

TÜRKİYE HALK BANKASI A.Ş.
INFORMATION DOCUMENT FOR THE ANNUAL GENERAL MEETING
APRİL 03, 2020

Pursuant to the relevant provisions of the Turkish Commercial Code, the 2019 Ordinary General Assembly of our Bank, at which the agenda items set forth shall be discussed, shall be held on Friday, April 03, 2020 at 14:45 at the Head Office located at Barbaros Mahallesi Şebboy Sokak No:4/1 Ataşehir/İstanbul Pursuant to Article 437 of the Turkish Commercial Code, the Financial Statements, the Dividend Distribution Statement, the Annual Report of the Board of Directors, the Report of the Board of Auditors, the Independent Audit Report, and other documents of our Bank relevant to the agenda 2019 shall be made available at the Head Office Building for the shareholders to examine Thursday March 12, 2020 at the latest. In addition, the aforementioned documents and their annexes shall be accessible via the Internet at <http://www.halkbank.com.tr/en/international-banking/61/general-assembly> and <http://www.halkbank.com.tr/en/international-banking/83/financial-reports>.

Pursuant to the Turkish Commercial Code No 6102, the Capital Markets Law No 6362, and other relevant legislation adopted in accordance with these laws, shareholders may attend the General Assembly using the "Electronic General Assembly System" (EGAS), an electronic platform provided by the Central Registry Agency (CRA), or by presenting themselves in person at the location of the General Assembly.

Attending the General Assembly via EGAS

Shareholders who have dematerialized their shares in their own names may attend the General Assembly in person or by proxy provided that they obtain a qualified electronic certificate and that they complete the EGAS trainings. Shareholders can obtain further information about how they can attend the General Assembly via EGAS by visiting the website of the Central Registry Agency.

Shareholders who declare that they will attend the General Assembly via EGAS may not attend the General Assembly in person.

Attending the General Assembly in Person

- 1) Real person shareholders must present an identity card which bears their Turkish Identification Number.
- 2) If real person shareholders have designated a proxy via EGAS, the proxy must present an identity card which bears their Turkish Identification Number.
- 3) If real person shareholders have not designated a proxy via EGAS, the proxy must present an identity card which bears their Turkish Identification Number and a power of attorney given below which shows that they have been designated as a proxy.
- 4) Proxies designated by real person shareholders may attend the General Assembly by presenting an identity card that bears their Turkish Identification Number and a power of attorney given below which proves that they have been designated as a proxy.

Proxies who will attend the General Assembly must use the sample power of attorney given below. The powers of attorney must be notarized and, if they will not be notarized, the shareholder's notarized circular of signature must be attached to the power of attorney.

(Annex-1)

The power of attorney must bear the following information: name of the company; date of the General Assembly; the full name and Turkish Identity Number of the proxy; the number of shareholder shares; the full name, title, Turkish Identification Number/Taxpayer Identification Number and signature of the shareholder. Powers of attorney which do not bear any of this information shall be considered invalid.

Custodial institutions may attend the General Assembly as representing shareholders who hold shares in their accounts, by being authorized by shareholders via EGAS. If the said institutions authorize their own employees to attend the General Assembly in person, these persons must present, in addition to their powers of attorney, the Power of Attorney and Instruction Notice Form contained in the Regulation on the “Procedures and Principles Regarding the General Assemblies of Joint Stock Companies and Ministry of Customs and Trade Representatives to be Present at these Assemblies” issued by the Ministry of Customs and Trade.

TÜRKİYE HALK BANKASI A.Ş.
BOARD OF DIRECTORS

ADDITIONAL EXPLANATIONS PURSUANT TO THE COMMUNIQUE ON CORPORATE GOVERNANCE

1-) Ownership Structure

Latest ownership and capital structure of the bank is shown below and there are no privileged shareholders in the bank.

HALKBANKASI SHAREHOLDER STRUCTURE (TRY)		
SHAREHOLDER	PAID-IN CAPITAL (TRY)	SHAREHOLDING (%)
Turkey Wealth Fund *	638,825,500	51.1060400
Free Float *	611,094,202	48.8875362
Other **	80,298	0.0064238
TOTAL	1,250,000,000	100.0000000

* TRY 549,932 shares out of total shares belonging to Turkey Wealth Fund are eligible to be traded at Borsa İstanbul. The free float rate corresponds to 48.93%.

