

EVERY DREAM
REVEALS A TRUTH



CONTENTS

CORPORATE PROFILE

- 02 Corporate Profile
- 04 Halkbank's Vision, Mission, Objectives and Corporate Values
- 05 Halkbank's Strategies
- 06 Halkbank in Brief
- 06 Amendments to the Articles of Association in 2017
- 07 Shareholding Structure
- 08 Key Financial Indicators and Ratios
- 10 Halkbank's Historical Development
- 14 Halkbank Milestones

ASSESSMENT OF THE MANAGEMENT

- 16 Chairman's Assessment
- 20 General Manager's Assessment
- 28 Board of Directors and the Supervisory Board
- 29 Executive Management

REVIEW OF OPERATIONS IN 2017

- 34 Review of Operations in 2017
- 77 Halkbank's Subsidiaries and Affiliates
- 84 Annual Report Compliance Statement

MANAGEMENT AND CORPORATE GOVERNANCE

- 86 Board of Directors and the Supervisory Board
- 90 Executive Management
- 94 Organizational Chart
- 96 Committees
- 104 Executives of the Internal Systems Units
- 105 Report of the Board of Directors
- 106 Human Resources Practices
- 108 Transactions with the Risk Group
- 108 Information on Support Services Providers
- 109 Profit Distribution Policy
- 110 Report of the Supervisory Board
- 112 Corporate Governance Principles Compliance Report

FINANCIAL INFORMATION AND RISK MANAGEMENT

- 124 Audit Committee's Assessment on the Operation of the Internal Control and Compliance, Internal Audit and Risk Management Systems and Information about its Activities in 2017
- 128 Financial Standing, Profitability and Debt-Servicing Capability
- 130 Risk Management Policies by Risk Types and Risk Management Information
- 131 Rating Notes
- 132 Five-Year Summary Financial Information
- 133 Unconsolidated Independent Auditor's Report
- 263 Consolidated Independent Auditor's Report
- 401 Directory



“ Dreams are created to be realized. Every venture, every investment, every production is carried out by imagining a good future.

“ We are expending every ounce of our energy in order for every productive segment can look to the future with confidence. SMEs should produce so that Turkey continues to progress; businesses should expand so Turkey can grow. They should dream so we can do our part to realize their dreams.

“ This year we were inspired by the unique imagination of children to convey our activities. We are proud to have contributed to their happy scenes.





CORPORATE PROFILE

“ Halkbank's success is the success of growing and developing Turkey. We continue to support the real economy since the day we were established.

Halk ister
Halkbank
yapar.

SUPPORT TO THE
REAL ECONOMY

KOLAY DEĞİLDİR BAZI İSİMLERİ TAŞIMAK

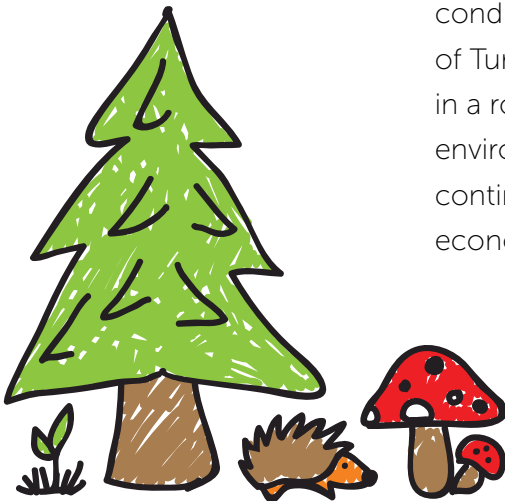
Halkın Bankası

80 yıldır adımızı verdiği sorumlulukla geleceğimizi demeden bu vatan için, üretken Türkiye için çalışıyoruz. Her zaman halkımızla olmaktan gurur duyuyoruz.
Çünkü Halk İster, Halkbank yapar!

halkbank.com.tr | 0800 333 8 400 Şişli

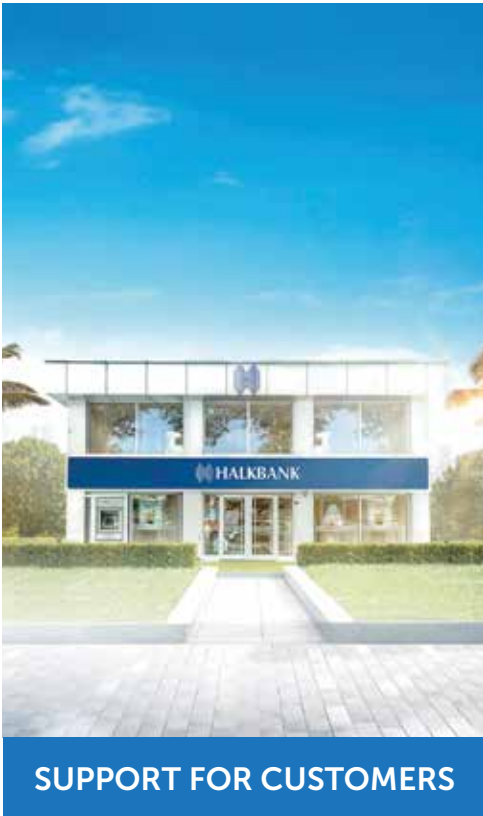
HALKBANK

SUPPORT TO SOCIAL
WELFARE



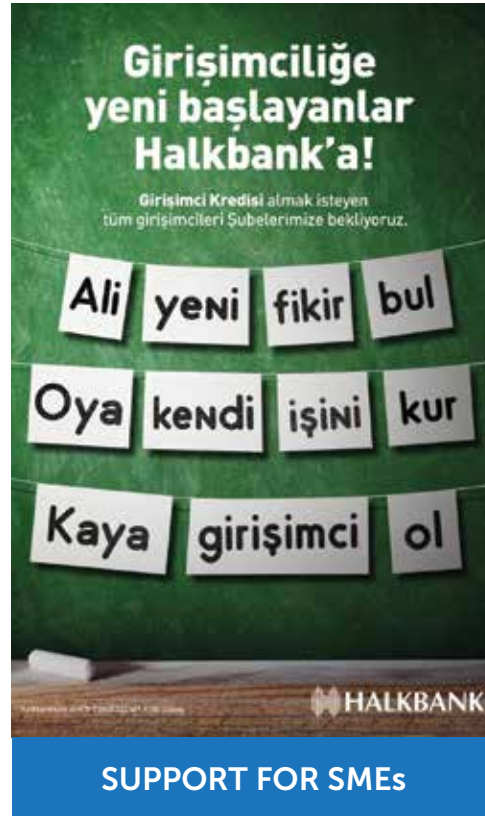
Believing that the social conditions and prosperity of Turkey can best improve in a robust, productive environment, we have continued to support the real economy since day one.

We see our clients as the most important players in the real economy; we conduct our operations understanding that they are the drivers of the economic growth that has increased national income and raised living standards in Turkey in recent years.



SUPPORT FOR CUSTOMERS

Our activities are based on the principle of standing by our clients and providing support at all times and under all circumstances. The best proof of this commitment is our steadily increased lending and new branch openings, even during the economic crisis.



SUPPORT FOR SMEs

SMEs in Turkey are producing, growing and looking to the future with hope. Their success is our success... Halkbank's success is the success of growing and developing Turkey.

“ SMEs in Turkey are producing, growing and looking to the future with hope. Their success is our success.



HALKBANK'S VISION, MISSION, OBJECTIVES AND CORPORATE VALUES



OUR VISION

FULFILLING ALL THE REQUIREMENTS OF UNIVERSAL BANKING TO BECOME A BANK STRONG IN THE RETAIL SEGMENT AND THE LEADER OF SME SERVICES ACROSS THE REGION.



OUR TARGETS

- BECOMING THE LEADING SME BANK OF THE REGION,
- BECOMING THE BANK OF CHOICE FOR SME AND RETAIL CUSTOMERS ALIKE,
- BECOMING THE EMPLOYER OF CHOICE FOR HIGHLY QUALIFIED BANKING PROFESSIONALS,
- DELIVERING CUSTOMER SATISFACTION IN ALL BUSINESS PROCESSES BY REACHING THE HIGHEST QUALITY AND FASTEST SERVICE LEVELS IN THE SECTOR,
- BECOMING A BANK THAT GROWS IN A BALANCED FASHION AND REGULARLY POSTS SUSTAINABLE PROFITS.



OUR MISSION

FULLY AWARE OF ITS SOCIAL RESPONSIBILITY AND PROFESSIONAL MISSION, PERFORMING ALL BANKING SERVICES IN AN EFFICIENT MANNER, CREATING PERMANENT VALUE FOR CUSTOMERS, SHAREHOLDERS AND EMPLOYEES, CONTRIBUTING TO THE DEVELOPMENT OF THE BANKING INDUSTRY AND CAPITAL MARKETS, AND ASSUMING A PRESTIGIOUS POSITION IN REGIONAL AND GLOBAL BANKING.



