620	4.929.795	55.607.739	86.278.023
Total liabilities	390.130.225	112.234.929	43.866.586	15.403.880	5.704.531	169.878.392	737.218.543
Balance sheet long position	-	-	150.807.131	131.575.354	53.813.036	-	336.195.521
Balance sheet short position	(267.265.739)	(18.433.803)	-	-	-	(50.495.979)	(336.195.521)
Off-balance sheet long position	52.563.351	8.428.543	7.715.685	799.576	6.292.154	-	75.799.309
Off-balance sheet short position	(52.947.999)	(7.292.616)	(7.898.910)	(1.298.506)	(6.292.156)	-	(75.730.187)
Total position	(267.650.387)	(17.297.876)	150.623.906	131.076.424	53.813.034	(50.495.979)	69.122

⁽¹⁾ TRY 151.256 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 2.152 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	6.746.564	-	-	-	-	58.237.878	64.984.442
Banks	1.578.759	31.035	34.508	5.396	-	1.441.373	3.091.071
Financial assets at fair value through profit and loss	28.070	27	31.047	998	248	15.663.273	15.723.663
Money market placements	108.213	-	-	-	-	144.784	252.997
Financial assets at fair value through other comprehensive income	4.662.839	13.804.387	25.149.794	14.392.953	2.302.184	232.283	60.544.440
Loans	69.201.918	88.839.669	128.536.576	113.482.637	31.461.527	25.687.899	457.210.226
Financial assets measured at amortised cost	555.772	29.092.955	7.129.636	16.995.568	31.030.758	-	84.804.689
Other assets ^{(1) (4)}	1.665.307	811.150	911.410	1.977.449	619.788	3.618.018	9.603.122
Total assets	84.547.442	132.579.223	161.792.971	146.855.001	65.414.505	105.025.508	696.214.650
Liabilities							
Bank deposits	21.213.099	4.168.538	32.818	66.496	-	9.584.903	35.065.854
Other deposits	239.625.563	87.530.460	18.243.189	2.417.905	27.076	85.151.781	432.995.974
Money market balances	103.677.703	795.333	-	-	-	129.576	104.602.612
Sundry creditors	4.706.444	-	-	-	-	4.536.210	9.242.654
Bonds issued	895.864	7.796.847	4.366.484	1.000.000	-	186.227	14.245.422
Funds provided from other financial institutions ⁽³⁾	839.080	5.397.838	3.653.635	2.547.328	765.962	50.679	13.254.522
Other liabilities ⁽¹⁾⁽²⁾	1.001.917	2.369	15.503.676	8.180.814	4.929.795	57.189.041	86.807.612
Total liabilities	371.959.670	105.691.385	41.799.802	14.212.543	5.722.833	156.828.417	696.214.650
Balance sheet long position	-	26.887.838	119.993.169	132.642.458	59.691.672	-	339.215.137
Balance sheet short position	(287.412.228)	-	-	-	-	(51.802.909)	(339.215.137)
Off-balance sheet long position	16.801.642	9.576.962	6.740.958	243.667	5.940.341	-	39.303.570
Off-balance sheet short position	(16.123.947)	(7.712.951)	(7.051.134)	(883.737)	(5.940.341)	-	(37.712.110)
Total position	(286.734.533)	28.751.849	119.682.993	132.002.388	59.691.672	(51.802.909)	1.591.460

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

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

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

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

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

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

SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)
III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK (continued)
2. Average interest rates applied to the monetary financial instruments of the Group (%):

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	-	-	13,50
Banks ⁽¹⁾	1,80	0,27	-	18,42
Financial assets at fair value through profit and loss ⁽⁶⁾	1,55	4,94	-	16,24
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,72	2,93	-	15,82
Loans ⁽²⁾	4,86	5,86	-	13,78
Financial assets measured at amortised cost	4,82	5,83	-	19,82
Liabilities				
Bank deposits ⁽⁴⁾	0,48	2,64	-	18,16
Other deposits ⁽⁴⁾	0,92	1,99	0,01	15,32
Money market borrowings	-	4,52	-	18,96
Sundry creditors ⁽³⁾	-	-	-	5,00
Bonds issued	-	4,75	-	15,65
Funds provided from other financial institutions	1,39	1,57	-	17,40

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IV. EXPLANATIONS ON THE CONSOLIDATED POSITION RISK OF SHARES

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

Equities	Comparison			The Amount of Capital Requirement
	Balance Sheet Value	Fair Value Change	Market Value	
Stock investment excluding A,B,C,D group	913.909 ^(*)	761.320 ^(**)	-	164.471

^(*) Includes TRY 123.798 of unconsolidated subsidiary, TRY 790.111 of associates accounted for under the equity method.

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

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

Portfolio	Revaluation surplus in the fair value				Unrealized gains and losses	
	Realized gains (losses) in the current period	Total	Included in supplementary capital	Total	Included in total core capital	Included in supplementary capital
1. Private equity investments	-	-	-	-	-	-
2. Share certificates quoted on a stock exchange	-	-	-	-	-	-
3. Other share certificates	-	19.788	19.788	-	-	-
Total	-	19.788	19.788	-	-	-

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

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

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

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

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

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

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

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

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

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

According to the BRSA's "Regulation for Banks' Liquidity Coverage Ratio Calculations" published in the Official Gazette No. 28948 dated 21 March 2014, FC and TRY+FC liquidity coverage ratios are calculated by using high quality liquid assets divided by net cash outflows. Within this context, the Parent Bank is required to have the ability to cover net cash outflows with high quality liquid assets and its related ratios should be in compliance with the legal limits. In accordance with the relevant Regulation, it is calculated by taking the monthly simple arithmetic average on a consolidated basis and by taking the weekly simple arithmetic average on a non-consolidated basis.

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

Consolidated high quality liquid assets in TRY+FC are composed of 51,69% accounts held by the CBRT and the Central Banks of the foreign branches, 43,95% securities considered as high quality liquid assets and 4,36% cash and cash equivalents. The primary funding source for the Parent Bank is deposit. Other important funding sources are money market borrowings and securities issued.

Derivative transactions did not cause a net cash outflow that would negatively affect the liquidity position. The estimated cash outflows from derivative financial instruments and other liabilities calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, are TRY 664.426 thousand.

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

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

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

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

PERIOD	FC (%)	TRY+FC (%)
April 2021	253,76	116,21
May 2021	286,19	116,05
June 2021	445,19	125,93

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

	Total Unweighted Value ⁽¹⁾		Total Weighted Value ⁽¹⁾	
Current Period	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			123.351.719	72.154.952
Cash Outflows				
Retail and Small Business Customers, of which;	251.067.660	117.130.160	22.834.639	11.713.016
Stable Deposits	45.442.540	-	2.272.127	-
Less Stable Deposits	205.625.120	117.130.160	20.562.512	11.713.016
Unsecured wholesale funding , of which;	193.067.704	85.327.893	87.939.139	35.635.012
Operational Deposits	39.365.332	13.379.124	9.841.333	3.344.781
Non-operational Deposits	145.637.496	68.737.974	71.371.391	29.326.117
Other Unsecured Funding	8.064.876	3.210.795	6.726.415	2.964.114
Secured Funding			-	-
Other cash outflows, of which;	7.522.543	5.100.993	5.023.391	3.624.430
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	1.019.705	1.501.468	1.019.705	1.501.468
Obligations related to structured financial products	99.964	-	99.964	-
Commitments related to debts to financial markets and other off-balance sheet obligations	6.402.874	3.599.525	3.903.722	2.122.962
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	169.583.548	64.961.633	11.866.408	4.701.136
Total Cash Outflows			127.663.577	55.673.594
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	38.855.194	12.729.879	23.714.396	8.660.713
Other Cash Inflows	539.868	24.064.702	539.868	24.064.702
Total Cash Inflows	39.395.062	36.794.581	24.254.264	32.725.415
			Total Adjusted Value	
Total HQLA Stock			123.351.719	72.154.952
Total Net Cash Outflows			103.409.313	23.406.924
Liquidity Coverage Ratio (%)			119,36%	327,92%

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

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

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

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

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

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

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

Presentation of assets and liabilities according to their remaining maturities:

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	7.187.991	65.476.261	-	345.636	-	-	-	73.009.888
Banks	3.292.698	751.270	17.994	134.527	4.814	7.434	-	4.208.737
Financial assets at fair value through profit and loss	17.950	-	6.345	15.566.393	77.128	266	176.563	15.844.645
Receivables from Money market	-	4.703	-	-	-	-	-	4.703
Financial assets at fair value through other comprehensive income	-	6.760.241	1.858.013	10.315.712	31.483.780	8.671.653	282.850	59.372.249
Loans	19.785.427	34.847.511	28.231.903	132.424.208	190.445.904	69.846.825	-	475.581.778
Financial assets measured at amortised cost	-	5.572.914	6.374.456	7.370.794	36.790.113	38.953.455	-	95.061.732
Other assets ⁽²⁾	451.979	1.024.143	1.647.069	1.668.798	2.022.637	647.319	6.672.866	14.134.811
Total assets	30.736.045	114.437.043	38.135.780	167.826.068	260.824.376	118.126.952	7.132.279	737.218.543
Liabilities								
Bank deposits	12.188.612	17.403.775	7.701.931	13.468	-	-	-	37.307.786
Other deposits	90.378.863	270.403.986	93.434.800	26.076.066	3.376.828	56.344	-	483.726.887
Funds provided from other financial institutions ⁽³⁾	-	523.400	786.746	2.775.582	3.529.521	5.892.013	-	13.507.262
Money market balances	-	92.290.356	404.291	-	-	865.000	-	93.559.647
Bonds issued	-	5.058.674	3.085.596	2.627.879	1.499.080	-	-	12.271.229
Sundry creditors	188.260	4.669.899	279.523	1.207.780	3.201.785	15.580	1.004.882	10.567.709
Other liabilities ⁽¹⁾	1.977.656	8.968.285	79.367	16.033.537	10.624.269	6.287.850	42.307.059	86.278.023
Total liabilities	104.733.391	399.318.375	105.772.254	48.734.312	22.231.483	13.116.787	43.311.941	737.218.543
Liquidity gap	(73.997.346)	(284.881.332)	(67.636.474)	119.091.756	238.592.893	105.010.165	(36.179.662)	-
Net off balance sheet position	-	(344.648)	(288.073)	249.273	452.570	-	-	69.122
Derivative financial assets	-	52.548.351	6.467.043	1.648.953	2.550.652	12.584.310	-	75.799.309
Derivative financial liabilities	-	(52.892.999)	(6.755.116)	(1.399.680)	(2.098.082)	(12.584.310)	-	(75.730.187)
Non-cash loans	40.185.990	3.353.360	12.683.831	51.758.487	24.755.429	3.663.329	44.435	136.444.861
Prior Period								
Total Assets	28.748.119	98.522.452	46.024.987	157.556.611	257.758.720	106.201.716	1.402.045	696.214.650
Total Liabilities	92.155.035	379.014.110	95.303.102	48.389.957	20.931.306	15.354.799	45.066.341	696.214.650
Liquidity Gap	(63.406.916)	(280.491.658)	(49.278.115)	109.166.654	236.827.414	90.846.917	(43.664.296)	-
Net off balance sheet position	-	(2.304)	620.011	464.823	508.930	-	-	1.591.460
Derivative financial assets	-	16.021.643	7.847.962	1.916.950	1.636.333	11.880.682	-	39.303.570
Derivative financial liabilities	-	(16.023.947)	(7.227.951)	(1.452.127)	(1.127.403)	(11.880.682)	-	(37.712.110)
Non-cash loans	35.094.122	2.874.408	10.434.702	40.597.782	25.043.586	2.459.251	-	116.503.851

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

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

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

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

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

	Current period	Prior period
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS ⁽¹⁾	695.581.820	468.570.592
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽¹⁾	(632.830)	(61.235)
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments ⁽²⁾	60.114.899	42.549.277
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments ⁽²⁾	21.707.516	43.399.965
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items ⁽²⁾	6.019.571	2.342.071
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-	-
Total Risk Amount	915.254.948	585.384.107

⁽¹⁾ The amounts are represented in the table as of 31 December 2020 and 31 December 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 PERIOD ENDED 30 JUNE 2021***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (continued)****VI. EXPLANATIONS ON THE CONSOLIDATED LEVERAGE RATIO (continued)**

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

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance Sheet Items		
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	727.019.691	692.898.165
2. Assets that are deducted from core capital	(776.232)	(756.288)
3. Total on balance sheet exposures	726.243.459	692.141.877
Derivative exposures and credit derivatives		
4. Replacement cost associated with derivative financial instruments and credit derivatives	1.965.337	2.979.921
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	760.158	549.344
6. The total amount of risk on derivative financial instruments and credit derivatives	2.725.495	3.529.265
Investment securities or commodity collateral financing transactions		
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.757.723	2.471.560
8. Risk amount of exchange brokerage operations	-	-
9. Total risks related with securities or commodity financing transactions	1.757.723	2.471.560
Off -Balance Sheet Items		
10. Gross notional amount of off-balance sheet items	190.547.842	167.045.638
11. Adjustments for conversion to credit equivalent amounts	(6.019.571)	(4.958.752)
12. The total risk of off-balance sheet items	184.528.271	162.086.886
Capital and Total Exposures		
13. Tier 1 Capital	49.599.153	49.386.153
14. Total Exposures	915.254.948	860.229.588
Leverage Ratio		
15. Leverage Ratio	5,42%	5,74%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Current Period (1 January – 30 June 2021)	Corporate/ Commercial	Integrated	Treasury/ Investment⁽¹⁾	Other⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	7.071.536	16.639.443	9.719.555	355.553	33.786.087
Interest on loans	7.021.999	16.515.512	379.596	-	23.917.107
Interest income on marketable securities	-	106.303	8.733.309	-	8.839.612
Interest received from banks	-	-	532.718	3.593	536.311
Other interest income	49.537	17.628	73.932	351.960	493.057
Interest expense	8.518.101	11.556.780	12.192.972	139.001	32.406.854
Interest on deposits	8.483.781	11.288.879	1.445.476	-	21.218.136
Interest on borrowings	9.743	28.611	61.787	67.736	167.877
Interest on money market borrowings	-	23.695	9.205.703	55.422	9.284.820
Interest on marketable bonds issued	-	-	1.412.062	15.701	1.427.763
Other interest expense	24.577	215.595	67.944	142	308.258
Net interest income	(1.446.565)	5.082.663	(2.473.417)	216.552	1.379.233
Net fees and commissions income / (expenses)	544.530	1.008.547	336.582	(1.042)	1.888.617
Net trading profit / (loss) (Net)	7.643	1.240.014	(4.056.481)	11.784	(2.797.040)
Dividend income	-	-	2.436	-	2.436
Other income	1.872.166	655.235	2.748.421	47.049	5.322.871
Loans and other receivables' impairment loss	229.579	560.128	234.927	51.755	1.076.389
Other expenses	101.499	1.896.986	2.665.641	37.587	4.701.713
Income before taxes	646.696	5.529.345	(6.343.027)	185.001	18.015
Income tax provision	-	-	214.558	(22.478)	192.080
Net profit for the period	646.696	5.529.345	(6.128.469)	162.523	210.095

SEGMENT ASSETS

(30 June 2021)

Marketable securities ⁽²⁾	-	3.686.734	166.577.721	1.818	170.266.273
Derivative financial assets	-	385.382	967.484	-	1.352.866
Banks and money market receivables	-	203.050	3.845.390	163.903	4.212.343
Associates and subsidiaries (net)	-	-	913.909	-	913.909
Loans ⁽²⁾	149.428.190	292.930.850	20.223.488	-	462.582.528
Other assets ⁽²⁾	3.935.578	4.585.286	83.447.698	5.922.062	97.890.624
TOTAL ASSETS	153.363.768	301.791.302	275.975.690	6.087.783	737.218.543

SEGMENT LIABILITIES

(30 June 2021)

Deposits	182.397.512	299.706.433	38.930.728	-	521.034.673
Derivative financial liabilities	-	273.155	595.337	-	868.492
Money market balances	-	1.571.131	91.274.157	714.359	93.559.647
Loans	398.021	834.756	10.456.502	1.817.983	13.507.262
Marketable Securities issued	-	-	11.085.784	1.185.445	12.271.229
Other liabilities	2.679.803	8.559.958	39.210.658	202.905	50.653.324
Provisions and tax payable	163.987	280.999	2.366.231	20.187	2.831.404
Shareholders' equity	3.596.137	5.727.982	32.549.178	619.215	42.492.512
TOTAL LIABILITIES	189.235.460	316.954.414	226.468.575	4.560.094	737.218.543

OFF BALANCE SHEET ITEMS

(30 June 2021)

Guarantees and surety ships	70.224.667	43.870.687	22.349.507	-	136.444.861
Commitments	942.227	14.181.975	42.647.495	25.733	57.797.430
Derivative financial instruments	-	15.947.441	135.582.055	-	151.529.496

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

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

Prior Period (1 January – 30 June 2020)	Corporate/ Commercial	Integrated	Treasury/ Investment ⁽¹⁾	Other ⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	6.055.231	11.505.839	6.554.840	332.755	24.448.665
Interest on loans	6.031.299	11.455.184	339.676	-	17.826.159
Interest income on marketable securities	-	36.218	6.129.846	-	6.166.064
Interest received from banks	-	-	67.559	55	67.614
Other interest income	23.932	14.437	17.759	332.700	388.828
Interest expense	3.650.996	4.878.061	4.770.014	89.370	13.388.441
Interest on deposits	3.558.359	4.666.935	565.220	-	8.790.514
Interest on borrowings	22.194	38.396	88.273	73.238	222.101
Interest on money market borrowings	-	21.161	2.767.920	4.414	2.793.495
Interest on marketable bonds issued	-	-	1.203.539	10.524	1.214.063
Other interest expense	70.443	151.569	145.062	1.194	368.268
Net interest income	2.404.235	6.627.778	1.784.826	243.385	11.060.224
Net fees and commissions income / (expenses)	456.250	700.718	247.682	(71.472)	1.333.178
Net trading profit / (loss) (Net)	4.835	921.584	(3.319.030)	6.430	(2.386.181)
Dividend income	-	-	3.558	764	4.322
Other income	151.097	370.121	386.902	1.510.620	2.418.740
Loans and other receivables' impairment loss	824.451	984.361	2.464.439	50.472	4.323.723
Other expenses	87.021	1.516.010	2.833.992	454.297	4.891.320
Income before taxes	2.104.945	6.119.830	(6.194.493)	1.184.958	3.215.240
Income tax provision	-	-	(564.685)	(85.310)	(649.995)
Net profit for the period	2.104.945	6.119.830	(6.759.178)	1.099.648	2.565.245

**SEGMENT ASSETS
(30 June 2020)**

Marketable securities ⁽²⁾	-	2.005.568	159.054.669	1.818	161.062.055
Derivative financial assets	-	447.253	1.900.029	-	2.347.282
Banks and money market receivables	-	284	3.304.218	39.211	3.343.713
Associates and subsidiaries (net)	-	-	764.460	-	764.460
Loans ⁽²⁾	142.281.833	285.849.473	12.303.576	-	440.434.882
Other assets ⁽²⁾	3.836.074	4.737.307	73.357.898	6.330.979	88.262.258
TOTAL ASSETS	146.117.907	293.039.885	250.684.850	6.372.008	696.214.650

**SEGMENT LIABILITIES
(30 June 2020)**

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

TOTAL LIABILITIES	176.173.679	287.611.272	228.547.106	3.882.593	696.214.650
--------------------------	--------------------	--------------------	--------------------	------------------	--------------------