** 77,677 TL of the shares under the “Other” group belongs to our shareholders whose shares do not trade on the Exchange (though these shareholders have been dematerialized them in their own accounts); and 2,621 TL of the shares in the “Other” group belong to the shareholders whose shares are monitored under the DESA - Dematerialized Unknown Shareholder Account (KAYDBOH) due to the ongoing legal action.

2-) Information regarding changes in management and business that would significantly affect the operations of the Bank or the Subsidiaries of the Bank

There are no changes in management and business that significantly affected the operations of the Bank or the Subsidiaries of the Bank in the past financial period.

3-) Written requests of the shareholders in relation to adding a clause to the agenda

There have been no written requests by the shareholders conveyed to the Investor Relations Department in relation to adding a clause to the agenda within the period.

EXPLANATIONS ON AGENDA ITEMS

1. Opening and formation of the General Assembly Presidency,

The Board of Presidency will be established in accordance with Turkish Commercial Code No: 6102 and the provision of the Article 15 of the Bank's Articles of Association.

2. Reading and discussion of the 2019 Annual Report prepared by the Board of Directors, the Independent Audit Report, and the Report of the Board of Auditors,

Annual Report prepared by the Board of Directors, the Independent Audit Report and the Report of the Board of Auditors, which have been submitted for the review of the shareholders at the Bank's Head Office Building, on the Bank's website (www.halkbank.com.tr), on the Public Disclosure Platform and on EGAS will be read and submitted for the shareholders' discussion. **(Annex-2)**

3. Reading, discussion and approval of the financial statements for the 2019 financial and fiscal year,

Financial statements for the year 2019, which have been submitted for the review of the shareholders at the Bank's Head Office Building, on the Bank's website (www.halkbank.com.tr) and EGAS will be read and submitted for the shareholders' discussion and approval.

4. Reading, discussion and approval of the Profit Distribution Tables for year 2019 proposed by the Board of Directors,

Profit Distribution Tables for 2019 proposed by the Board of Directors, which has been submitted for the review of the shareholders at the Bank's Head Office Building, on the Bank's website (www.halkbank.com.tr), on the Public Disclosure Platform and on EGAS will be read and submitted for the shareholders' discussion and approval. **(Annex-3)**

5. Discharging of the members of the Board of Directors and Board of Auditors from any liability,

Discharging of the members of the Board of Directors and the Board of Auditors for the year 2019 regarding their operations, transactions and accounts will be submitted for the shareholders' approval.

6. Election of the members of the Board of Directors and the Board of Auditors,

Elections will be held for the Members of the Board of Directors and the Board of Auditors.

7. Determination of the remuneration of members of the Board of Directors and the Board of Auditors,

In accordance with the provisions of the Articles 23 and 31 of the Bank's Articles of Association the remuneration of Members of the Board of Directors and the Board of Auditors will be determined.

8. Discussing the changes to the Articles of Association and approving the changes as agreed by the Banking Regulation and Supervision Agency, Capital Markets Board and the Republic of Turkey Ministry of Trade,

The amendment of the Articles of Association which is announced by the Board of Directors will be submitted for the General Assembly' approval. **(Annex-4)**

9. Approval of the audit firm, which is selected by the Board of Directors and which will conduct the independent audit activities in 2020,

In accordance with the Article 399 of Turkish Commercial Code No: 6102 and the provision of the Article 30 of the Bank's Articles of Association, independent auditor which will be selected by the Board of Directors for independent audit activities of the Bank in 2020 will be submitted for the General Assembly' approval.

10. Submission of information to the General Assembly regarding the donations made in the business year of 2019,

Information will be presented to the General Assembly about the donations made in 2019.

11. Authorization of the Board of Directors to permit the members of the Board of Directors to engage in activities mentioned in Article 395 and Article 396 of the Turkish Commercial Code and submission of information to the General Assembly pursuant to Article 1.3.6 of the Corporate Governance Principles issued by the Capital Markets Board of Turkey,

The authorization of the Board of Directors to permit the members of the Board of Directors to engage in activities mentioned in Article 395 and 396 of the Turkish Commercial Code will be submitted for the approval of the General Assembly. Further, in case of any transactions executed in the scope of the relevant the Article 1.3.6 of the Corporate Governance Principle, information on these transactions will be presented to the General Assembly.