OUR CORPORATE VALUES

- CUSTOMER FOCUS
- RELIABILITY
- INTEGRITY
- CREATIVITY
- DYNAMISM
- RATIONALITY
- TEAMWORK
- PRODUCTIVITY
- TRANSPARENCY
- SENSITIVITY
- SELF-CONFIDENCE
- OPENNESS TO CHANGE
- SOCIAL RESPONSIBILITY
- SHARING INFORMATION AND EXPERIENCE





HALKBANK'S STRATEGIES



OUR STRATEGIES

1. EXPANDING THE RANGE OF TRADITIONAL BANKING ACTIVITIES AND SPECIALLY DESIGNED NEW PRODUCT AND SERVICE OPTIONS
2. OFFERING SME AND RETAIL CUSTOMERS IN THE MIDDLE AND HIGHER INCOME SEGMENTS VARIOUS EXCLUSIVE PRODUCTS AND SERVICES, AS PART OF CUSTOMER SEGMENTATION EFFORTS
3. PROVIDING TOP QUALITY SERVICES WITH A CUSTOMER FOCUS
4. CREATING EFFICIENCY IN CRITICAL PROCESSES, IN PARTICULAR LOAN AND FINANCIAL RISK MANAGEMENT
5. ENSURING EFFICIENCY IN ALL BUSINESS PROCESSES TO PROVIDE A WIDE ARRAY OF PRODUCTS, TRANSACTION AND SYSTEM SECURITY, FAST AND HIGH-QUALITY TRANSACTIONS, AND COMPETITIVE PRICING.
6. GUARANTEEING THE CONTINUOUS DEVELOPMENT AND MOTIVATION OF EMPLOYEES VIA CAREER AND PERFORMANCE MANAGEMENT SYSTEMS
7. ENSURING THAT INTERNAL AND EXTERNAL CUSTOMERS EMBRACE THE CORPORATE IDENTITY
8. RENDERING HIGH-QUALITY SERVICE IN INTERNATIONAL BANKING THROUGH THE OVERSEAS BRANCH NETWORK.

HALKBANK IN BRIEF

“ With its global vision, Halkbank serves customers with 963 domestic branch locations, 6 overseas branches, 1 country management, 3 overseas representative offices, 3,917 ATMs, telephone and internet banking channels, mobile banking applications, innovative products and services that provide customers unique banking experience as of the end-2017.

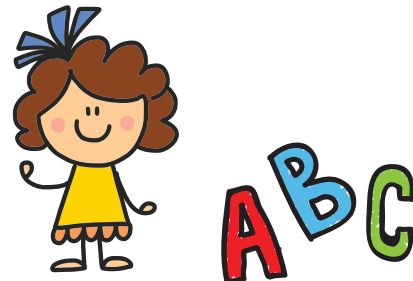
Halkbank was founded in 1938 to support craftsmen and tradesmen and to accelerate the country's economic development. The Bank's core business strategy has not changed during its 79-year history. Halkbank sees every craftsman, farmer and small, medium or large size enterprise owner that creates value and generates employment as a business partner. The Bank firmly believes that it has the responsibility to support these economic producers with its entire financing capability, both in good days and bad. Allocating 38.1% of the Bank's total loan portfolio to SMEs, Halkbank continues to be their primary supporter in Turkey.

With its global vision, Halkbank serves customers with 963 domestic branch locations, 6 overseas branches, 1 country management, 3 overseas representative offices, 3,917 ATMs, telephone and internet banking channels, mobile banking applications, innovative products and services that provide customers unique banking experience as of the end-2017. Halkbank ranks among the sector's most efficient banks in terms of return on equity. Some 48.89% of Halkbank's outstanding shares are publicly held.

Halkbank is a steadily growing institution that ranks among the longest established, pioneering and most respected brands in progressing Turkey.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION IN 2017

In 2017, there were no changes to the Articles of Association.





SHAREHOLDING STRUCTURE

“ Pursuant to the Resolution numbered 2017/1 dated February 3, 2017 by the Privatization Board of Turkey, shares held by the Privatization Administration of Turkey were removed from the scope of the privatization program and they were transferred to the Turkey Wealth Fund on March 10, 2017.

Türkiye Halk Bankası A.Ş. has shifted to the registered capital system, upon a resolution adopted at its Ordinary General Assembly dated March 27, 2015. The Bank's registered capital ceiling is TRY 7,500,000,000 and its issued capital is TRY 1,250,000,000.

99.999996207% of the Bank's shares, originally held by the Undersecretariat of Treasury of the Prime Ministry of the Republic of Turkey, were transferred to the ownership of the Privatization Administration of Turkey. Pursuant to Resolution No. 2007/08 of the Privatization High Council dated February 5, 2007; the Resolution of the Bank's General Assembly dated April 19, 2007; and Resolution No. 16/471 of the Capital Markets Board of Turkey dated April 26, 2007, 24.98% of these shares were publicly listed on May 10, 2007.

As part of the secondary public offering of the Bank's shares pursuant to Resolution No. 2012/150 of the Privatization High Council dated October 4, 2012, shares owned by the Privatization Administration of Turkey, representing 23.92% of the Bank's capital, were successfully floated on November 21, 2012.

Pursuant to the Resolution numbered 2017/1 dated February 3, 2017 by the Privatization Board of Turkey, shares held by the Privatization Administration of Turkey were removed from the scope of the privatization program and they were transferred to the Türkiye Wealth Fund on March 10, 2017.

The Bank's controlling shareholder is the Turkey Wealth Fund with an equity stake of 51.10604% (Address: Kültür Mah. Nispetiye Cad. Akmerkez E Blok Beşiktaş İSTANBUL). Neither the Chairman, Vice Chairman, General Manager nor the Members of the Board of Directors hold shares in the Bank.

SHAREHOLDER	PAID-IN CAPITAL (TRY)	SHAREHOLDING (%)
Turkey Wealth Fund*	638,825,500	51.1060400
Free Float*	611,090,265	48.8872212
Other**	84,235	0.0067388
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%.

** The shares in the amount of TRY 81,614 under the "Other" group belong to our shareholders whose shares do not trade on the Exchange (though these shareholders have been dematerialized them in their own accounts); TRY 2,621 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.

Pursuant to Law No. 6327 dated June 13, 2012, as well as Provision 3 of Article 2 that was added to Law No. 4603, until their sale is finalized, these public sector-owned shares in the Bank shall be governed and represented by the Minister that the Bank reports to in accordance with the Turkish Commercial Code.



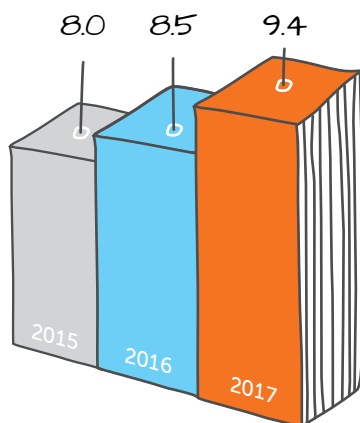
KEY FINANCIAL INDICATORS AND RATIOS

“ In 2017, Halkbank increased its total assets to TRY 305.4 billion with 31.9% increase.

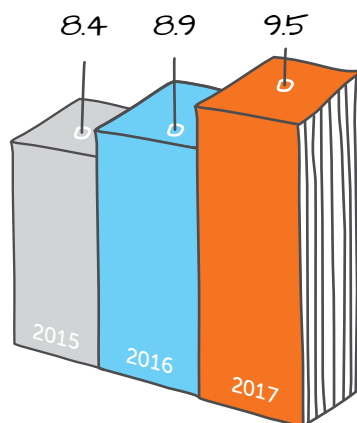
HALKBANK'S POSITION IN THE SECTOR

MARKET SHARE (%)	2016	2017
Total Assets	8.5	9.4
Cash Loans	8.9	9.5
Securities	8.8	11.2
Deposits	9.7	10.7
Shareholders' Equity	7.1	7.1
Profit	6.8	7.6

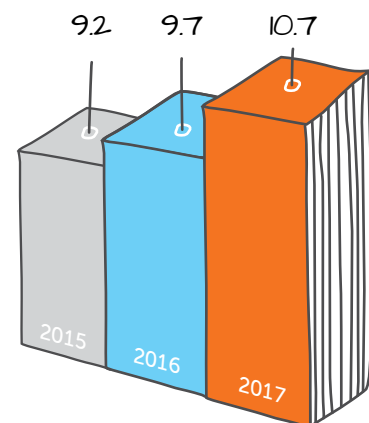
TOTAL ASSETS MARKET SHARE (%)



CASH LOANS MARKET SHARE (%)



DEPOSITS MARKET SHARE (%)



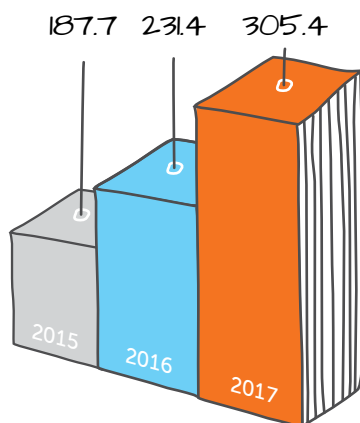
* Sector data dated December 31, 2017 and featured in the report was disclosed by BRSA on January 30, 2018.