**OFF BALANCE SHEET ITEMS
(30 June 2020)**

Guarantees and surety ships	61.573.613	63.496.250	118.401.550	15.060	243.486.473
Commitments	60.710.939	37.275.102	18.517.810	-	116.503.851
Derivative financial instruments	862.674	12.634.337	36.454.871	15.060	49.966.942
	-	13.586.811	63.428.869	-	77.015.680

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

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

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

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

Explanations Related To Risk Management

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

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

Overview of Risk Weighted Amounts^(*) :

		Risk Weighted Amounts		Minimum Capital Requirements	
		Current Period	Prior Period	Current Period	Prior Period
1	Credit risk (excluding counterparty credit risk) (CCR) ^(**)	410.523.236	372.232.593	32.841.859	29.778.607
2	Standardized approach (SA)	410.523.236	372.232.593	32.841.859	29.778.607
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk	3.673.639	4.087.852	293.891	327.028
5	Standardized approach for counterparty credit risk (SA-CCR)	3.673.639	4.087.852	293.891	327.028
6	Internal model method (IMM)	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-	-
10	Investments made in collective investment companies - % 1250 weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization positions in banking accounts	-	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-	-
16	Market risk	16.543.813	16.667.625	1.323.505	1.333.410
17	Standardized approach (SA)	16.543.813	16.667.625	1.323.505	1.333.410
18	Internal model approaches (IMM)	-	-	-	-
19	Operational Risk	25.961.517	22.443.361	2.076.921	1.795.469
20	Basic Indicator Approach	25.961.517	22.443.361	2.076.921	1.795.469
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.728.210	1.513.386	138.257	121.071
24	Floor adjustment	-	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	458.430.415	416.944.817	36.674.433	33.355.585

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

^(**) Based on the Board Decision dated 8 December 2020 published by the BRSA, the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date was used in the calculation of the amount subject to credit risk.

**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
MANAGEMENT OF THE GROUP (continued)****VIII. EXPLANATIONS ON THE CONSOLIDATED RISK MANAGEMENT AND RISK
WEIGHTED AMOUNTS (continued)****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)	1.197.316	809.898		1,4	2.007.214	1.401.994
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					2.105.622	1.605.210
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
Total					4.112.836	3.007.204

(*)Except for KDA obligations and transactions with CCP.

(**)Expected effective positive risk amount

Capital requirement for credit valuation adjustment (CVA):

	EAD post-CRM	Risk weighted amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	2.007.214	649.433
Total subject to the CVA capital obligation	2.007.214	649.433

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

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

Risk weights / Risk Classifications	0%	10%	20%	50%	75%	100%	2%	Other%	Total Credit Risk
Claims on sovereigns and Central Banks	220.973	-	-	-	-	-	-	-	220.973
Claims on regional governments or local authorities	-	-	-	61	-	-	-	-	61
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	74	-	-	74
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	761.819	546.471	-	753.074	-	-	2.061.364
Claims on corporates	-	-	-	-	-	2.472.045	-	-	2.472.045
Claims included in the regulatory retail portfolios	-	-	-	-	7.752	-	-	-	7.752
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*	-	-	-	-	17.360	3.953	1.498	-	22.811
Toplam	220.973	-	761.819	546.532	25.112	3.229.146	1.498	-	4.785.080

*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".

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

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

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

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

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	-	164.872	-	974	-	-
Cash-foreign currency	-	630.153	-	43	8.652	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	795.025	-	1.017	8.652	-

Counterparty Credit Risk-Credit Derivatives:

None.

Exposures to Central Counterparties (CCP):

	Exposure at default (post-CRM)	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)		17.002
Exposures for trades at QCCPs (excluding initial margin and default	22.739	16.931
(i) OTC Derivatives	800	16
(ii) Exchange-traded Derivatives	21.939	16.915
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	122	
Non-segregated initial margin	-	-
Pre-funded default fund contributions	2.740	71
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	-	-

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

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

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

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

Credit Quality of Assets:

		Gross carrying value as per TAS		Allowances/amortisation and impairments ⁽²⁾	Net values
		Defaulted ⁽¹⁾	Non-defaulted		
1	Loans	16.088.852	459.492.926	12.999.250	462.582.528
2	Debt Securities ⁽³⁾	-	155.519.788	753.140	154.766.648
3	Off-balance sheet exposures	-	194.242.291	342.974	193.899.317
4	Total	16.088.852	809.255.005	14.095.364	811.248.493

⁽¹⁾ In accordance with The Regulation on procedures and principles for classification of Loans and Provisions, the amounts in the table represent receivables defined as non-performing loans.

⁽²⁾ In accordance with The Regulation on procedures and principles for classification of Loans and Provisions, the amounts in the table represent provisions.

⁽³⁾ As of 30 June 2021, TRY 15.499.625 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Changes in Stock of Default Loans and Debt Securities:

1	Defaulted loans and debt securities at end of the previous reporting period	17.117.164
2	Loans and debt securities defaulted since the last reporting period	1.555.273
3	Receivables back to performing status	(716.461)
4	Amounts written off	(15.878)
5	Other changes	(1.851.246)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	16.088.852

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 ^(**)	221.852.932	240.729.596	147.821.670	48.297.871	38.634.033	-	-
2 Debt Instruments ^(*)	154.766.648	-	-	-	-	-	-
3 Total	376.619.580	240.729.596	147.821.670	48.297.871	38.634.033	-	-
4 Of which defaulted	3.112.578	3.476.888	2.965.180	1.023.278	921.301	-	-

^(*) The amount TRY 15.499.625 borrowed securities is not included in Financial Assets at Fair Value through profit or loss, as of date 30 June 2021.

^(**) It refers to the amounts calculated without considering the Board Decision dated 8 December 2020 published by the BRSA.

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

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

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

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

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	158.950.198	494.166	197.354.473	946.077	177.933	%0,09
Claims on regional governments or local authorities	2.182.903	116.437	2.179.601	42.730	1.111.166	%50,00
Claims on administrative bodies and other non-commercial undertakings	1.902.930	477.442	1.876.507	181.484	2.057.991	%100,00
Claims on multilateral development banks	-	-	19.386	133	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	7.408.701	2.688.652	7.408.702	1.883.797	5.661.470	%60,93
Claims on corporates	174.375.301	102.344.971	156.815.115	65.202.953	221.058.013	%99,57
Claims included in the regulatory retail portfolios	175.824.964	58.730.344	145.812.087	10.520.207	117.249.220	%75,00
Claims secured by residential property	57.533.391	4.205.737	57.533.391	1.940.531	20.815.873	%35,00
Claims secured by commercial property	38.088.208	8.472.508	38.088.208	5.464.055	24.771.247	%56,88
Overdue loans	6.657.844	1.369.963	5.730.069	615.679	5.679.199	%89,50
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	25.919.393	3.153.715	25.911.629	13.384	15.195.831	%58,61
Equity share investments	1.110.216	-	1.110.216	-	2.147.142	%193,40
Total	649.954.049	182.053.935	639.839.384	86.811.030	415.925.085,00	%57,24

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

Standardised Approach- Claims By Risk Classification And Risk Weights

Risk Classification	%0	%10	%20	%35	%50	%75	%100	%150	%250	%2	Total risk amount (pt-CCF and CRM)
Claims on sovereigns and Central Banks	198.110.187	-	15.537	-	-	-	174.826	-	-	-	198.300.550
Claims on regional governments or local authorities	-	-	-	-	2.222.331	-	-	-	-	-	2.222.331
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	2.057.991	-	-	-	2.057.991
Claims on multilateral development banks	19.519	-	-	-	-	-	-	-	-	-	19.519
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	3.721.236	-	1.305.144	-	4.264.621	-	-	1.498	9.292.499
Claims on corporates	-	-	582.082	-	988.778	-	220.447.208	-	-	-	222.018.068
Claims included in the regulatory retail portfolios	-	-	-	-	-	156.332.294	-	-	-	-	156.332.294
Claims secured by residential property	-	-	-	59.473.922	-	-	-	-	-	-	59.473.922
Claims secured by commercial property	-	-	-	-	37.562.033	-	5.990.230	-	-	-	43.552.263
Overdue loans	-	-	-	-	2.403.515	-	2.871.816	1.070.417	-	-	6.345.748
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	-	-	-	-	-	-	418.932	-	691.284	-	1.110.216
Other receivables	8.802.262	-	2.320.339	-	-	282.595	14.519.817	-	-	-	25.925.013
Total	206.931.968	-	6.639.194	59.473.922	44.481.801	156.614.889	250.745.441	1.070.417	691.284	1.498	726.650.414

Market Risk: Standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	10.039.238
Equity risk (general and specific)	461.025
Foreign exchange risk	6.021.475
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	22.075
Scenario approach	-
Securitization	-
Total	16.543.813

TÜRKİYE HALK BANKASI AŞ**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS****I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS****(1) Cash and Central Bank of the Republic of Turkey:****a) Information on balances with the CBRT:**

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.428.914	4.431.210	1.737.084	3.325.836
CBRT	6.062.283	59.606.977	6.659.022	52.037.405
Other ⁽¹⁾	-	1.480.504	-	1.225.095
Total	7.491.197	65.518.691	8.396.106	56.588.336

⁽¹⁾ As of 30 June 2021, TRY 410.025 includes the reserve requirement held by the Central Bank of Macedonia and TRY 1.070.472 of the Central Bank of Serbia (31 December 2020: includes the required reserve amounting to TRY 295.199 held by Central Bank of Macedonia, TRY 929.808 held by the Central Bank of Serbia).

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	5.717.519	26.228.526	6.502.868	19.937.084
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	8.307.240
Other ⁽²⁾	344.764	33.378.451	156.154	23.793.081
Total	6.062.283	59.606.977	6.659.022	52.037.405

⁽¹⁾ Reserve deposits kept in CBRT.