12. Submission of information to the General Assembly about the share buy-back and sale-back transactions as per the resolution of the Board of Directors,

POWER OF ATTORNEY

I hereby designate _____ as my proxy to represent me as per the opinions I have stated below, to represent me, to vote, to make proposals and to sign documents at the Ordinary General Assembly of Halkbank to be held on Friday, April 03, 2020, at 14:45 at the Head Office of Halkbank located at Barbaros Mahallesi Şebboy Sokak No:4/1 Ataşehir/İstanbul.

PROXY'S (*)

Full Name/Title:

Turkish Identification Number/Tax Identification Number, Trade Registry Number and MERSİS Number:

(*)Proxies who are non-Turkish citizens must submit, if existing, the equivalent of these information, requested above.

A) SCOPE OF THE POWER OF ATTORNEY

For sections 1 and 2, the scope of the attorney shall be determined by choosing (a), (b) or (c) given below.

1. ABOUT THE AGENDA ITEMS OF THE GENERAL ASSEMBLY

- a) The Proxy is authorized to vote in line with his/her own views.
- b) The Proxy is authorized to vote in line with the proposals made by the company management.
- c) The Proxy is authorized to vote in line with the instructions contained in the table below.

Instructions:

If the shareholder chooses (c), he/she provides instructions to the proxy by choosing (accepting/rejecting) one of the options in front of the relevant agenda items. If the shareholder makes a rejection, he/she inserts his/her dissenting opinion, if any, to be recorded in the minutes of the General Assembly.

Agenda Items	Accept	Reject	Dissenting Opinion
1.Opening and formation of the General Assembly Presidency			
2.Reading and discussion of the 2019 Annual Report prepared by the Board of Directors, the Independent Audit Report, and the Report of the Board of Auditors			
3.Reading, discussion and approval of the financial statements for the 2019 financial and fiscal year			
4.Reading, discussion and approval of the Profit Distribution Tables for year 2019 proposed by the Board of Directors			
5.Discharging of the members of the Board of Directors and Board of Auditors from any liability			
6.Election of the members of the Board of Directors and the Board of Auditors			
7.Determination of the remuneration of members of the Board of Directors and the Board of Auditors			
8. Discussing the changes to the Articles of Association and approving the changes as agreed by the Banking Regulation and Supervision Agency, Capital Markets Board and the Republic of Turkey Ministry of Trade			
9.Approval of the audit firm, which is selected by the Board			

of Directors and which will conduct the independent audit activities in 2020			
10.Submission of information to the General Assembly regarding the donations made in the business year of 2019			
11.Authorization of the Board of Directors to permit the members of the Board of Directors to engage in activities mentioned in Article 395 and Article 396 of the Turkish Commercial Code and submission of information to the General Assembly pursuant to Article 1.3.6 of the Corporate Governance Principles issued by the Capital Markets Board of Turkey			
12.Submission of information to the General Assembly about the share buy-back and sale-back transactions as per the resolution of the Board of Directors			
13.Requests and Closing			

2. Special instruction regarding other issues that may arise during the General Assembly and especially on the use of minority rights:

- a) The Proxy is authorized to vote in line with his/her own views.
- b) The Proxy is authorized to represent the shareholder regarding these issues.
- c) The Proxy is authorized to vote in line with the special instructions listed below

SPECIAL INSTRUCTIONS: Shareholder gives his/her special instructions, if any, to the Proxy here.

B) SHAREHOLDER CHOOSES ONE OF THE OPTIONS BELOW TO DESIGNATE THE SHARES HE/SHE WANTS THE PROXY TO REPRESENT

1. I hereby authorize the proxy to represent my shares, the details of which are given below.

- a) Order and series:*
- b) Number/Group:**
- c) Amount-Nominal Value:
- d) Voting or Non-voting Share:
- e) Bearer or Registered Share:*
- f) Ratio of the total amount of shares owned and voting rights enjoyed by shareholder:

*This information is not requested for dematerialized shares.

**For dematerialized shares, information about the group rather than the number of shares will be provided.

2. I authorize the proxy to represent all of my shares contained in the list, prepared by the Central Registry Agency, of shareholders who may attend the General Assembly a day before the start of the General Assembly.