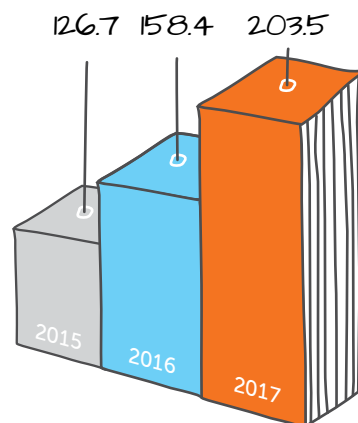
KEY FINANCIAL INDICATORS (TRY MILLION)	2016	2017	CHANGE (%)
Total Assets	231,441	305,351	31.9
Liquid Assets	31,660	43,726	38.1
Cash Loans	158,354	203,464	28.5
Securities	33,216	48,903	47.2
Total Deposits	150,263	193,227	28.6
Shareholders' Equity	21,317	25,377	19.0
Net Interest Income	6,957	7,801	12.1
Net Fee and Commission Income	1,375	2,027	47.4
Gross Profit	3,352	4,710	40.5
Net Profit	2,558	3,725	45.6

KEY RATIOS (%)	2016	2017
Interest Bearing Assets/Total Assets	82.5	81.0
Loans/Total Assets	68.4	66.6
Non-performing Loans/Total Loans (Gross)	3.17	2.93
Loans/Deposits	105.4	105.3
Average Return on Assets	1.2	1.4
Average Return on Equity	12.6	16.0
Capital Adequacy Ratio	13.1	14.2

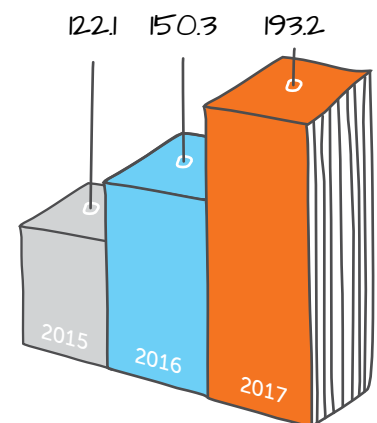
TOTAL ASSETS (TRY BILLION)



CASH LOANS (TRY BILLION)



TOTAL DEPOSITIS (TRY BILLION)



HALKBANK'S HISTORICAL DEVELOPMENT

“ Mustafa Kemal Atatürk, who stated, "It is extremely essential to create an organization that will provide small business owners and large industrial enterprises with the loans they so desperately need, easily obtainable and inexpensively priced, and to lower the cost of credit under normal circumstances," paved the way for the inception of Halkbank.

During the early years of the Republic of Turkey, economic difficulties resulted from the lack of capital, scarcity of production facilities and an under-developed private sector. These factors prevented the emergence of institutions that were able to lend to small enterprises, artisans and tradesmen.

The Great Depression of 1929 led to a very challenging economic environment in Turkey. During this period, the commercial activities of artisans and tradesmen contracted across the country.

Banks and other state enterprises that started operations in the years after the founding of the Turkish Republic were unable to address the unique problems facing small scale artisans and tradesmen, which made up the largest segment of the economy. As a result, Halkbank's establishment was decided to lend specifically to artisans, tradesmen and small businesses at favorable terms in order to achieve lasting economic development, social stability and peace.

Mustafa Kemal Atatürk, who stated, "It is extremely essential to create an organization that will provide small business owners and large industrial enterprises with the loans they so desperately need, easily obtainable and inexpensively priced, and to lower the cost of credit under normal circumstances," paved the way for the inception of Halkbank.

Halkbank and the People's Funds Law

Halkbank was founded pursuant to the Halkbank and Public Funds Law enacted in 1933.

This legislation promoted development of a hybrid system with a dual structure that included an occupation-based microcredit facility that Turkey lacked at the time. Under this system, Halkbank would manage micro-lending centrally while public funds would be set up to assume the principal function in the areas deemed appropriate by the Bank. However, it took five years to implement this hybrid system.

Halkbank provided credit services through the Public Funds channel, from which it received financing, from 1938 to 1950. From the beginning of 1964, the Bank started working actively to expand both the deposit base and lending.

Halkbank acquired Türkiye Öğretmenler Bankası T.A.Ş. (Töbank) in 1992, Sümerbank in 1993, and Etibank in 1998. Growing more diversified and stronger with each acquisition, Halkbank entered into the process of reorganization in 2000 to operate more effectively in the current, internationally competitive banking environment while preparing itself for privatization. In 2001, the Bank acquired Emlak Bankası with its 96 branches, personnel and balance sheet.

Pamukbank was merged into Halkbank in the second half of 2004. Finalized in only half the time of the originally estimated nine months, this integration went down in world banking history as a bank merger that was successfully completed in a very short period of time.





The first bank to establish an Entrepreneur Information Center in 1995 and the first bank in Turkey to offer a Women's Entrepreneur Loan in 2007, Halkbank has always been a pioneer in the industry. It was also the first state-owned bank to use TV banking and to open an offshore branch abroad.

Record Demand for Public Offering

Halkbank's share flotation in 2007 generated record demand as the largest ever public offering in Turkey at that time. Some 24.98% of the Bank's outstanding shares were sold for TRY 2.5 billion. Bids placed by domestic and international investors for the Bank's floated shares totaled TRY 17.3 billion, eight times the size of the offering. Halkbank's successful flotation received the "Best Public Offering" award for the year from Sweden-based East Capital, a leading independent European investment company.

In 2012, Halkbank carried out a secondary public offering of its shares that increased its free-float ratio to 48.9%. The highly successful transaction raised TRY 4.5 billion for the Bank. Of the total offering, 80% of the shares were sold to foreign investors while domestic corporate investors and domestic individual investors were each allocated 10%. Halkbank completed its secondary offering, recorded as the largest public offering on the Borsa İstanbul A.Ş. and the third-largest in Europe, with the smallest discount to date, marking yet another notable achievement for the Bank.

Prestigious Position in the Sector

Since its establishment, Halkbank has always prioritized those investments that contribute to both Turkey's economic and social development. Thanks to major strides taken in recent years, the Bank continues to strengthen its well-respected position in the banking industry attained through a countrywide branch network, high quality products and services, and a professional approach to SME banking.

Striving to extend resources to productive enterprises and to create value for Turkey, Halkbank meets all funding demand with competitive interest rates thanks to its diversified range of loan products for investment, production, domestic and foreign trade, and retail financing. In addition to its domestic funding sources, the Bank also cooperates with international financial institutions including the World Bank, European Investment Bank, the Council of Europe Development Bank and the French Development Agency. Furthermore, Halkbank offers a wide range of conveniences to SMEs including special loans and products tailored to their specific requirements, local and regional needs through credit agreements with chambers of commerce and industry throughout Turkey.



PRODUCT AND SERVICE QUALITY

With its widespread branch network, exceptional product and service quality and professional approach, Halkbank has a prestigious position in the banking industry.

HALKBANK'S HISTORICAL DEVELOPMENT

“ With Paraf, which is not only a credit card product but also a platform that enables partnerships with other banks, Halkbank plans to offer services customized according to the personal preferences and needs of customers.

Halkbank works to increase cooperation with regional development agencies; increase the loans extended through KOSGEB (Small and Medium Enterprises Development Organization); and bolster the amount and variety of funding sources secured from international financial institutions. Additionally, Halkbank is constantly evolving and implements organizational change strategies to provide better service to SMEs and meet their specific needs with fast, effective, high-quality solutions that ultimately aim to contribute to the country's economic development by strengthening SMEs, the foundation of Productive Turkey.

The Bank of "Firsts" in Retail Banking

Upon the leap taken into the retail banking segment, Halkbank enriched its consumer loan portfolio with offerings that meet every type of need with attractive terms. In addition to general purpose loans for education, healthcare and vacations, the Bank added retail loans with convenient repayment options for target occupational groups to its existing product portfolio.