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

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks operating in Turkey keep reserve deposits for their TRY liabilities held at TRY, US Dollar, Euro and/or standard gold and/or scrap gold with reserve deposit rates between 3%-8% varied according to their maturity compositions, for their FC liabilities at TRY, US Dollar, Euro and/or standard gold with reserve deposit rates between 5%-22% varied according to their maturity compositions.

Starting from 5 March 2021, the interest related to the reserve requirements for banks held at TRY is paid as 1350 basis points.

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

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

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

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

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

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

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

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

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

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

None. (31 December 2020: None.)

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	15.095.866	-	15.046.930	-
Total	15.095.866	-	15.046.930	-

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	82.470	-	16.265
Swap transactions	-	1.269.784	5.418	2.324.729
Futures transactions	-	-	-	-
Options	191	421	335	535
Other	-	-	-	-
Total	191	1.352.675	5.753	2.341.529

(3) Information on banks and other financial institutions:

Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	214.373	482.376	183.661	138.589
Foreign banks	64.253	3.447.735	103.818	2.665.003
Branches and offices abroad	-	-	-	-
Total	278.626	3.930.111	287.479	2.803.592

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	9.259.297	18.224.750	6.842.329	20.028.890
Total	9.259.297	18.224.750	6.842.329	20.028.890

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	47.765	-	245.865	-
Total	47.765	-	245.865	-

	Current Period	Prior Period
Debt securities	59.812.905	60.510.119
<i>Quoted on a stock exchange</i>	58.573.260	59.489.397
<i>Not quoted</i>	1.239.645	1.020.722
Share certificates	300.131	249.564
<i>Quoted on a stock exchange</i>	230.547	180.620
<i>Not quoted</i>	69.584	68.944
Impairment provision(-)	740.787	215.243
Total	59.372.249	60.544.440

(5) Information on loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	663.495	-	612.522	-
Total	663.495	-	612.522	-

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

(5) Information on loans (continued):

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

Cash Loans	Standard Loans	Loans Not Subject Not Subject to restructuring	Loans under close monitoring	
			Restructured Loans and Receivables	
			Loans with Revised Contract Terms	Refinance
Non-specialized loans	334.166.867	23.153.195	99.910	16.204.239
<i>Corporation loans</i>	200.924.341	18.307.716	86.403	16.194.881
<i>Export loans</i>	10.210.091	206.049	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	2.328.289	51.258	-	-
<i>Consumer loan⁸</i>	76.494.321	1.337.678	12.970	1.769
<i>Credit cards</i>	15.793.596	1.067.189	537	-
<i>Other</i>	28.416.229	2.183.305	-	7.589
Specialized lending	74.134.866	3.495.459	-	40
Other receivables	-	-	-	-
Accruals	5.909.651	1.305.748	3.393	1.019.558
Total	414.211.384	27.954.402	103.303	17.223.837
Standard Loans		Loans under Close Monitoring		
	Current Period	Prior Period	Current Period	Prior Period
12 Months expected loss provision	1.629.995	2.278.896	-	-
Significant Increase in Credit Risk	-	-	1.869.869	3.336.393

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

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

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

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

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

(5) Information on loans (continued):

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

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	448.369	70.556.870	71.005.239
<i>Real estate loans</i>	10.221	46.716.904	46.727.125
<i>Automobile loans</i>	3.018	458.289	461.307
<i>Consumer loans</i>	435.130	23.381.677	23.816.807
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	562	638.765	639.327
<i>Real estate loans</i>	-	577.973	577.973
<i>Automobile loans</i>	-	12.650	12.650
<i>Consumer loans</i>	562	48.142	48.704
<i>Other</i>	-	-	-
Consumer loans- FC	7.687	4.058.989	4.066.676
<i>Real estate loans</i>	484	1.316.255	1.316.739
<i>Automobile loans</i>	27	4.928	4.955
<i>Consumer loans</i>	5.650	2.687.049	2.692.699
<i>Other</i>	1.526	50.757	52.283
Individual credit cards-TRY	4.478.168	536	4.478.704
<i>Installment</i>	1.399.471	536	1.400.007
<i>Non-installment</i>	3.078.697	-	3.078.697
Individual credit cards-FC	308	152.208	152.516
<i>Installment</i>	-	152.208	152.208
<i>Non-installment</i>	308	-	308
Personnel loans-TRY	22.645	362.699	385.344
<i>Real estate loans</i>	-	88	88
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	22.645	362.611	385.256
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	10	35.351	35.361
<i>Real estate loans</i>	-	32.308	32.308
<i>Automobile loans</i>	-	148	148
<i>Consumer loans</i>	10	2.895	2.905
<i>Other</i>	-	-	-
Personnel loans-FC	315	66.382	66.697
<i>Real estate loans</i>	63	48.462	48.525
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	252	17.866	18.118
<i>Other</i>	-	54	54
Personnel credit cards-TRY	140.082	-	140.082
<i>Installment</i>	41.368	-	41.368
<i>Non-installment</i>	98.714	-	98.714
Personnel credit cards-FC	83	3.283	3.366
<i>Installment</i>	-	3.283	3.283
<i>Non-installment</i>	83	-	83
Overdraft accounts-TRY (Retail customers) ^(**)	1.502.146	-	1.502.146
Overdraft accounts-FC (Retail customers) ^(***)	132.030	13.918	145.948
Total	6.732.405	75.889.001	82.621.406

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

^(**) TRY 31.798 of the overdraft account consists of loans given to personnel.

^(***) TRY 847 of the overdraft account consists of loans given to personnel.

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

(5) Information on loans (continued):

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

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

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

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

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

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

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

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

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

(5) Information on loans (continued):

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

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	754.990	36.252.359	37.007.349
<i>Business premises loans</i>	1.254	782.701	783.955
<i>Automobile loans</i>	34.094	1.005.461	1.039.555
<i>Consumer loans</i>	719.642	34.464.197	35.183.839
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	206.307	1.682.500	1.888.807
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	7.567	7.567
<i>Other</i>	206.307	1.674.933	1.881.240
Commercial installment loans - FC	1.263.137	41.121.678	42.384.815
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	225.664	36.503.538	36.729.202
<i>Other</i>	1.037.473	4.618.140	5.655.613
Corporate credit cards-TRY	12.082.274	-	12.082.274
<i>Installment</i>	4.646.160	-	4.646.160
<i>Non-installment</i>	7.436.114	-	7.436.114
Corporate credit cards-FC	168	4.212	4.380
<i>Installment</i>	-	4.212	4.212
<i>Non-installment</i>	168	-	168
Overdraft accounts-TRY (Commercial customers)	4.555.919	-	4.555.919
Overdraft accounts-FC (Commercial customers)	27.292	-	27.292
Total	18.890.087	79.060.749	97.950.836

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

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

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

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

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

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

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

(5) Information on loans (continued):

e) Domestic and foreign loans^(*):

	Current Period	Prior Period
Domestic loans	445.721.744	428.811.083
Foreign loans	13.771.182	11.281.979
Total	459.492.926	440.093.062

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

f) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct Loans to Subsidiaries and Associates	59.659	35.597
Indirect Loans to Subsidiaries and Associates	-	-
Total	59.659	35.597

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

	Current Period	Prior Period
Loans and receivables with limited collectability	392.825	809.513
Loans and receivables with doubtful collectability	509.057	277.729
Uncollectible loans and receivables	8.597.504	10.072.813
Total	9.499.386	11.160.055

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

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current Period			
Gross amounts before the specific provisions	345.519	67.874	1.265.139
Rescheduled loans and other receivables	345.519	67.874	1.265.139
Prior Period			
Gross amounts before the specific provisions	355.455	75.667	2.178.938
Rescheduled loans and other receivables	355.455	75.667	2.178.938

^(*)Rediscount is not included.

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

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

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

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

(5) Information on loans (continued):

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

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

Current Period:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period end balance			
Additions (+)	2.362.520	650.741	14.103.903
Transfers from other categories of loans under non-performing (+)	1.368.723	37.826	148.724
Transfers to other categories of loans under non-performing (-)	-	1.222.682	1.214.777
Collections (-)*	1.981.494	455.965	-
Write-offs (-)	283.501	193.438	2.090.768
Sold (-)	-	574	15.266
<i>Corporate and Commercial Loans</i>	-	-	38
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	38
Current period end balance	-	-	-
Provision (-)	1.466.248	1.261.272	13.361.332
Net balance on balance sheet	392.825	509.057	8.597.504
	1.073.423	752.215	4.763.828

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

Prior Period:

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

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

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

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

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

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

(5) Information on loans (continued):

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

h.3. Information on foreign currency non-performing loans 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	228.654	159.896	3.940.347
Provisions(-)	46.734	59.666	2.493.328
Net balance in the balance sheet	181.920	100.230	1.447.019
	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	953.504	93.375	4.374.385
Provisions(-)	306.470	42.301	3.559.796
Net balance in the balance sheet	647.034	51.074	814.589

(*) Accruals are not included in the table.

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	1.073.423	752.215	4.763.828
Loans to granted real persons and legal entities (Gross)	1.466.248	1.261.272	13.361.332
Provisions (-)	392.825	509.057	8.597.504
Loans to granted real persons and legal entities (Net)	1.073.423	752.215	4.763.828
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior Period (Net)	1.553.007	373.012	4.031.090
Loans to granted real persons and legal entities (Gross)	2.362.520	650.741	14.103.903
Provisions (-)	809.513	277.729	10.072.813
Loans to granted real persons and legal entities (Net)	1.553.007	373.012	4.031.090
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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

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

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

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

(5) Information on loans (continued):

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	11.775	4.121	677.700
Interest Accruals and Valuation Differences	19.523	20.824	2.064.335
Provision (-)	7.748	16.703	1.386.635
Prior Period (Net)	10.391	7.603	659.545
Interest Accruals and Valuation Differences	24.315	26.478	2.140.941
Provision (-)	13.924	18.875	1.481.396

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

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

k) Explanations on write-off policy:

The Group derecognised a 5th group non-performing loan amounting to TRY 15.840 due to lack of reasonable expectations in the current period, and this derecognition has no effect on the NPL ratio. (In the previous period, the Group derecognised the 5th group non-performing loan amounting to TRY 602.081 on the grounds that there was no reasonable expectation, and the Group's non-performing loan ratio decreased from 3.87% to 3.74% after the loans were written off in accordance with the related the Regulation of Allowance.)