SHAREHOLDER'S (*)

Full Name and Title:

Turkish Identification Number/Tax Identification Number, Trade Registry Number and MERSİS Number:

Address:

(*)Shareholders who are non-Turkish citizens must submit, if existing the equivalent of the information, requested above.

Signature

TÜRKİYE HALK BANKASI A.Ş.
BOARD OF DIRECTORS REPORT

As a long-established bank in the sector, Halkbank has provided full support to the real economy and, in 2019, continued to offer high-quality products and services to the customers by drawing upon its 81 years of experience, risk management activities and quick response to market conditions. In this context, the Bank not only increased its service diversity in retail banking through its credit card brand Paraf, but also contributed to the national economy by actively supporting SMEs and tradespeople, in particular, with funds obtained from the capital market instruments it has issued and its widespread deposit base.

In 2019, Halkbank increased its assets to 457 billion Turkish lira from 378.4 billion Turkish lira with a 20.8 percent year-on-year increase. It also ranked third in assets within the sector.

By the end of 2019, the Bank directed a large part of its funding resources to loans, with loans comprising a 67.7 percent share on its balance sheet. Its commercial loans, including the SME loans, rose to 257.6 billion Turkish lira and its retail loans to 51.6 billion Turkish lira. The Bank ranked second in cash loans within the sector. In 2019, cash and non-cash loan volumes increased to 399.1 billion Turkish lira from 342.1 billion Turkish lira, up 16.7 percent year-on-year.

The IVME Financing loan was recorded at 8,473 million Turkish lira to 3,269 clients and Employment-Oriented Working Capital Loan (ISTOD) was provided to 1,597 clients, amounting to 2,476 million Turkish lira in total. As a result, an employment commitment for 21,032 people was created in ISTOD. Loan disbursement for artisan loans were recorded at 25,278 million Turkish lira, rose by 31.9 percent year-on-year to 41,043 million Turkish lira.

The size of its securities portfolio also increased to 102.7 billion Turkish lira, up 37.8 percent year-on-year. The portfolio's share in the balance sheet amounted to 22.5 percent.

In 2019, Halkbank issued bonds/bills to qualified investors without making any public offering and by making public offering with a par value of 17.2 billion Turkish lira.

Halkbank's total deposit base grew by 19.6 percent to 297.7 billion Turkish lira, up from 248.9 billion Turkish lira year-on-year. In addition, demand deposit volume amounted to 52.4 billion Turkish lira in 2019. In the second half of the year, interest rate cuts of CBRT led resource costs to decrease significantly.

The Bank posted a 1.7 billion Turkish lira year-end profit and maintained its sustainable profitability in 2019. In 2019, the Bank's capital adequacy ratio was 14.3 percent.

With 18 new branches opening in 2019, Halkbank expanded its branch network to 1,000 domestic branches and ended the year with 18,967 employees.

We would like to thank our employees. Their efforts and contributions have enabled Halkbank to maintain its sustained growth in 2019 and contributed to our profitable and productive year. We hereby submit the Reports of the Board of Directors' and Auditors', as well as financial statements for the year 2019, to our esteemed shareholders and their representatives for their consideration.

Yours faithfully,

Osman ARSLAN
Board Member
General Manager

R. Süleyman ÖZDİL
Chairman

TÜRKİYE HALK BANKASI A.Ş.
2019 BOARD OF AUDITORS' REPORT

The Board of Auditors has determined the following points upon review of the activities of the Bank for 2019.