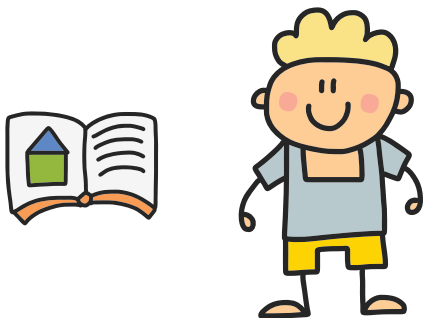
Thanks to a partnership agreement between Halkbank and HSBC in 2007, Halkbank credit cards were enhanced with Advantage features. As a result, Halkbank enabled cardholders to benefit from the installment and CashPoint features of the Advantage card.

Europe's first prepaid contactless debit card launched thanks to a partnership between Halkbank and Visa. Bank24 Jet combines many functions including a contactless payment card for small-sum purchases, a public transit card, KGS, a self-service payment card and a pass card.

With its initiative that shortened the process of receiving and evaluating credit card applications and delivering cards to customers, Halkbank became the first bank in Turkey to receive ISO 9001 Quality Management Systems Certification in 2008.

In December 2012, Halkbank terminated its Advantage card partnership with HSBC and launched a new credit card brand, Paraf, with the slogan, "Paraf: Home of Benefits." Having introduced numerous firsts to the sector with distinctive promotional campaigns and innovative features, Paraf posted significant increases in card numbers and market share. At the Visa 2014 Achievement Awards, Halkbank was designated "The Bank with the Largest Growth in Visa Credit Card Shopping Volume." As of year-end 2017, Paraf boasted 4 million credit cards, 348 thousand POS devices and 328 thousand contracted merchants.

With Paraf, which is not only a credit card product but also a platform that enables partnerships with other banks, Halkbank plans to offer services customized according to the personal preferences and needs of customers.





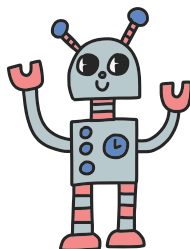
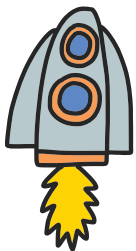
“ Halkbank’s use of advanced technology serves as a powerful competitive advantage. Thanks to a revamped technological infrastructure, centralized database and automated operations facilities, the Bank significantly reduced the operational task workload performed by the branches for settlement and reconciliation purposes.

Strong Technological Infrastructure

Halkbank’s use of advanced technology serves as a powerful competitive advantage. Thanks to a revamped technological infrastructure, centralized database and automated operations facilities, the Bank significantly reduced the operational task workload performed by the branches for settlement and reconciliation purposes. Halkbank has launched a wide variety of technology related initiatives, including “data warehousing, data mining and customer relationship management;” these projects help facilitate the Bank’s business strategy development and decision-making processes, identification of customer profiles and needs, and product and service offerings.

Halkbank implemented the Identity Management System (IdM), developed in cooperation with Koç Sistem, at the Bank’s headquarters and branch locations in 2008. The Identity Management System allows employees to conduct all banking transactions as well as to receive healthcare and social security services using a single ID number or card.

In order to facilitate customer banking transactions across all platforms, Halkbank uses all technology infrastructure and processes as needed in today’s world and financial services industry.



A Powerful Regional Player

Halkbank is striving to extend its robust domestic performance to overseas markets and to become a strong regional bank in Turkey’s surrounding geography. In 2011, Halkbank acquired the shares of Export and Credit Bank Inc., the SME bank of Macedonia. Aiming to be one of Macedonia’s top three banks, Halkbank operates in the country under the name Halk Banka A.D., Skopje. In 2012, Halk Banka A.D., Skopje acquired Ziraat Banka A.D., Skopje along with all of its assets, liabilities, branches and personnel.

In 2015, Halkbank bought a 76.76% stake in Cacanska Banka and renamed it Halkbank A.D. Beograd. Halkbank continues to make long-term investments in Serbia. After the capital increase and the share sales, Halkbank holds a 99.89% stake in Halkbank A.D. Beograd. It has opened the subsidiary’s 32th branch in Novi Pazar as the latest stage of its growth strategy in the Serbian market.

In the coming years, Halkbank plans to continue seizing opportunities that arise in the Balkans, to establish a strong regional presence there, and function as a bridge between Turkey and that burgeoning area.

Halkbank Headquarters Moves to Istanbul

At Halkbank’s Ordinary General Assembly Meeting held on March 29, 2013, the Bank’s headquarters was relocated from Ankara to Istanbul, with the approved amendments made to the Articles of Association.

Halkbank’s Human Resources

Under a reorganization initiative, Halkbank upgraded its employee profile as well as the Bank’s organizational structure. As of year-end 2017, the Bank’s number of employees totaled 17,851.

HALKBANK MILESTONES

“ Halkbank raised its total assets to TRY 305.4 billion and became the fifth largest bank in Turkey.

1933

Founded pursuant to the Halkbank and Public Funds Law, Halkbank carried out credit services through the Public Funds channel for which it provided financing from 1938 to 1950.

1940

Halkbank extended its first SME loans to small and medium-size enterprises.

1950

Having conducted credit services through the Public Funds channel since 1938, Halkbank was authorized to open branches and lend directly in 1950.

1964

Halkbank created the first fund for the construction of small industrial parks and marketplaces. That same year, the Bank started working actively to expand the deposit base and lending volume.

1975

Halkbank became the bank of larger industrial enterprises as well with the launch of industrial investment and working capital loans.

1992

Halkbank grew with the acquisition of a number of banks starting in 1992. As part of this process, Türkiye Öğretmenler Bankası (Töbank) was merged into Halkbank during the year with all of its personnel, branches, assets and liabilities.

1993

Halkbank acquired Sümerbank's assets and liabilities in 1993.

1995

The first Entrepreneur Information Center was established.

1998

Etibank was merged into Halkbank in 1998, with only the acquisition target's assets and liabilities.

2000

Halkbank launched restructuring initiatives pursuant to Law No. 4603 on the restructuring of state-owned banks to operate in accordance with the requirements of the current globally competitive banking environment and to prepare for privatization.

2001

Halkbank acquired Türkiye Emlak Bankası, with the target company's 96 branches, personnel and balance sheet.

2004

In the second half of 2004, Pamukbank was successfully merged into Halkbank with all the target company's assets, liabilities, branches and employees.

2007

Halkbank's public offering in 2007, which met with record demand, was registered in the history of the Borsa İstanbul A.Ş. as the largest public offering carried out in Turkey at that time. 24.98% of Halkbank shares were floated. Thanks to this successful public offering, Halkbank received the annual "Best Public Offering" award from East Capital, a leading European investment company. Under an agreement between Halkbank and HSBC that year, Halkbank credit cards were enhanced with Advantage features.

2008

Halkbank credit cards were redesigned to offer all benefits of Advantage and launched under the Halkbank Advantage brand.

With an initiative that shortened the process of receiving and evaluating credit card applications and delivering cards to customers, Halkbank became the first bank in Turkey to receive ISO 9001 Quality Management Systems Certification in 2008.

In addition, Europe's first prepaid contactless debit card launched thanks to a partnership between Halkbank and Visa; Bank24 Jet combined a large number of diverse functions in one single card.

In 2008, Halkbank launched the SME Transformation Project to help SMEs comply with domestic and international regulatory requirements and practices with regard to corporate social responsibility, environment, occupational health and safety and energy efficiency.

2009

Entering into cooperation agreements with development agencies, Halkbank started collaborating with these agencies, the first bank to become a solutions partner to this segment.

2011

Halk Academy, an in-house banking school, was restructured to provide the highest quality training for Halkbank employees. The Academy administered programs that generally related to banking, personal development and social responsibility.



Halkbank Operations Center was established as part of the Operational Transformation Project that was initiated to increase the Bank's efficiency and accelerate growth.

Striving to extend its successful domestic performance to overseas markets and become a powerful regional bank, Halkbank acquired the shares of Export and Credit Bank Inc. / Skopje, the SME bank of Macedonia in 2011. Aiming to be one of Macedonia's top three banks, Halkbank operates in the country under the name Halk Banka A.D., Skopje.

2012

Halkbank launched the credit card brand Paraf with the slogan, "Paraf: Home of Benefits" in 2012.

Halkbank shares were floated in 2012 through a secondary public offering, raising the Bank's free-float percentage to 48.9%.

In 2012, Halkbank secured a syndicated loan amounting to EUR 558 million and USD 207.5 million with the participation of 46 banks from 23 countries and successfully completed a USD 750 million Eurobond issue, confirming the Bank's strong reputation in the eyes of international investors. The Bank also issued TRY 1.5 billion in bank bonds.