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Government bonds and other securities	45.464.542	22.710.464	31.097.699	20.519.825
Total	45.464.542	22.710.464	31.097.699	20.519.825

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

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

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

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	12.614.722	2.860.478	18.884.916	1.995.236
Total	12.614.722	2.860.478	18.884.916	1.995.236

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

	Current Period	Prior Period
Government bonds	94.087.435	83.763.130
Treasury bills	178.312	172.517
Other public sector debt securities	745.464	818.523
Total	95.011.211	84.754.170

c) Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Debt securities	95.061.732	84.804.689
<i>Quoted on a stock exchange</i>	<i>94.853.410</i>	<i>84.621.031</i>
<i>Not quoted</i>	<i>208.322</i>	<i>183.658</i>
Impairment provision (-)	-	-
Total	95.061.732	84.804.689

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

	Current Period	Prior Period
Beginning balance	84.804.689	72.471.122
Foreign currency differences on monetary assets	3.566.004	5.543.919
<i>Purchases during the year⁽¹⁾</i>	<i>13.166.566</i>	<i>24.351.440</i>
<i>Disposals through sales and redemptions^d</i>	<i>(6.475.527)</i>	<i>(17.561.792)</i>
<i>Impairment provision (-)</i>	<i>-</i>	<i>-</i>
Balance at the end of the period	95.061.732	84.804.689

⁽¹⁾ Interest income accrual differences between 30 June 2021 amounting to TRY 16.295.164 and 31 December 2020 amounting to TRY 14.515.145 have been included in Purchases During The Year row.

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

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

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

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

(7) Information on associates (Net):

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

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

b) Information on unconsolidated associates:

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

Information related to the associates as sorted above:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	417.535	255.435	221.707	11.723	-	24.830	33.800	-
2.	4.851	4.763	51	-	-	(464)	(22)	-
3.	202.894	165.137	20.232	9.281	-	6.162	112	-
4.	577.104	(382.929)	194.104	1.659	-	(75.696)	(248.912)	-

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

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

c) Information on consolidated associates:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽²⁾
1.	17.158.926	2.574.155	36.278	189.509	4.751	53.123	18.867	761.320
2.	57.725	56.769	29	3.278	-	4.128	(23)	-

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

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

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

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

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

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

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

d) Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	764.460	509.234
Movements during the period	149.449	255.226
<i>Purchases</i>	57.243	34.992
<i>Bonus shares obtained profit from current year's share</i>	-	12.709
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	(5.112)
<i>Transfers</i>	-	10.369
<i>Revaluation decrease (-) / increase</i>	92.206	202.268
<i>Impairment Provisions (-) / Reversals</i>	-	-
Balance at the end of the period	913.909	764.460
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

e) Sectorial information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	772.246	681.339
Insurance companies	-	-
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	17.865	16.566
Other non-financial investments	123.798	66.555

f) Associates quoted to a stock exchange:

None.

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

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

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

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

(8) Information on subsidiaries (Net):

a) Information on consolidated subsidiaries ⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ	Halk Bank AD, Beograd	Halk Varlık Kiralama AŞ	Halk Osiguruvanje AD, Skopje
CORE CAPITAL								
Paid in Capital	150.000	1.020.000	323.000	799.036	96.000	356.373	100	81.435
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-
Share premium	-	49.945	-	11.633	-	256.281	-	-
Reserves	72.504	54.657	18.181	879.260	108.020	753.660	2.238	158.943
Other Comprehensive Income according to TAS	7.520	1.063.420	-	7.097	10	7.823	-	-
Profit / Loss	96.485	16.776	19.903	(18.075)	51.396	35.850	461	(62.677)
<i>Net Profit</i>	96.485	16.776	24.938	19.293	40.007	35.850	461	(23.022)
Prior Period Profit/Loss	-	-	(5.035)	(37.368)	11.389	-	-	(39.655)
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	-	-	-	-	-	-	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	-	94	613	-	154	-	-
Leasehold Improvements (-)	-	1.010	-	14.623	-	8.230	-	-
Intangible Assets (-)	5.196	327	1.559	31.534	2.712	36.434	1	-
Total Core Capital	321.313	2.203.461	359.431	1.632.181	252.714	1.365.169	2.798	177.701
SUPPLEMENTARY CAPITAL	-	-	55.105	18.882	9.636	14.086	-	-
CAPITAL	321.313	2.203.461	414.536	1.651.063	262.350	1.379.255	2.798	177.701
NET AVAILABLE CAPITAL	321.313	2.203.461	414.536	1.651.063	262.350	1.379.255	2.798	177.701

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

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

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

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

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

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

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

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

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

c) Information on unconsolidated subsidiaries:

None

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

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

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

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

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

d) Information on consolidated subsidiaries (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler A.Ş.	Istanbul	100,00	100,00
2. Halk Gayrimenkul Yatırım Ortaklığı A.Ş. ⁽²⁾⁽³⁾	Istanbul	79,33	79,36
3. Halk Finansal Kiralama A.Ş.	Istanbul	100,00	100,00
4. Halk Banka A.D., Skopje	Macedonia	99,48	99,48
5. Halk Faktoring A.Ş.	Istanbul	97,50	99,99
6. Halk Banka A.D. Beograd	Serbia	100,00	100,00
7. Halk Varlık Kiralama A.Ş.	Istanbul	100,00	100,00
8. Halk Osiguruvanje A.D., Skopje	Macedonia	-	99,48

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

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
1. 662.694	326.509	20.943	95.211	7.223	96.485	72.902	396.329
2. 2.944.015	2.176.042	2.033.918	4.934	-	16.776	32.444	1.820.358
3. 4.453.012	360.990	5.092	199.124	-	24.938	28.142	395.629
4. 11.695.191	1.678.338	469.081	166.267	7.017	19.293	20.055	1.639.881
5. 1.325.804	255.426	6.008	156.686	-	40.007	45.256	320.679
6. 8.269.445	1.409.833	161.952	117.685	17.557	35.850	16.293	1.282.343
7. 1.001.276	2.799	8	-	-	461	259	3.262
8. 217.324	177.701	9.278	206	30	(23.022)	(30.250)	-

⁽¹⁾ The financial data is obtained from 30 June 2021 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 Istanbul AŞ.

Movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period (before elimination)	5.516.428	3.261.227
Movements during the period	380.465	2.255.201
<i>Purchases^{(1),(2),(3),(4)}</i>	517.784	148.506
<i>Bonus shares obtained profit from current year's share</i>	81.981	30.224
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	(56.003)
<i>Transfer</i>	-	(27.997)
<i>Revaluation (increase)/decrease</i>	(219.300)	2.160.471
<i>Reversals / Provisions(-) for impairment</i>	-	-
Share capital elimination of subsidiaries	(5.896.893)	(5.516.428)
Balance at the end of the period	-	-
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

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

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

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

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

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

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

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

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

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

	Current Period	Prior Period
Banks	2.922.224	2.140.652
Insurance companies	38.412	19.346
Factoring companies	320.679	320.679
Leasing companies	395.629	395.629
Financing companies	-	-
Other financial subsidiaries	2.219.949	2.640.122
Other non-financial subsidiaries	-	-

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period
Quoted to domestic stock ⁽¹⁾	1.820.358	2.240.689
Quoted foreign stock exchange	-	-

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

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

None.

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

a) Maturity structure of investments on financial lease:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.641.612	1.247.752	1.418.220	1.074.572
Between 1-4 years	2.376.091	1.775.466	2.312.601	1.728.743
More than 4 years	1.088.463	824.165	1.077.725	843.739
Total	5.106.166	3.847.383	4.808.546	3.647.054

b) Information on gross investments of financial lease:

	Current Period	Prior Period
Gross financial lease investment	5.106.166	4.808.546
Unearned revenues from financial lease	(1.258.783)	(1.161.492)
Total	3.847.383	3.647.054

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

	Current Period	Prior Period
Financial lease receivables with limited collectability	399	374
Financial lease receivables with doubtful collectability	4.334	8.425
Uncollectible financial lease receivables	485.269	566.505
Provisions	(420.826)	(480.598)
Total	69.176	94.706

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

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

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

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

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

None. (31 December 2020: None).

(12) Information on investment property:

	Current Period	Priod Period
Cost		
Opening Balance	1.303.741	1.194.428
Acquisitions	93.019	95.261
Transfer	-	15.364
Disposals	24.272	1.312
Impairment Provisions	-	-
Ending Balance	1.372.488	1.303.741
Accumulated Depreciation		
Opening Balance	96.480	89.965
Additions	4.006	6.503
Disposals (-)	150	41
Impairment Provisions (-)	-	-
Transfer	-	53
Ending Balance	100.336	96.480
Net Book Value	1.272.152	1.207.261

(13) Information on tax assets:

	Current Period	Prior Period
Deferred Tax Asset / (Liability)		
Provisions ⁽¹⁾	1.609.611	1.529.133
Revaluation of Financial Assets	(1.846.094)	(1.322.586)
Other	385.587	(498.350)
Deferred Tax Asset / Liability⁽²⁾:	149.104	(291.803)
Deferred tax accounted in shareholders' equity	149.624	(11.841)
Fair value differences for financial assets at through other comprehensive income	288.809	128.429
Actuarial gains and losses	34.772	34.772
Property Revaluation	(173.957)	(175.042)

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

⁽²⁾ Net deferred tax liability amounting to TRY 149.104 consists of deferred tax assets which amounting to TRY 151.256 and deferred tax liabilities amounting to TRY 2.152.