- As of the end of 2018, total assets of the banking sector increased by 16.1 percent year-on-year to 4,491,090 million Turkish lira from 3,867,426 million Turkish lira. Total portfolio of securities rose by 38.3 percent to 660,917 million Turkish lira, while total deposits grew by 24.7 percent year-on-year to 2,678,010 million Turkish lira from 2,148,410 million Turkish lira. Cash loans rose to 2,656,132 million Turkish lira from 2,394,425 million Turkish lira, up 10.9 percent year-on-year. The non-performing loans/total cash loans ratio amounted to 5.37 percent.
- With such sector developments in the backdrop, by the end of 2019, the Bank's total assets soared to 457,045 million Turkish lira, an increase of 20.8 percent year-on-year. Cash loans went up by 16.7 percent, reaching 287,703 million Turkish lira from 246,447 million Turkish lira. The Bank's SME loans, aimed at financing the driving force behind our country's growth, rose to 113,757 million Turkish lira from 97,153 million Turkish lira, up 17.1 percent year-on-year. The Bank also sustained the lead in the sector with 18.5 percent market share in SME loans in 2019. The IVME Financing loan was recorded at 8,473 million Turkish lira to 3,269 clients and Employment-Oriented Working Capital Loan (ISTOD) was provided to 1,597 clients, amounting to 2,476 million Turkish lira in total. As a result, an employment commitment for 21,032 people was created in ISTOD. Loan disbursement for artisan loans was recorded at 25,278 million Turkish lira, rose by 31.9 percent year-on-year to 41,043 million Turkish lira from 31,124 million Turkish lira, while the total portfolio of securities grew by 37.6 percent to 91,757 million Turkish lira from 66,687 million Turkish lira. Additionally, total deposits increased by 19.9 percent to 296,085 million Turkish lira from 246,893 million Turkish lira. The Bank's ratio of non-performing loans/total cash loans amounted to 4.62 percent.
- In 2019, the Bank issued bonds/bills with a total nominal value of 17.2 billion Turkish lira,
- As a historical mission, the Bank grants loans to small- and medium-sized enterprises, artisans and tradespeople, as well as corporate, commercial and retail customers. Accordingly, as of year-end 2019, the ratio of cash loans/total assets, an indicator of asset quality, amounted to 62.9 percent (sector average: 59.1 percent), while the ratio of loans/deposits reached 97.2 percent (sector average: 99.2 percent).
- The Bank's authorized capital is 7,500 million Turkish lira, while its paid-in capital is 1,250 million Turkish lira. Furthermore, the Bank's shareholder's equity rose by 10.9 percent year-on-year to 32,197 million Turkish lira from 29,021 million Turkish lira.
- The Bank's net profit for the period amounted to 1,720 million Turkish lira at the end of 2019.
- Total number of credit cards issued increased to 4.4 million, total number of POS devices installed to 344 thousand, and the number of member merchants who signed on to 254 thousand.

- The Bank's bookkeeping order in the January 1-December 31, 2019 fiscal year complied with the TCC, the BRSA and the provisions of the Bank's Articles of Association on accounting and financial reporting and other relevant legislation. All notebooks and records that the bank is obligated to keep were kept according to the legal requirements, with records and documents that serve as evidence kept suitably, and the financing and reporting systems managed efficiently and in due form.
- The Board of Directors' resolutions with respect to the management of the Bank are duly recorded in the board of directors' minute book and are duly maintained.
- The Bank's internal control, risk management, and internal auditing systems are managed duly and effectively based on the findings of audits performed both at the head office and on site.
- The Bank's growth continued thanks to the opening of 18 new branches in 2019, increasing the total number of branches to 1,006. It currently operates with 1,000 domestic branches and 6 foreign branches: 5 in the Turkish Republic of Northern Cyprus and 1 in Bahrain. Furthermore, the Bank has representative offices in Tehran, London and Singapore, one for each country.
- In 2019, 512 employees left the Bank due to retirement or for other reasons. The Bank hired 698 new employees to meet its personnel needs, increasing the total number of employees to 18,967. The share of personnel expenses in total revenues increased to 22 percent in 2019, up from 21.2 percent in 2018.
- In 2019, university/college graduates accounted for 85.8 percent of the total headcount, up 20 basis points year-on-year.
- The Bank continued to provide service training in line with the objective of developing bank employees, and reported a training rate of 17.1 employees per day, or 18,744 participants. This included instructor-led, on-the-job, and e-learning training programs in 2019.

In conclusion, we respectfully submit to the General Assembly the Board of Auditors' Report, prepared pursuant to Article 31 of the Articles of Association of the Bank.

Best regards

Prof. Dr. Yılmaz ÇOLAK
Board of Auditors Member

Faruk ÖZÇELİK
Board of Auditors Member

* Figures excluding rediscount.