2013

At Halkbank's Ordinary General Assembly Meeting held on March 29, 2013, the Bank's official headquarters was relocated from Ankara to Istanbul, with the approved amendments made to the Articles of Association.

Halkbank expanded the Paraf card product portfolio in 2013 and introduced Parafly, a credit card designed specifically for travel spending. Reaching its year-end target after just six months, the Bank issued some 3.2 million Paraf cards to customers in 2013.

Halkbank rolled over its syndicated loan of EUR 562 million and USD 259 million with the participation of 41 banks from 19 countries and placed the Bank's second Eurobond issue which amounted to USD 750 million. The Bank also issued TRY 2.5 billion in bank bonds.

2014

Halkbank revolved its EUR 511.5 million and USD 112 million syndicated loan through a consortium comprising 34 banks from 17 countries in 2014. It also carried out a third Eurobond issue with a nominal value of USD 500 million. Additionally, the Bank issued TRY 2.75 billion in corporate bonds.

Paraf Credit Card garnered Halkbank the "Bank with the Largest Growth in Visa Credit Card Shopping Volume" designation at the Visa 2014 Achievement Awards.

2015

In March 2015, Halkbank acquired a 76.76% stake in Cacanska Banka A.D., Cacak, which has branches in various regions of Serbia. Halkbank renamed the newly acquired bank Halkbank A.D., Beograd.

Halkbank ranked high in The Banker's survey on the world's most reliable banks. Halkbank placed 102nd on the list which ranks 250 world banks for robustness and reliability, based on a range of criteria that includes asset quality, liquidity, risk environment, and profitability.

In 2015, Halkbank once again rolled over its syndication loan, securing EUR 640 million and USD 179 million. Furthermore, the Bank issued its fourth bond (Eurobond) worth USD 500 million in international markets, and a bond worth TRY 3.5 billion in the domestic markets.

2016

Halkbank's Mobile Banking app, upgraded in early 2016, garnered the Bronze Award in the "Most Innovative Mobile Banking Application" category at the Stevie Awards, which recognizes excellence in the business world at the international level.

Continuing to undersign new cooperations with its financial stability and reliable reputation internationally, Halkbank raised funds by issuing bills with a nominal value of USD 500 million (its fifth Eurobond) in international markets, bonds worth TRY 4.7 billion in the domestic market, while also reaching a syndication deal of USD 175 million and EUR 476.5 million.

Following completion of the registration process in Singapore, the Bank inaugurated its Singapore representative office.

In 2016, Halkbank took its efforts in the area of sustainability to the next level, and joined the BIST Sustainability Index.

2017

Halkbank raised its total assets to TRY 305.4 billion and became the fifth largest bank in Turkey.

Pursuant to the Resolution numbered 2017/1 dated February 3, 2017 by the Privatization Board of Turkey, shares held by the Privatization Administration of Turkey were removed from the scope of the privatization program and they were transferred to the Türkiye Wealth Fund on March 10, 2017.

Leveraging its financial stability and credible brand perception on the international stage to forge new partnerships, Halkbank issued a 10-year, TRY 1 billion Tier II debt security. In addition, the Bank raised TRY 8.3 billion from public offering or direct placement to qualified investors of corporate bonds.

Boosting its international brand value thanks to its robust financial base, Halkbank managed to be among the companies included in the Emerging Markets Index chartered by FTSE, an independent joint venture of the London Stock Exchange and the Financial Times.

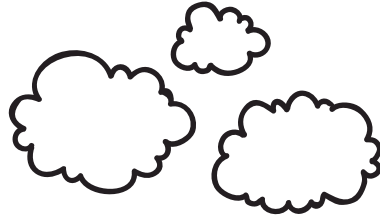
The first Turkish bank to implement the ISO 50001 Energy Management System as part of its sustainability initiatives, Halkbank received the Low Carbon Hero award from the Sustainable Production and Consumption Association on April 26, 2017.

CHAIRMAN'S ASSESSMENT

“ While we had a very productive year from a financial perspective, Halkbank's true power lies in the confidence of customers, employees, investors and all stakeholders in the Bank.



R. SÜLEYMAN ÖZDİL
Chairman



SUPPORTING THE REAL ECONOMY

Halkbank, the prolific bank of productive Turkey, continued to support the real economy in 2017.

Esteemed Stakeholders,

Indexes created to measure the performance of global capital continued to climb in 2017 as stock markets reached record highs in many countries during the year. The continued rise in equity markets boosted the optimism in the global economy while counterbalancing the impacts of changing central bank policies. As persistent geopolitical risks in the Middle East have a direct impact on global stability during this period, monetary tightening policies are becoming ever more prominent on our agendas. The primary risk for emerging market economies is the expectation that the U.S. Central Bank, the Fed, will continue to raise interest rates.

After anxiously awaiting the news and announcements from the Fed throughout 2017, markets will continue to closely scrutinize the repercussions of monetary tightening policies. During the new year where the impact of the UK's Brexit vote on the EU economy will need to be offset, imbalances in the global housing markets will also add to economic risks. Potential implementation of new financial regulations in China in response to slowing down industrial production in this country is also among the factors that can weigh on global liquidity.

The cost of global risks on financial players will continue to be a major topic in 2018. Turkish banking industry has adequate liquidity to meet its short-term foreign currency-denominated liabilities. The sector's foreign currency liquidity is sufficient to cover more than 90% of its short-term debt. Debt stock has been nearly flat due to demand considerations in the recent period as the banking industry rolls over its maturing debt by diversifying it to a larger number of countries.

CHAIRMAN'S ASSESSMENT

The Turkish economy recorded a major success story with its strong growth performance during this period critical balances. The record growth of more than 11% in Q3 helped the Turkish economy to outperform all G20 countries during 2017. Seasonally-adjusted annualized industrial production growth reached 7.8% in Q4 as the banking industry provided significant support for the economy through financing resources.

Growing its balance sheet steadily and deploying its resources for the development of the Turkish economy through loans, the banking industry continued to work hard this year in order to increase its support for investors and encourage entrepreneurs. Diversification of foreign trade ties to a number of different regions enabled the Turkish banking industry to tap a broader set creditors in international borrowings. Raising its capital adequacy ratio to 16.9% in 2017, the Turkish banking sector doubled the global average by this measure and maintained its robust outlook.

I would like to reiterate that one of the major factors this year in terms of our financial indicators is the soaring industrial production. The growth in the manufacturing industry led by the machinery & equipment sector gave hope to the banking industry for 2018 as a supporter of the real economy. Halkbank, the bank of productive Turkey, also played a part in this success. Mobilizing its resources for the Turkish economy, the Bank was once again among the biggest supporters of SMEs, tradesmen, entrepreneurs and exporters in the past year.

Esteemed stakeholders,

While we had a very productive year from a financial perspective, Halkbank's true power lies in the confidence of customers, employees, investors and all stakeholders in the Bank. The Bank, majority owned by the Republic of Turkey, will continue to be worthy of this trust and safeguard the interests of its shareholders at all costs, as it has done at every point of its 79-year deep-rooted history. Our determination to this end is demonstrated by the fact that no undertaking toward the Bank or Turkey in general has ever deterred us.

In the new year that we greet with a contemporary and dynamic banking approach in keeping with the spirit of the times, we will manage balance our sheet meticulously with due consideration to all financial indicators. As we strive to make Halkbank a strong international brand, we will grow with Turkey while helping Turkey grow further.

Sincerely,

R. SÜLEYMAN ÖZDİL

Chairman





WE MOBILIZED OUR RESOURCES FOR THE TURKISH ECONOMY.

Mobilizing its resources for the Turkish economy, Halkbank was once again among the biggest supporters of SMEs, tradesmen, entrepreneurs and exporters in the past year.

GENERAL MANAGER'S ASSESSMENT

“ Halkbank proved its importance for the Turkish economy and financial markets once again this year with its robust sources of funding, broad deposit base, and access to liquidity. We will continue our support for a stronger Turkey at full speed and expand our credit facilities in the period ahead.



OSMAN ARSLAN
General Manager



TRY 305.4 BILLION

Performing successfully in 2017, Halkbank raised its total assets to TRY 305.4 billion.

Esteemed stakeholders,

We have witnessed major elements that disturbed the prevailing balances in the financial system in 2017, where regional conflicts had direct repercussions on international politics. Ongoing international-scale conflicts raised the profile national security concerns in countries' foreign policies while China and other countries that employ cheap labor-based production models began to lose their competitive edge, and "local production" and protectionist policies started to become widespread in developed countries.