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

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

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

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

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

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

(15) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 6.907.061 and does not exceed 10% of the balance sheet total (31 December 2020: TRY 5.285.838).

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

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

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on deposit / funds collected:

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

Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	13.594.527	-	11.970.574	70.297.445	9.189.484	5.122.325	3.187.952	135.656	113.497.963
Foreign currency deposits	38.787.786	-	30.537.237	121.249.704	8.826.623	4.971.230	11.540.867	14.422	215.927.869
<i>Residents in Turkey</i>	30.622.347	-	25.673.377	115.704.399	7.184.924	2.412.887	4.818.917	13.770	186.430.621
<i>Residents abroad</i>	8.165.439	-	4.863.860	5.545.305	1.641.699	2.558.343	6.721.950	652	29.497.248
Public sector deposits	4.832.192	-	3.036.122	5.547.482	662.281	242.735	22.665	-	14.343.477
Commercial inst. deposits	13.004.286	-	31.729.038	34.455.833	2.241.684	1.182.551	2.328.793	-	84.942.185
Other inst. deposits	1.232.823	-	2.224.013	19.084.475	2.290.951	1.957.238	5.304.139	-	32.093.639
Precious metals	18.927.249	-	138.628	3.466.049	158.921	78.357	152.550	-	22.921.754
Interbank deposits	12.193.288	-	10.796.653	14.281.708	36.137	-	-	-	37.307.786
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	111.690	-	10.178.482	10.631.038	36.003	-	-	-	20.957.213
<i>Foreign banks</i>	12.081.598	-	388.050	3.650.670	134	-	-	-	16.120.452
<i>Participation banks</i>	-	-	230.121	-	-	-	-	-	230.121
Total	102.572.151	-	90.432.265	268.382.696	23.406.081	13.554.436	22.536.966	150.078	521.034.673

Prior period:

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

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

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

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	48.300.181	40.394.097	64.930.956	48.828.336
Foreign currency saving deposits	32.010.651	31.941.835	81.880.305	68.137.764
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	479.897	410.927	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign branches' saving deposits and other accounts	266.942	235.014
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	11.687	10.157
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	23.947	-	26.206
Swap transactions	59.856	783.138	19.744	480.694
Future transactions	-	-	-	-
Options	240	1.311	369	7.212
Other	-	-	-	-
Total	60.096	808.396	20.113	514.112

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

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

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

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

(3) Information on funds borrowed:

a) Information on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	881.669	2.425.746	706.399	2.498.369
Foreign banks, institutions and funds	-	10.199.847	-	10.049.754
Total	881.669	12.625.593	706.399	12.548.123

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	690.058	1.064.641	601.693	811.014
Medium and long term	191.611	11.560.952	104.706	11.737.109
Total	881.669	12.625.593	706.399	12.548.123

c) Additional disclosures related to the concentrations of the Group's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Group is deposits, which is composed of 21,78% of saving deposits and 41,44% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Group borrows loans from interbank money markets.

The Group's 60,25% of bank deposits and 49,38% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

	Current period		Prior period	
	TRY	FC	TRY	FC
Bills	4.724.797	-	3.655.382	-
Asset Back Securities	2.009.111	-	1.958.530	-
Bonds	1.111.551	4.425.770	1.078.233	7.553.277
Total	7.845.459	4.425.770	6.692.145	7.553.277

(5) Information on other liabilities:

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

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

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

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

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

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

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

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

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

b) Explanation on finance lease payables:

None. (31 December 2020: None).

c) Explanations regarding operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	40.279	38.025	29.347	29.162
Between 1-4 years	444.261	357.195	312.254	268.799
More than 4 years	935.664	563.952	826.943	595.813
Total	1.420.204	959.172	1.168.544	893.774

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

None (31 December 2020: None).

(8) Explanations on provisions:

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

As of 30 June 2021 the Group does not have a provision amount of the currency differences on foreign currency indexed loans and finance lease receivables (31 December 2020: None).

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

As of 30 June 2021, the Group's specific provision for unindemnified non-cash loans balance is TRY 151.145 (31 December 2020: TRY 150.942).

c) Information on other provisions:

Total other provision balance amounting to TRY 559.013 (31 December 2020: TRY 636.547) consists of TRY 151.145 for specific provisions of unindemnified and unfunded non-cash loans (31 December 2020: TRY 150.942), TRY 191.829 for stage 1 and stage 2 expected credit loss amount of non-cash loans (31 December 2020: TRY 308.709), TRY 72.891 for legal cases filed against the Group (31 December 2020: TRY 98.928), and TRY 143.148 of other provisions (31 December 2020: TRY 77.968).

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

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

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

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

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 June 2021, the Group's corporate tax payable is amounting to TRY 33.653 and accounted for under corporate tax provision at the related date. (31 December 2020 corporate tax payable: TRY 4.498)

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate tax payable	33.653	4.498
Income on securities tax	462.387	475.152
Property income tax	1.495	1.719
Banking and insurance transactions tax (BITT)	209.301	157.964
Foreign exchange transactions tax	6.562	9.021
Value added tax payable	3.360	4.810
Other	57.134	73.321
Total	773.892	726.485

a.3. Information on premiums:

	Current Period	Prior Period
Social insurance premiums-employee	394	291
Social insurance premiums-employer	1.172	830
Bank social aid pension fund premium-employee	22.399	18.063
Bank social aid pension fund premium-employer	37.069	28.084
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	1.641	1.311
Unemployment insurance-employer	3.314	2.634
Other	845	715
Total	66.834	51.928

b) Explanations related to deferred tax liability:

It is explained in the 13th footnote of Section Five, Explanations And Notes Related To The Assets.

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

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

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

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

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

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

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

Information on Subordinated Loans	Current Period		Prior Period	
	TRY	FC	TRY	FC
To be included in the calculation of additional capital borrowings instruments	-	10.189.537	-	8.824.063
Subordinated loans	-	10.189.537	-	8.824.063
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.049.052	-	6.036.525	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.049.052	-	6.036.525	-
Total	6.049.052	10.189.537	6.036.525	8.824.063

^(*) Detailed information is given in Section Four, footnote I.

- (12) Information on shareholders' equity

- a) Presentation of paid-in capital:

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

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

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

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

None.

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

None.

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

None.

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

Between January 1 - June 30, 2021, the Parent Bank did not repurchase or sell any shares.

TÜRKİYE HALK BANKASI AŞ**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021***(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)***SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)****(12) Information on shareholders' equity (continued)**

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

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

- h) Information on preferred shares:

None.

- i) Information on marketable securities revaluation fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	15.040	4.748	15.040	5.107
Valuation differences	15.040	4.748	15.040	5.107
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	(798.072)	(238.498)	(220.937)	(218.119)
Valuation differences	(798.072)	(237.850)	(220.937)	(216.049)
Exchange rate difference	-	(648)	-	(2.070)
Total	(783.032)	(233.750)	(205.897)	(213.012)

- j) Information on Profit Distribution

The Ordinary General Assembly Meeting of the Parent Bank was held on March 26, 2021. At the General Assembly Meeting, it was decided to transfer the remaining amount of TRY 2.470.042 to extraordinary reserves, after allocating TRY 130.003 of the unconsolidated net profit amounting to TRY 2.600.045 from the activities of the year 2020 as general legal reserves. In addition, in accordance with TFRS 9, the 75% exception amount in the article 5/1/e of the Corporate Tax Law No. 5520 of the sales gain obtained from the sales of the partnerships monitored with their fair values will continue to be monitored in the special funds account.

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

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

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period	Prior Period
Commitments for credit card expenditure limits	31.257.385	28.032.142
Payment commitments for cheques	5.613.474	4.472.298
Loan granting commitments	5.109.018	4.721.315
Two days forward foreign exchange buy/sell transactions	3.286.711	1.826.745
Forward deposit purchase and sale commitments	-	-
Commitments for credit cards and banking services promotions	26.965	22.752
Tax and fund liabilities from export commitments	123.573	124.240
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	5.452.566	5.321.136
Total	50.869.692	44.520.628

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

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

	Current Period	Prior Period
Letters of credit	3.809.471	2.609.382
Bank acceptances	7.625.620	6.495.595
Other guarantees	6.726.405	4.862.463
Total	18.161.496	13.967.440

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

	Current Period	Prior Period
Letters of certain guarantees	20.764.209	17.484.487
Letters of advance guarantees	6.035.035	5.376.409
Letters of tentative guarantees	2.115.003	2.239.074
Letters of guarantee given to customs offices	3.180.983	2.706.492
Other letters of guarantee	86.188.135	74.729.949
Total	118.283.365	102.536.411

b.3. Total non-cash loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	16.639.385	14.320.385
<i>Within one year or less original maturity</i>	2.588.603	1.895.645
<i>Within more than one year maturity</i>	14.050.782	12.424.740
Other non-cash loans	119.805.476	102.183.466
Total	136.444.861	116.503.851

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

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

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

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

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

c) Information on contingent liabilities and assets:

Group's commitments for the cheques given to customers are TRY 5.613.474 (31 December 2020: TRY 4.472.298).

d) Services provided on behalf of others:

None (31 December 2020: None).