INDEPENDENT AUDITOR’S REPORT

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

A) Report on the Audit of the Financial Statements**1) Qualified Opinion**

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

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

2) Basis for Qualified Opinion

During the current period, the Bank reversed the total amount of general reserve amounting to TRY 414.000 thousand which was booked as of 31 December 2018. If the mentioned general provision had not been made in the prior period and not reversed in the current period, the prior periods’ income would be higher by TRY 414.000 thousand and the net profit for the period would be lower by TRY 414.000 thousand as at 31 December 2019.

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

We conducted our audit in accordance with the regulation on “Independent Auditing of Banks” published in the Official Gazette dated 2 April 2015 with No. 29314 and Standards on Independent Auditing (“SIA”) which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities

under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) **Emphasis of Matter**

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

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

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

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

4) **Key Audit Matters**

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

Key Audit Matter	How the matter was addressed in the audit
<p><i>Impairment of loans in accordance with TFRS 9</i></p> <p>Impairment of loans is a key area of judgement for the management. The Bank has the total loans amounting to TRY 309.208.101 thousands, which comprise 68% of the Bank's total assets in its unconsolidated financial statements and the total provision for impairment amounting to TRY 11.401.664 as at 31 December 2019.</p>	<p>As part of our audit work, the following procedures were performed:</p> <p>We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Bank with respect to classification of loans and determination and calculation of</p>

<p>As of 1 January 2018, the Bank recognizes provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. Applied accounting policies are explained in detail in the Section 3 Note VIII. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.</p> <p>The Bank exercises significant decisions using judgement, interpretation and assumptions over calculating loan impairments. These judgements, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans.</p> <p>There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of the TFRS 9. Failure in determining the loans that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter.</p> <p>Related explanations relating to the impairment of loans are presented in Section 5 Note I.5.</p>	<p>impairments. Our information system experts have also participated to perform these procedures.</p> <p>We have read and analysed the relevant contract terms to assess management’s accounting policy and classification of the instrument for selected samples.</p> <p>We have performed loan review procedures on selected samples of loans with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant standard.</p> <p>We have tested relevant inputs and assumptions used by the management in each stage of the expected credit loss calculation by considering whether those appear reasonable, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.</p> <p>We have tested historical loss data to validate the completeness and accuracy of key parameters.</p> <p>We have tested whether the model is applied to appropriate groupings of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets’ exposure periods.</p> <p>We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.</p>
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	<p>Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimations of impairments were reasonable.</p> <p>Our specialists are involved in all procedures related to models and assumptions.</p> <p>In addition, we have evaluated the appropriateness of specific impairment provision with supportable input for non-performing loans which are assessed on individual basis by the Bank. Based on our discussions with the Bank management, we have evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.</p> <p>We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loans and receivables and related impairment provisions.</p>
Key Audit Matter	How the matter was addressed in the audit
<p><i>Valuation of Pension Fund Obligations</i></p> <p>Defined benefit pension plan that the Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı and T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı (“Plan”) which were established by the 20th provisional article of the Social Security Law numbered 506 (the “Law”).</p> <p>As disclosed in the Section III Note XVII to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation (“SSF”) as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the</p>	<p>Our audit work included the following procedures:</p> <p>We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates.</p> <p>It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.</p> <p>In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank’s actuary.</p> <p>We have assessed whether there is a significant change in the actuarial</p>

<p>funds and the institutions that employ the funds' members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation deed.</p> <p>As of 31 December 2019, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Plan liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in the Plan. Management uses expert opinion of the independent actuary in assessing uncertainties related to these underlying assumptions and estimates.</p> <p>As described in Section Five Note II.9.f considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this as a key audit matter.</p>	<p>assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable.</p>
<p>Key Audit Matter</p>	<p>How the matter was addressed in the audit</p>
<p><i>Information Technologies Audit</i></p> <p>The Bank and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Bank and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Bank means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk</p>	<p>Procedures within the context of our information technology audit work:</p> <p>We identified and tested the Banks' controls over information systems as part of our audit procedures.</p> <p>Information generation comprise all layers of information systems including applications, networks, transmission systems and database. The information systems controls tested are categorized in the following areas:</p>

<p>based scoping.</p>	<ul style="list-style-type: none"> • Manage security • Manage changes • Manage operations <p>We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner.</p> <p>We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.</p> <p>Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation.</p> <p>We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components.</p> <p>Finally, we understood and tested the controls over database, network, application and operating system layers of applications.</p>
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5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