The U.S. Central Bank (the Fed) raised rates three times during the year and continued to shrink its balance sheet, accelerating monetary policy normalization steps. While developed country central banks' policies led to short-term fluctuations in the markets, normalization in global capital markets continued on a mild pace.

The Turkish economy recorded a success story last year by outperforming European Union countries by a large margin with record growth. We owe this success to a great extent to reforms implemented as well as incentives and supports provided by the government. An important component of this breakthrough is the steadily increasing share of investment expenditures in growth.

Turkey's growth performance topped 11% at the end of Q3 thanks to businesses' increased access to financing through Credit Guarantee Fund of Turkey (KGF)-sponsored loans as well as financial incentives and basis effect. Registering its best growth performance since 2011, Turkey recorded a historical record. The banking industry mobilized all of its resources in financing new investments and successfully managed the changes in global liquidity. Managing to raise debt from more countries with each passing year, the banking industry rolled over its maturing debt by diversifying it to a larger number of countries. The Bank, which maintained its leading market position in KGF loans, issued a 10-year, TRY 1 billion Tier II debt security. As we continue to forge new partnerships to strengthen our financial stability, we also issued corporate bonds and raised new resources to originate new loans. The banking sector increased its resilience to liquidity shocks by extending debt maturities while boosting total foreign currency-denominated assets significantly.



GENERAL MANAGER'S ASSESSMENT

At this point, I would like to touch on the importance of KGF. We believe that KGF-sponsored loans provide an extremely significant service in terms of supporting productive Turkey by increasing tradesmen's and SMEs' access to financing. This service made a major contribution to economic growth through low-cost and accessible loans with affordable repayment terms. Easily reaching the financial support they need thanks to KGF-guaranteed loans, our SME customers took the country and the economy one step further with their activities. We are pleased to have fulfilled our responsibilities in informing all SMEs about KGF guarantees and ensuring their access to these loans, as is the case in every area of SME banking.

We also took a new step in our financing support for tradesmen and artisans during this period. Under the latest arrangement, we raised the upper limit of working capital line of credit that Halkbank makes available to tradesmen and artisans. We launched the Treasury Interest-Subsidized Workplace Acquisition Loan to help artisans own their places of business, and the Treasury Interest-Subsidized Vehicle Acquisition Loan to enable them to purchase new motor vehicles for business use. We will continue to grow Turkey through our support for tradesmen.

Halkbank proved its importance for the Turkish economy and financial markets once again this year with its robust sources of funding, broad deposit base, and access to liquidity. We will continue our support for a stronger Turkey at full speed and expand our credit facilities in the period ahead. Efficient use of resources and our financial stability-oriented banking approach will help us attain our goals in the new year. The pillar of our roadmap during this period will be further improving our healthy resource composition and increasing our financial performance.

As one of the five largest banks in Turkey, we will further improve our balance sheet quality. Our priorities in 2018 include reinforcing our organizational structure as well as carrying out branch rehabilitation investments and recruiting new personnel in an attempt to reach customers everywhere with the same high-quality service. To this end, we will start the new year on a high note by incorporating an additional 1,300 young people into the Halkbank family.

Esteemed stakeholders,

In this past year we expanded our deposits, diversified our sources of funding by issuing corporate bonds, and strived to make our resources available for the real economy. As a result of our operations that also ensured a balanced growth in our balance sheet, we were named the Export Champion in Services by the Turkish Exporters' Assembly in the Banking and Other Financial Services Sector. In the upcoming period, we will strive to increase the Bank's services export income while continuing to offer high-quality services to SMEs as per Halkbank's foundational mission. While providing SMEs with the financial support that they need in order to be more engaged in foreign trade, we will also continue to offer non-financial support required for them to modernize in line with the new demands and expectations in the global market.

The Bank closed fiscal year 2017 with net profit of TRY 3,725 million and a return on equity (ROE) of 15.96%. Our total assets increased 31.9% over the prior year to TRY 305.4 billion, while total deposits amounted to TRY 193.2 billion. The Bank expanded its cash loan and non-cash loan portfolio by 27.1% to TRY 262 billion, without compromising the quality of its balance sheet in 2017.

During the year, we maintained our pioneering position in SME Banking. In addition, we were pleased to see our activities in this segment reflected in our financial results. The Bank's commercial credit volume, which includes SME loans, expanded by 28.3% as of year-end 2017 to total TRY 162.2 billion. Meanwhile, our loan volume amounted to TRY 24.1 billion. We shall continue to grow in this area with our innovative products and unique service approach.

Developing special products for customers in every aspect of banking with a customer satisfaction-centered approach, the Bank once again demonstrated a successful performance in retail banking this year. Our retail loans rose by as of year-end 2017 to TRY 41.2 billion, while the number of Paraf credit cards issued reached 4 million. Our POS devices in use went up to 348 thousand while our contracted merchant portfolio jumped to 328 thousand.

Halkbank values human beings and creates value-added for its country. As the people's bank, we will continue to work hard with our love of the country and loyalty to our people, and undertake good activities worthy of the Halkbank name in 2018.

Sincerely,

OSMAN ARSLAN
General Manager

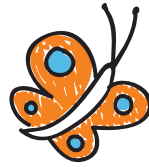




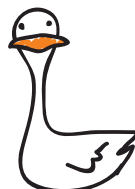
ONE OF TURKEY'S FIVE LARGEST BANKS

As one of Turkey's five largest banks, in this past year we expanded our deposits, diversified our sources of funding by issuing corporate bonds, and strived to make our resources available for the real economy.



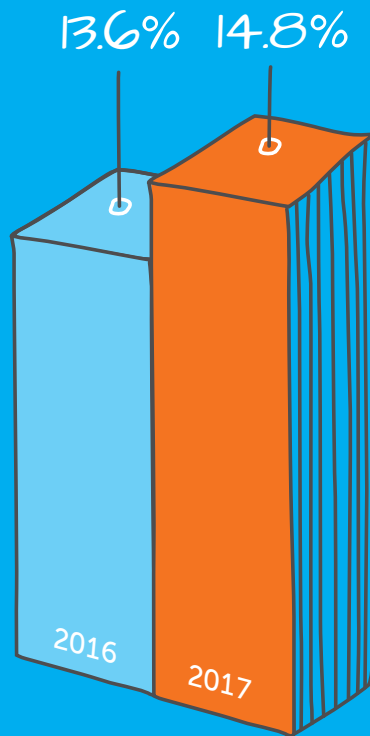


“ My dad tries to make everybody dress sharp. Now he has a really large workplace. Many people work with my dad and they produce colorful things. Everybody is happy there. So is my dad :)





SME LOANS MARKET SHARE



We see every productive and job creator artisan, farmer, and small, medium and large business owner as a business partner. Supporting them in good days and bad days alike with all of our financial resources is our raison d'être.



BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



(1) RECEP SÜLEYMAN ÖZDİL
Chairman

(2) SADIK TILTAK
Vice Chairman
Independent Board Member

(3) OSMAN ARSLAN
Board Member and General Manager

(4) YUNUS KARAN
Board Member

(5) CENAP AŞCI
Board Member

(6) MAKSUT SERİM
Board Member

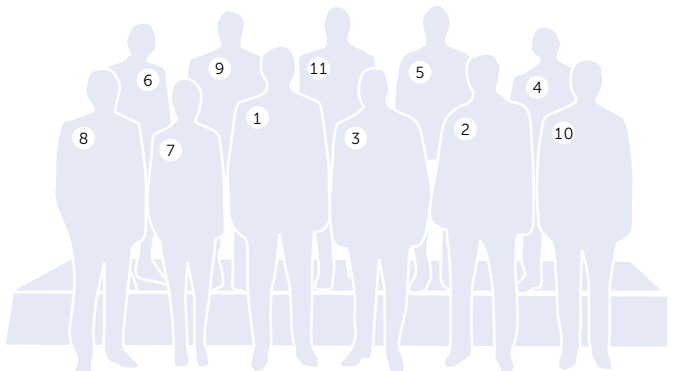
(7) MEHMET TAYLAN AYDIN
Board Member

(8) MEHMET NİHAT ÖMEROĞLU
Independent Board Member

(9) YAHYA BAYRAKTAR
Independent Board Member

(10) FARUK ÖZÇELİK
Member of the Supervisory Board

(11) PROF. DR. YILMAZ ÇOLAK
Member of the Supervisory Board





EXECUTIVE MANAGEMENT



(1) OSMAN ARSLAN
General Manager

(2) MEHMET AKİF AYDEMİR
Deputy General Manager

(3) MEHMET SEBAHATTİN BULUT
Deputy General Manager

(4) MUSTAFA ÇÖDEK
Deputy General Manager

(5) HAKAN ERYILMAZ
Deputy General Manager

(6) ERGİN KAYA
Deputy General Manager

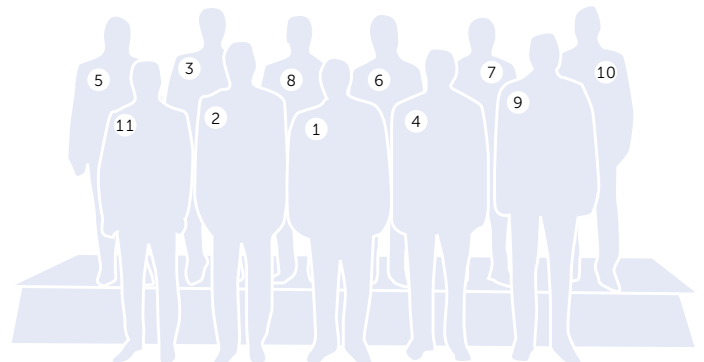
(7) METİN KÖSTEK
Deputy General Manager

(8) YUSUF DURAN OCAK
Deputy General Manager

(9) SELAHATTİN SÜLEYMANOĞLU
Deputy General Manager

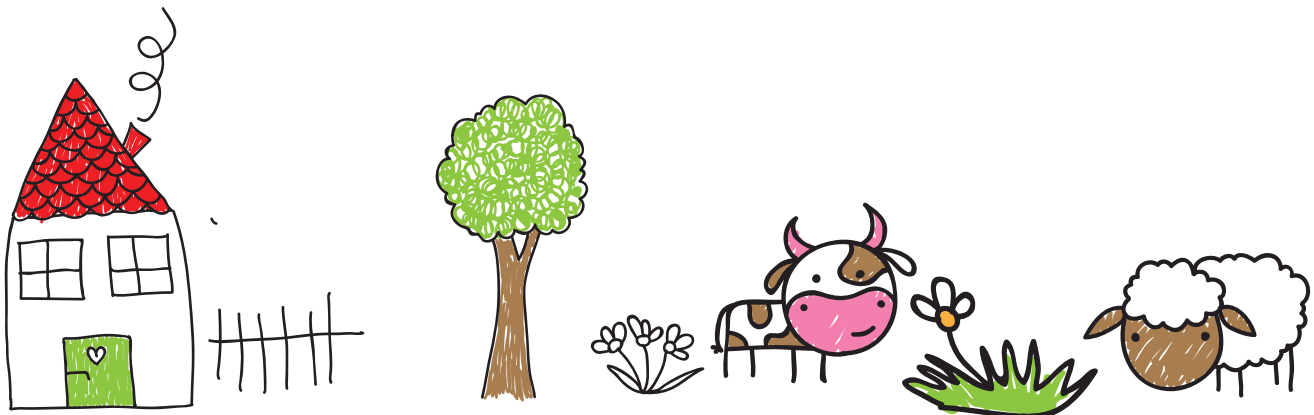
(10) LEVEND TORUSDAĞ
Deputy General Manager

(11) HASAN TUNCAY
Deputy General Manager



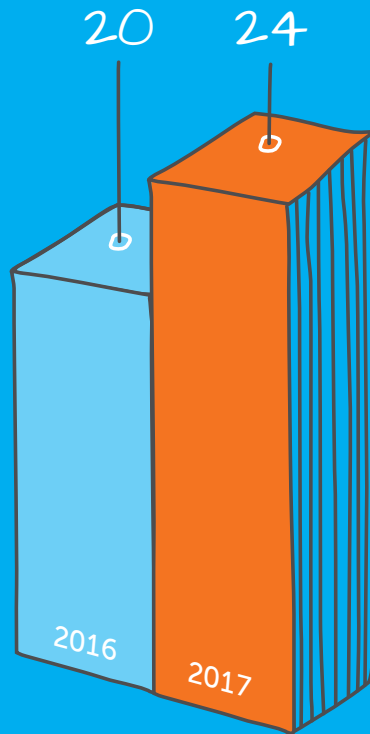


“ My dad plays with wood like a toy, assembles them to make furniture. But he makes large things. They were not fitting in his small shop, so he made it bigger. Now he has a large furniture workshop.





LOANS TO TRADESMEN AND ARTISANS
(TRY BILLION)



As the bank of productive Turkey, we are creating a large resource pool to help people realize their dreams. We add value to life by offering loan choices starting with zero interest that make everybody say "This is the Way to Support Tradesmen and Artisans."



REVIEW OF OPERATIONS IN 2017

“ As of year's end, as part of its restructured financing activities, Halkbank extended loans worth a total of USD 1.4 billion to 20 projects that met the criteria of feasibility and creditworthiness.



CORPORATE AND COMMERCIAL BANKING

Halkbank's marketing strategy is built on a customer-focused service approach and the principle of continuous customer satisfaction. In its relations with customers, the Bank first identifies their needs, and then provides products that effectively respond to these needs in order to ensure customer satisfaction.

In accordance with this policy, the Bank continued to serve the corporate and commercial segment in 2017, while evaluating and concluding customers' financing options for large scale projects.

Rapid Growth in Corporate and Commercial Loans

The Bank's corporate and commercial branches, SME branch locations, and mixed branches that report to regional offices continued to provide services with a workforce and product range suited to their customer profile.

The rapid growth in the corporate and commercial banking segment continued in 2017, with lending reaching a wider customer base thanks to new customers in the portfolio. During the year, Halkbank extended to registered corporate and commercial segment customers a total of TRY 84.8 billion in cash loans, up 24.4% over the prior year. The Bank also provided non-cash loans of TRY 48.6 billion, up 19.0% year-on-year.

CBT Rediscount Credits for Export and Foreign Exchange Earning Services

Halkbank began originating CBT Rediscount Credits for Export and Foreign Exchange Earning Services within the limits established by the Central Bank of Turkey (CBT) on a pre-shipment and post-shipment basis to finance exports and foreign exchange earning services of exporters, manufacturer exporters, manufacturing firms that engage in the production of export-oriented goods, and companies conducting foreign exchange earning business. The Bank is targeting higher profitability and share in foreign trade from this product.





**FITTING PRODUCTS
ADDRESSING NEEDS**

Halkbank ensures customer satisfaction with fitting products that address needs and suitable service delivery.





REVIEW OF OPERATIONS IN 2017

“ Including the Istanbul New Airport, the Gebze-Izmir Highway and Bridge Crossing, Northern Marmara Highway and Bridge Crossing, Halkbank favors Build-Operate-Transfer projects in particular in the mega projects; a model in line with the Bank's lending policies.



CORPORATE AND COMMERCIAL BANKING

Relationships with International Financial Institutions

In 2017, Halkbank maintained business relationships with international financial institutions including the European Investment Bank, the World Bank and the French Development Agency, from which it has obtained long-term, low-cost funding. As a result, the Bank was able to provide financing cost-effectively for the investments of many clients.

Successful Project Finance Initiatives

Halkbank continued to perform marketing and feasibility studies as well as technical and fiscal analyses for a wide range of client projects. These included energy production, transmission and distribution projects (e.g. natural gas transmission and distribution; electricity transmission and distribution; hydroelectric, solar and wind power plants; geothermal power plants; thermal power stations); port, airport, toll road, highway and railway, rail system and metro transportation projects; hospital, shopping center, convention center, hotel with more than 800 beds, holiday resort, exhibition center construction projects; and build-operate-transfer, build-lease and operating right transfer projects.

As an industry heavyweight and a major player in Turkey's economy, Halkbank has participated in the financing of numerous projects with significant public benefit. These include the Istanbul New Airport, the Gebze-Izmir Highway and Bridge Crossing, Northern Marmara Highway and Bridge Crossing. Halkbank favors Build-Operate-Transfer projects in particular in the mega projects; a model in line with the Bank's lending policies.

Structured and Project Finance Loan Portfolio of USD 7.7 Billion

Within the Bank's project finance business, which serves the merger, acquisition, takeover, and other corporate finance needs of clients, Halkbank continued to be an active player in the structured finance market in 2017 through direct lending relationships with individual companies and participation in bank consortiums. In 2017, the Bank remained an active market player. As of year's end, as part of its restructured financing activities, the Bank extended loans worth a total of USD 1.4 billion to 20 projects that met the criteria of feasibility and creditworthiness. Halkbank's structured financing loans portfolio-cash and non-cash-totaled USD 7.7 billion as of year-end 2017.





ACTIVE MARKET PARTICIPANT

Halkbank's structured financing loan portfolio stands at USD 7.7 billion at year-end 2017.

Cash Management

As part of its focus on technology, Halkbank continued to invest in its systems infrastructure and implemented a number of projects entailing technology-supported customer relations management applications in 2017. The number of companies whose corporate collections are performed by the Bank increased from 603 in 2016 to 680 in 2017. In an effort to create value for Corporate and Commercial segment clients, Halkbank leverages technology to execute payment and collection transactions efficiently, quickly and reliably.