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

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	5.226.439	149.595	2.638.507	251.019
Medium and long term loans	15.289.466	3.149.162	11.905.445	2.689.405
Interest on non-performing loans	101.678	767	341.783	-
Premiums from resource utilization support fund	-	-	-	-
Total	20.617.583	3.299.524	14.885.735	2.940.424

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

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
CBRT	502.263	-	47.686	-
Domestic banks	25.451	171	12.386	589
Overseas banks	6.862	1.564	4.153	2.800
Head office and branches	-	-	-	-
Total	534.576	1.735	64.225	3.389

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets at fair value through profit or loss	11.409	28	8.066	1
Financial assets at fair value through other comprehensive income	2.682.359	310.968	1.581.901	77.869
Financial assets measured at amortised cost	5.077.998	756.850	3.926.010	572.217
Total	7.771.766	1.067.846	5.515.977	650.087

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

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

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

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

d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest Income from Subsidiaries and Associates	5.004	-

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	62.322	93.189	73.395	138.200
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	62.322	27.069	73.395	46.380
<i>Overseas banks</i>	-	66.120	-	91.820
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	4	12.362	5	10.501
Total	62.326	105.551	73.400	148.701

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	18.440	4.049

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	994.337	433.426	837.551	376.512
Toplam	994.337	433.426	837.551	376.512

TÜRKİYE HALK BANKASI AŞ

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

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

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

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

(2) Information on interest expenses: (continued)

d) Maturity structure of interest expenses on deposits:

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	105	1.385.110	420.985	7.637	-	-	-	1.813.837
Saving deposits	19	895.562	5.714.234	614.350	245.705	209.209	6.106	7.685.185
Public deposits	15	453.390	270.655	31.683	16.374	1.241	-	773.358
Commercial deposits	13	2.918.167	3.551.623	153.803	92.864	538.893	-	7.255.363
Other deposits	-	270.664	1.543.047	231.046	118.226	134.895	-	2.297.878
7 days call accounts	-	-	-	-	-	-	-	-
Total	152	5.922.893	11.500.544	1.038.519	473.169	884.238	6.106	19.825.621
Foreign currency								
Deposits	1.053	159.348	1.000.281	42.613	35.425	62.835	-	1.301.555
Bank deposits	8	10.906	70.678	539	34	-	-	82.165
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	285	7.528	460	165	357	-	8.795
Total	1.061	170.539	1.078.487	43.612	35.624	63.192	-	1.392.515
Grand total	1.213	6.093.432	12.579.031	1.082.131	508.793	947.430	6.106	21.218.136

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	66	468.615	216.259	2.937	464	-	-	688.341
Saving deposits	30	203.116	2.320.542	276.483	38.374	289.860	5.760	3.134.165
Public deposits	32	258.121	121.378	17.358	17.429	504	-	414.822
Commercial deposits	738	1.111.008	1.582.118	63.938	21.350	310.924	-	3.090.076
Other deposits	-	113.883	510.926	114.456	35.875	95.327	-	870.467
7 days call accounts	-	-	-	-	-	-	-	-
Total	866	2.154.743	4.751.223	475.172	113.492	696.615	5.760	8.197.871
Foreign currency								
Deposits	811	35.740	385.897	27.164	20.872	54.237	-	524.721
Bank deposits	7	62.348	11	148	-	-	-	62.514
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	249	3.598	821	231	509	-	5.408
Total	818	98.337	389.506	28.133	21.103	54.746	-	592.643
Grand total	1.684	2.253.080	5.140.729	503.305	134.595	751.361	5.760	8.790.514

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

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

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

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

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

	Current Period	Prior Period
Profit	52.939.065	27.215.161
Profit from the capital market operations	36.281	188.861
Profit on derivative financial instruments	8.754.001	5.301.988
Foreign exchange gains	44.148.783	21.724.312
Loss (-)	55.736.105	29.601.342
Loss from the capital market operations	2.890	108.701
Loss on derivative financial instruments	6.385.275	3.594.646
Foreign exchange losses	49.347.940	25.897.995

As of 30 June 2021, necessary adjustments have been made in the TRY yield curves used in the valuation of derivative transactions, since they do not fully reflect market conditions.

(4) Information on other operating income:

	Current period	Prior Period
Adjustments for prior period expenses	5.000.145	616.607
Insurance technical income	59.042	29.024
Income from the asset sale	104.080	122.769
Rent income	32.814	35.007
Other income	109.554	128.793
Total	5.305.635	932.200

(5) Impairment losses on loans and other receivables:

Expected Credit Losses:

	Current Period	Prior Period
Expected Credit Loss	1.076.389	4.323.723
12 Month Expected Credit Loss (Stage 1)	9.691	800.260
Significant Increase in Credit Risk (Stage 2)	34.096	1.652.006
Non – Performing Loans (Stage 3)	1.032.602	1.871.457
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	4.159	231.820
Total	1.080.548	4.555.543

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

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

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

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

(6) Information on other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	105.204	78.262
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	250.662	210.639
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	80.737	28.331
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets to be sold	-	-
Amortization expenses of assets to be sold	8.627	10.347
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	1.263.965	1.213.943
<i>Leasing Expenses on TFRS 16 Exceptions</i>	<i>42.250</i>	<i>43.423</i>
<i>Maintenance expenses</i>	<i>42.309</i>	<i>32.482</i>
<i>Advertisement expenses</i>	<i>146.106</i>	<i>85.952</i>
<i>Other expenses</i>	<i>1.033.300</i>	<i>1.052.086</i>
Loss on sales of assets	268	197
Other	954.762	642.728
Total	2.664.225	2.184.447

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

The amount of profit before tax consists TRY 1.379.233 (30 June 2020: TRY 11.060.224) of net interest income and TRY 1.888.617 (30 June 2020: TRY 1.333.178) of net fees and income. The profit from continuing operations before tax is amounting to TRY 18.015 (30 June 2020: TRY 2.227.867).

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

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

For the accounting period ending on 30 June 2021, the Group's tax provision expense from continued operations amounting to TRY 192.080 (30 June 2020: TRY 601.392) consists of TRY 87.362 (30 June 2020: TRY 1.172.319) of current tax charge and TRY 1.524.272 (30 June 2020: TRY 387.255) of deferred tax charge and TRY 1.803.714 (30 June 2020: TRY 958.182) of deferred tax income.

For the accounting period ending on 30 June 2021, the Group has no tax provision for discontinued operations. (30 June 2020: Tax provision from discontinued operations amounting to TRY 48.603 consists of current tax expense amounting to TRY 48.981 and deferred tax income amounting to TRY 378.)

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

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

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

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

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

For the accounting period ending on 30 June 2021, the Group's operating income after tax from continued operations is amounting to TRY 210.095 (30 June 2020: TRY 1.626.475).

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

- (10) Information on net profit/loss:

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

There is no requirement to make disclosure.

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

There is no requirement to make disclosure.

- (11) Other items in the Income Statement:

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

SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**V. EXPLANATIONS RELATED TO THE RISK GROUP OF THE PARENT BANK**

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

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	-	-	-	-	-	-
Closing balance	59.659	5.848	-	-	-	-
Interest and commissions income	5.004	48	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Beginning balance	-	50.673	-	-	-	-
Closing Balance	186.967	-	-	-	-	-
Interest expense on deposits	18.440	-	-	-	-	-

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

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

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

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	59.659	0,01
Non-cash loans	5.848	-
Deposits	186.967	0,04
Forward and option contracts	-	-

Pricing of these transactions are in accordance with the general pricing policies of the Parent Bank and are in line with market rates.

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

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

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel of the Group are TRY 19.112 as of 30 June 2021 (30 June 2020: TRY 14.494).

VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

VII. OTHER EXPLANATIONS

On October 15, 2019, the U.S. Department of Justice, United States Attorney Southern District of New York indicted the Parent Bank by repeating the allegations set forth in the case filed against the former executive of the Parent Bank due to the Iranian sanction violations.

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

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

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

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

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

District Court denied Parent Bank's motion to dismiss the indictment on October 1, 2020. The Parent Bank appealed the Court of Appeals for the Second Circuit through the motion to dismiss the indictment with regard to Foreign Sovereign Immunity Act (exemption from the jurisdiction of the US courts). On December 23, 2020, the Court of Appeals for the Second Circuit accepted to hear the appeal on the merits and granted Parent Bank's motion to stay the case pending sovereign immunity appeal. Before the Court of Appeals for the Second Circuit, oral argument was presented on April 12, 2021 and the appeal is still pending. Due to the fact that the legal proceedings are stayed until the Court of Appeals for the Second Circuit gives a decision on the case, the jury trials which were scheduled to start on May 3, 2021 have not started yet. On condition that, the Parent Bank does not prevail at the Court of Appeals for the Second Circuit, a new schedule will be necessary to be created by the District Court for the jury trials.

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

VII. OTHER EXPLANATIONS (continued)

In addition, a civil case was filed against the Parent Bank on March 27, 2020 with a claim for damages by plaintiffs in the District Court "on the grounds that they (the plaintiffs) could not collect their judgments from Iran due to violations of sanctions" and it was served to the Parent Bank's attorneys on July 1, 2020. The Parent Bank filed a motion at the District Court to dismiss the complaint of plaintiffs on September 25, 2020. The case was fully briefed on December 16, 2020. District Court conditionally granted Parent Bank's motion to dismiss, filed on December 16, 2020, on the grounds of forum non conveniens. The case was closed at the District Court on March 3, 2021.

Plaintiffs filed their appeal brief at the Court of Appeals for the Second Circuit with regard to the District Court's Decision on June 30, 2021. The Parent Bank is going to submit its reply brief on September 29, 2021. The appeal with regard to the civil case is still pending.

The proceedings of both the criminal case and civil case are closely monitored by the Parent Bank through law firms representing the Bank.