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

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

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

Additional Paragraph for English Translation

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

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

Hasan Kılıç
Partner

İstanbul, 14 February 2020

T.Halk Bankası A.S. Profit Distribution Table for 2019 (TRY)		
1. Paid-in Capital		1.250.000.000,00
2. General Legal Reserves (Based on the Legal Records)		2.252.739.360,26
Information regarding the privilege in profit distribution, if any, granted pursuant to the Articles of Association		
		Based on the Official Records (Pursuant to the Accounting Standards of the Public Oversight Accounting and Auditing Standards Authority and the BRSA)
3.	Profit for the Financial Year	1.968.257.481,90
4.	Taxes Payable (-)	247.948.050,46
5.	Net Profit for the Period (=) *	1.720.309.431,44
6.	Prior Years Losses (-)	0,00
7.	General Legal Reserves (-)	76.637.302,21
8.	NET PROFIT AVAILABLE FOR DISTRIBUTION (=)	1.456.108.741,94
9.	Donations made during the year (+)	
10.	Net Profit available for distribution including donations made subject to first dividend	
11.	First Dividend to Shareholders	0,00
	Cash	0,00
	Non Chase	0,00
	Total	0,00
12.	Dividends Distributed to the Privileged Shareholders	0,00
13.	Other Distributable Dividends	0,00
	To the Members of the Board of Directors	0,00
	To the Personnel	0,00
	To Other Persons excluding Shareholders	0,00
14.	Dividends to Owners of Redeemed Shares	0,00
15.	Second Dividend to Shareholders	0,00
16.	General Legal Reserves	0,00
17.	Status Reserves	0,00
18.	Special Funds	0,00
19.	EXTRAORDINARY RESERVES	1.456.108.741,94
20.	Other Distributable Funds	0,00

* As per the BRSA Circular No: 2004/3, General Legal Reserve is calculated on the remaining TRY 1.532.746.044,15 after deducting the deferred tax asset income amounting TRY 187.563.387,29 from TRY 1.720.309.431,44 net income for the period.

INFORMATION ON DIVIDEND PAYOUT RATIO

	GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND/ NET DISTRIBUTABLE PROFIT	DIVIDEND PER SHARE TOTAL DIVIDEND AMOUNT (NOMINAL VALUE: TRY 1)	
		CASH (TRY)	NON CASH (TRY)	RATIO (%)	AMOUNT (TRY)	RATIO (%)
GROSS	-	0,00	-	0,00	0,00	0,00
NET	-	0,00	-	0,00	0,00	0,00

OLD	NEW
TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ ARTICLES OF ASSOCIATION	TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ ARTICLES OF ASSOCIATION
<p>Capital:</p> <p>Article 6) (1) The Bank has adopted the registered share capital system in accordance with the provisions of the Capital Markets Law, and started to apply the registered share capital system pursuant to authorization No. 8/346 dated 19.03.2015 of the Capital Markets Board.</p> <p>(2) The Bank's registered share capital ceiling is 7,500,000,000 (Seven Billion Five Million) Turkish Lira represented by 750,000,000,000 (Seven Hundred Fifty Billion) shares, each with a 1 (One) Turkish Kuruş (Kr) (0.01 Turkish Lira) nominal value.</p> <p>(3) The authorization granted by the Capital Markets Board of Turkey for the registered share capital ceiling is valid for 5 years, from 2015 to 2019. Even if at the end of 2019 the registered share capital ceiling is not reached, in order for the Board of Directors to approve a capital increase after 2019, the General Assembly would be required to give authorization for a new period (not exceeding 5 years) by obtaining an permission from the Capital Markets Board of Turkey for the previously authorized ceiling, or a new ceiling amount. If the said authorization is not obtained, then the capital increase can not be made with the Board of Directors' decision.</p> <p>(4) The Bank's issued capital is 1,250,000,000 (One Billion Two Hundred Fifty Million) Turkish Lira, is free of collusion and has been fully paid-up. This share capital is represented by 125,000,000,000 (One Hundred Twenty</p>	<p>Capital:</p> <p>Article 6) (1) The Bank has adopted the registered share capital system in accordance with the provisions of the Capital Markets Law, and started to apply the registered share capital system pursuant to authorization No. 8/346 dated 19.03.2015 of the Capital Markets Board.</p> <p>(2) The Bank's registered share capital ceiling is 10,000,000,000 (Ten Billion) Turkish Lira represented by 1,000,000,000,000 (One Trillion) shares, each with a 1 (One) Turkish Kuruş (Kr) (0.01 Turkish Lira) nominal value.</p> <p>(3) The authorization granted by the Capital Markets Board of Turkey for the registered share capital ceiling is valid for 5 years, from 2020 to 2024. Even if at the end of 2024 the registered share capital ceiling is not reached, in order for the Board of Directors to approve a capital increase after 2024, the General Assembly would be required to give authorization for a new period (not exceeding 5 years) by obtaining an permission from the Capital Markets Board of Turkey for the previously authorized ceiling, or a new ceiling amount. If the said authorization is not obtained, then the capital increase can not be made with the Board of Directors' decision.</p> <p>(4) The Bank's issued capital is 1,250,000,000 (One Billion Two Hundred Fifty Million) Turkish Lira, is free of collusion and has been fully paid-up. This share capital is represented by 125,000,000,000 (One Hundred Twenty</p>

<p>Five Billion) shares, each with a 1 (One) Turkish Kuruş (0.01 Turkish Lira) nominal value.</p> <p>(5) The Board of Directors is authorized to pass resolutions regarding share issues at a premium over the par value, and to restrict preemptive rights of shareholders avoiding unequal treatment.</p> <p>(6) The shares representing the Bank's share capital are traced through book-entry registration pursuant to applicable principles of dematerialization.</p> <p><i>Invitation and Announcement for General Assembly:</i></p> <p>Article 12) (1) The General Assembly shall be called for a meeting by the Board of Directors or by those who are authorized in this regard as per applicable laws and regulations.</p> <p>(2) The date, time, venue, and agenda of the General Assembly meeting shall be announced in the Trade Registry Gazette of Turkey, in at least one newspaper that is circulated across the country, at the website of the Bank, at the Public Disclosures Platform (PDP), and also via other means as designated by the Capital Markets Board at least three weeks in advance of anticipated date of the meeting excluding the dates of announcement and meeting.</p> <p>(3) The invitation for meeting shall not be sent separately via registered and reply-paid letter for the Bank's shares that are traded on the stock exchange.</p> <p>(4) The invitation for meeting shall be sent separately via registered and reply-paid letter for the Bank's dematerialized shares which are not traded on the stock exchange. However, the invitation for meeting shall be sent via registered and reply-paid letter to such address, which are clearly known based on records available in the Share Ledger, for those shares that are monitored</p>	<p>Five Billion) shares, each with a 1 (One) Turkish Kuruş (0.01 Turkish Lira) nominal value.</p> <p>(5) The Board of Directors is authorized to pass resolutions regarding share issues at a premium over the par value, and to restrict preemptive rights of shareholders avoiding unequal treatment.</p> <p>(6) The shares representing the Bank's share capital are traced through book-entry registration pursuant to applicable principles of dematerialization.</p> <p><i>Invitation and Announcement for General Assembly:</i></p> <p>Article 12) (1) The General Assembly shall be called for a meeting by the Board of Directors or by those who are authorized in this regard as per applicable laws and regulations.</p> <p>(2) The date, time, venue, and agenda of the General Assembly meeting shall be announced in the Trade Registry Gazette of Turkey, in at least one newspaper that is circulated across the country, at the website of the Bank, at the Public Disclosures Platform (PDP), and also via other means as designated by the Capital Markets Board at least three weeks in advance of anticipated date of the meeting excluding the dates of announcement and meeting.</p> <p>Removed</p> <p>Removed</p>
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<p>collectively through the “Dematerialized Unknown Shareholders Account” at the Central Registry Agency.</p> <p><i>Dematerialization of Shares:</i></p> <p>Temporary Article 2) Pursuant to provisions of the Capital Markets Law; dematerialized shares, which are traced collectively through the “Dematerialized Unknown Shareholders Account” at the Central Registry Agency, shall be dematerialized by their holders in their own names and accounts by the end of 2014.</p> <p>Shares that have not been dematerialized by shareholders in their own names and accounts shall be transferred to the Investors Indemnification Center as of the end of 2014, and shall thereafter be sold within the periods of time specified in the Law.</p>	<p>Removed</p>
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