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

SECTION VI: LIMITED REVIEW REPORT
--

I. EXPLANATIONS ON LIMITED REVIEW REPORT

The Parent Bank's publicly available consolidated financial statements and footnotes as of 30 June 2021 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 12 August 2021 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

SECTION VII: INTERIM ACTIVITY REPORT**I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO’S ASSESSMENTS FOR THE INTERIM ACTIVITIES****Assessment of Chairman of the Board of Directors**

Esteemed Stakeholders,

In April 2020, The International Monetary Fund described the economic impact of the COVID-19 outbreak in a report titled “A Crisis Like No Other, An Uncertain Recovery.” Despite more optimistic assessments following the availability of vaccines in the second half of the year, the pandemic caused unprecedented economic contractions in almost all countries. The IMF announced that the world economy contracted by 3.3 percent last year, while the Organization for Economic Cooperation and Development reported the rate at 3.4 percent. The U.S. economy, one of the largest in the world, contracted by 3.5 percent while the Eurozone economy contracted by 6.6 percent due to the effects of the pandemic. However, China and Turkey were positively affected by this process. While China, the pandemic’s point of origin, grew by 2.3 percent, Turkey completed the year with a growth of 1.8 percent, despite international estimates of a 5-percent contraction. Thus, it became one of the two G-20 countries, along with China, that completed the year with growth.

Noting, in particular, the effect of machinery and equipment investments, Turkey completed the last quarter of 2020 with a growth of 5.9 percent and the first quarter of 2021 with a growth of 7 percent. Now, at mid-year, Turkey is signaling that it will continue to diverge positively from the rest of the world.

Considering that production and exports in many developed and developing countries are still struggling to recover, we must admit that Turkey has put forward a remarkable performance. Industrial production rose by 66 percent in April 2021 compared to the previous year. This shows that all wheels are turning in the right direction. The capacity utilization rate across the manufacturing industry reached 76.6 percent in June, the highest rate of the last 18 months. In the same period, the Real Sector Confidence Index rose to 113, reaching the highest level of the last seven years. Our exporters, on the other hand, have been achieving unprecedented figures, breaking new records every month since the beginning of the year.

These developments are influenced by the bold decisions of our government taken to maintain economic activity despite all the mandatory lockdowns and restrictions. As a public bank, Halkbank was also involved in these decisions. Economic activity has not lost speed thanks to the credit supports, grants and deferred debt options introduced for businesses of different scales to continue their activities, to stay afloat during the period they were shut down, or to continue service in line with the requirements of the pandemic period. The exemption of 850,000 small business owners from income tax within the scope of the Economy Reform Package, which includes many decisions that protect actors of the economy, stood out as one of the exemplary practices that significantly relieved our tradespeople.

During this process, our bank maintained its position as an effective implementer of the public administrative decisions that would keep the economy alive. We continued to support our tradespeople, artisans, and SMEs, as well as the real economy, in line with our mission that is perfectly described by our motto: “People Before Banking.” The fact that the number of tradespeople with credit risk has reached 1,165,000 in the second quarter of 2021 has revealed that we stand by our tradespeople in difficult times in line with our bank mission and vision. Thus, our bank strengthened its place in the hearts of the people and gained many new customers.

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

**I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF
DIRECTORS AND CEO’S ASSESMENTS FOR THE INTERIM ACTIVITIES (continued)**

Assessment of Chairman of the Board of Directors (continued)

In the second half of the year, we will continue to put forward our resources for the development of Turkey and remain at the center of impressive developments. I would like to thank all of our stakeholders who trusted and supported us on this journey.

Sincerely,

R. Süleyman Özdil
Chairman

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)**I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)****General Manager's Review**

Dear Stakeholders,

With the regular supply of vaccines and the record level of vaccination setting an example for the whole world, the steps taken in the first half of the year have boosted herd immunity and reinvigorated the economic momentum. In this process, Turkey emerged with the highest economic growth among the countries in the Organization for Economic Co-operation and Development (OECD) with a performance of 7 percent in the first quarter.

Established under the coordination of the Ministry of Treasury and Finance the Economic Reform Package announced by the President has created the roadmap for economic growth based on investments, production, employment and exports. These efforts paid off right away, as the economic confidence index increased by 5.6 percent in June compared to the previous month and reached 97.8 percent. Turkey has written another success story during the pandemic. In the first six months, our exports increased by 40 percent year-on-year and reached \$105 billion dollars, making it the highest export volume in the history of the Republic on a six-month basis. The export volume in the last 12 months was \$200 billion. Exhibiting high growth in the first quarter of 2021 with the strengthening of domestic demand and the recovery of foreign demand, the Turkish economy put on a strong performance in the second quarter thanks to economic support packages.

The second quarter was a busy one for Halkbank as well. As a strong bank of Productive Turkey, we have been actively demonstrating our contribution to our country's economic development for 83 years. As we celebrate another year, 83 billion Turkish lira was granted in SME loans in the last year with the inclusion of tradespeople loans, adding up to a loan balance of 204.2 billion Turkish lira. We maintained our leading position in the industry with a share of 21.3 percent in the SME Lending market. At the end of this period with great devotion shown by all my colleagues, our Bank increased its asset size to 716.5 billion Turkish lira with a year-on-year increase of 20.3 percent, and increased its total deposits to 507.3 billion Turkish lira with a year-on-year increase of 26.8 percent. Over the same period, our cash loans rose by 9.5 percent to 464.9 billion Turkish lira, and our total loans increased by 14.7 percent to 598.9 billion Turkish lira.

There is no doubt that our timely investments and progress in digital transformation played a major role in these achievements. The use of digital and mobile banking has increased exponentially during the pandemic. As of the end of June 2021, we increased the number of our customers using mobile banking, internet banking, SMS, ATM and Halkbank Dialog digital channels. We also made changes in the bank's organizational structure to highlight Digital Transformation and Digital Banking services. We also managed to maintain our service quality in traditional banking and expanded our service network by opening nine new branches within the last year, increasing the number of our branches to 1,015.

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

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

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESMENTS FOR THE INTERIM ACTIVITIES (continued)

General Manager's Review (continued)

We stood out in the banking industry in the second quarter mostly thanks to the advantageous financial support we provided for women entrepreneurs. Declared for the first time on March 8, International Women's Day, our Women Entrepreneurs Loan Package is announced at our Productive Women Meetings organized throughout the country, and we share the package's contributions for tradespeople, artisans and SMEs with the public. As of the end of June, the number of women entrepreneurs who benefited from our support approached 37,000, while the loan volume approached 3.4 billion Turkish lira. But going beyond these numbers, what really matters is the success stories of women entrepreneurs. From Bursa to Gaziantep, and Antalya to Samsun, women turn our financial support into investments, employment and exports. The inspiring stories and the entrepreneurs' great interest in our financial solutions encourage us to provide more support for women.

Following our Women Entrepreneurs Loan Package, we implemented our Women's Cooperatives Support Package and focused on overcoming the financial obstacles in front of women working in cooperatives. For the next step, we opened our Digital Loans Platform for the use of our women entrepreneurs. We provided them with the opportunity to apply for loans without coming to the bank, thus speeding up the process and providing convenience for our entrepreneurs.

All these activities are planned specially for women entrepreneurs and carried out under the leadership of our "Women Entrepreneurs Department." Developing projects with the understanding of "The Bank of Productive Women," our directorate will continue to support our women entrepreneurs in the upcoming period.

Dear Stakeholders,

As our Bank focuses on ensuring the sustainability of economic activities by preserving our balance sheet quality, it will continue to respond to the needs of different segments of society in the upcoming period of economic momentum. We will continue working for our country's economic and social development in the second half with the same level of determination. We would like to thank you, our esteemed investors, for your unwavering support, and as Halkbank family, express our gratitude for your trust in our Bank.

Sincerely,

Osman ARSLAN
General Manager

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

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

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESMENTS FOR THE INTERIM ACTIVITIES (continued)

Major Financial Information

Summary Balance Sheet			
(TRY Million)	June 2021	December 2020	Change (%)
Total Assets	737.219	696.215	5,9
Loans	475.582	457.210	4,0
<i>TRY</i>	361.709	353.823	2,2
<i>FC</i>	113.873	103.387	10,1
Marketable Securities	170.279	161.073	5,7
Deposit	521.034	468.062	11,3
<i>TRY</i>	259.708	261.818	(0,8)
<i>FC</i>	261.326	206.244	26,7
Total Equity	42.493	42.779	(0,7)

Summary Statement of Profit or Loss (TRY Million)			
	June 2021	June 2020	Change (%)
Interest Income	33.786	24.449	38,2
<i>On Loan</i>	23.917	17.826	34,2
<i>On Securities</i>	8.840	6.166	43,4
Interest Expense	32.407	13.388	142,1
<i>On Deposit</i>	21.218	8.791	141,4
Net Interest Income	1.379	11.060	(87,5)
Net Fee and Commission	1.889	1.333	41,7
Net Profit	210	2.565	(91,8)

Ratio (%)	June 2021	December 2020
Cash Loans/Total Asset	64,5	65,7
Non-Performing Loans/Total Cash Loans (Gross)	3,4	3,7
Demand Deposit/Total Deposit	19,7	19,4
Loan/Deposit Ratio	91,3	97,7
Average Return on Asset (ROA)	0,06	0,63
Average Return on Equity (ROE)	0,99	9,85
Capital Adequacy Ratio	13,21	14,56

SECTION VII: INTERIM ACTIVITY REPORT (continued)

**I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD
OF DIRECTORS AND CEO’S ASSESMENTS FOR THE INTERIM ACTIVITIES
(continued)**

2021 Second Quarter Interim Developments

Significant Developments

- Our Bank has issued bonds with a par value of 4,100,000,000 Turkish lira to the qualified investors throughout this period.

New Products and Campaigns

- “Halkbank Salary Payment Support Loan” and “Halkbank Check Payment Loan” were established so that our enterprises can make the salary payments of their personnel on time and pay the checks they are obliged to pay during full lockdown.
- Allowing deferred payments/collections with our Bank's assurance while trading and regulating the credit/collection process, the "Halkbank Secure Digital Payment System" was established to facilitate trade and completely eliminate the issue of trust.
- Within the scope of the protocol signed between our Bank and the Turkish Pharmacists' Association, a "Pharmacist Support Package" was established for pharmacists who are members of the Association.
- The "2021 TOBB Breather Loan" was established within the scope of the protocol between TOBB and the Banks and Credit Guarantee Fund, which includes our Bank as well.

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