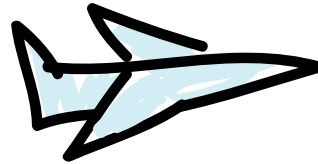
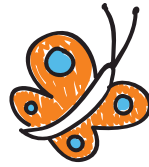
The Direct Debit System (DDS) served 448 primary companies and 7,106 dealers in 2017.

Top Quality Banking Services

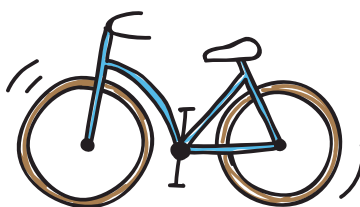
Halkbank's major goals include providing the products and services customers need via specialized staff and increasing customer satisfaction. The Bank employs customer and branch segmentation in order to ensure flawless delivery of products and services to customers and sustainability of services.

Aiming at customer satisfaction and profitability, Halkbank continued delivering top quality banking services to its corporate and commercial clients in 2017 at six corporate and 36 commercial branch locations.



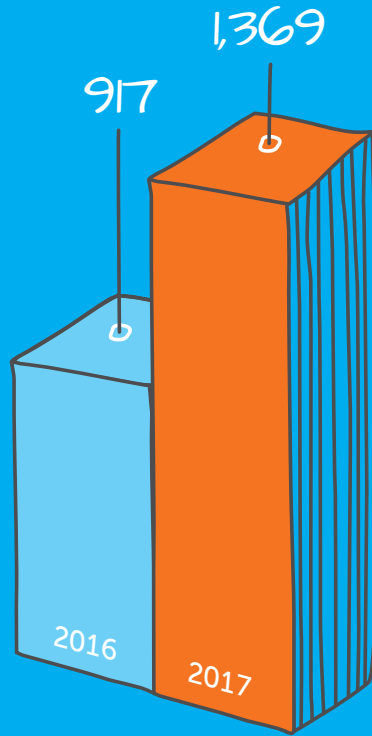


“ I love airplanes. I will be a pilot in the future. I want the world's biggest airport to be in our country.

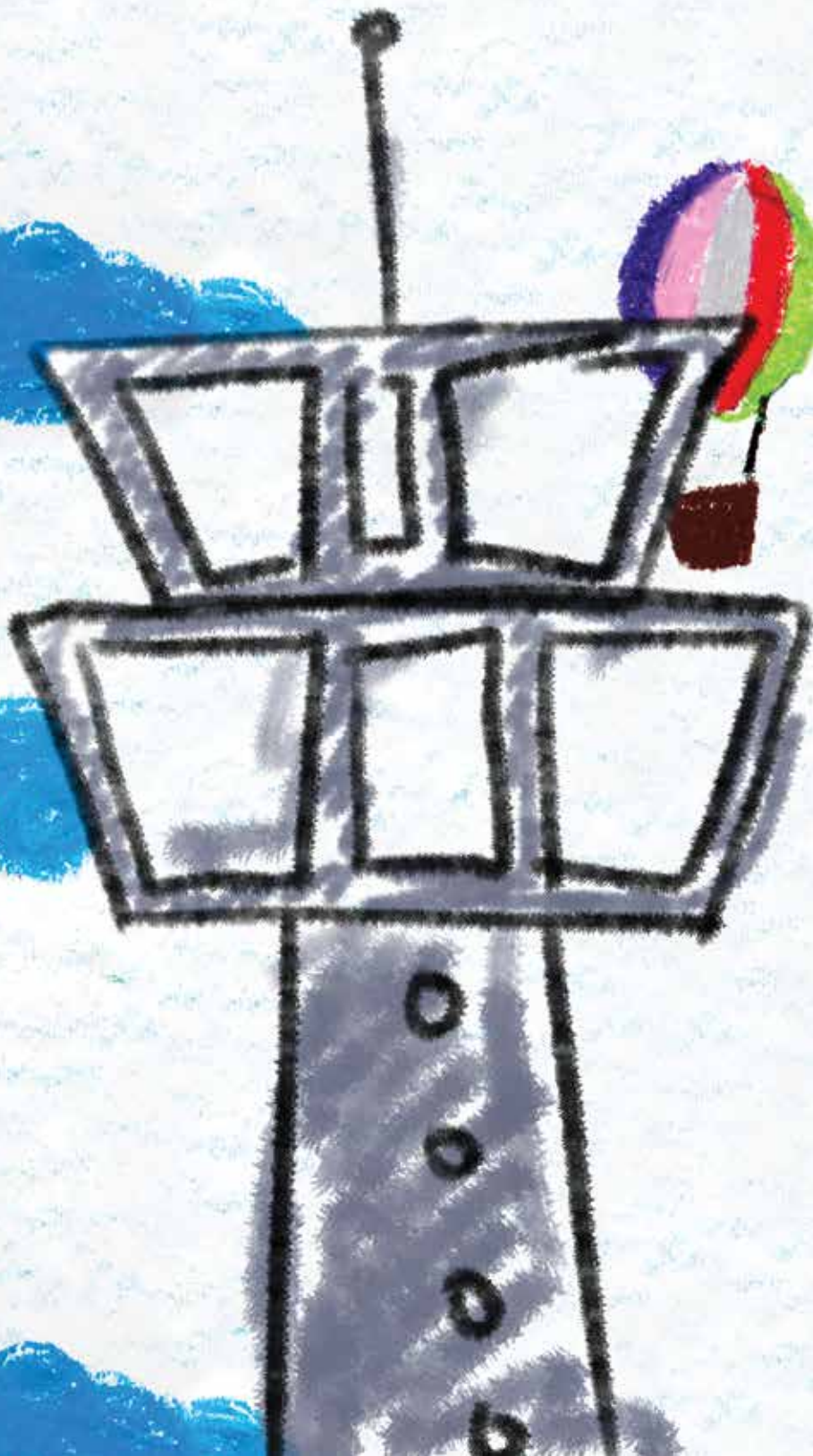




FUNDING FOR MEGA PROJECTS
(USD MILLION)



We are acting with the mission of supporting a growing and developing Turkey. We take part in the financing of mega projects including the Istanbul New Airport, which will be the largest in the world when it is completed; the Gebze-Izmir Highway and Bridge Crossing; and the North Marmara Highway and Bridge Crossing.



REVIEW OF OPERATIONS IN 2017



SME-ARTISANS BANKING

For 79 years, Turkey's pioneering SME bank Halkbank has maintained its support to tradesmen, artisans and SMEs in line with its customer-centered banking approach.

Thanks to its strong ties with SMEs, Halkbank identifies their financial and non-financial needs onsite and delivers innovative solutions for SME clients with its expertise, deeply rooted experience and vast branch network. Halkbank conducts business in accordance with the approach of taking service to the customer's door with 963 branches and more than 2,300 Customer Representatives exclusive to SMEs across the country. In addition, the Bank provides round-the-clock support to SMEs through digital channels such as the www.halkbankkobi.com.tr website; the Corporate Internet Branch; Halkbank Mobile; and SME Dialog.

As a result, despite the intensive competition in SME Banking, Halkbank achieved a huge success by increasing its market share in SME loans from 13.6% in 2016 to 14.8% as of year-end 2017.

In 2017, Halkbank's SME loans accounted for 38.1%^(*) of the Bank's total cash loans.

^(*) Calculations based on the definition of small- and medium-sized enterprises provided by the relevant regulation of the Ministry of Science, Industry and Technology.

Sector-Specific Solutions

Halkbank continues to generate relevant solutions to specific needs of each industry via SME Support Packages while continuing to focus on repayment options and product types that will give companies an edge in the competition.

Halkbank also continues to get together with industry representatives, identify needs on location, and hear about each sector and its needs from that sector's representatives.

Supporting the Entrepreneurial Spirit

In keeping with its long-standing mission of supporting entrepreneurs and social responsibility awareness, Halkbank places a great emphasis on fostering entrepreneurship, boosting employment, supporting entrepreneurs to start new businesses, and helping young people to actively participate in the economy.

Halkbank offers the Young, Bold, Master and Inventor Entrepreneur Loan products to those who want to start their own enterprises. These loans are designed according to key criteria such as educational level, age and work experience. Additionally, the Bank provides its Franchising Loan product to those entrepreneurs seeking to enter the franchising business.





“ In keeping with its long-standing mission of supporting entrepreneurs and social responsibility awareness, Halkbank places a great emphasis on fostering entrepreneurship, boosting employment, supporting entrepreneurs to start new businesses, and helping young people to actively participate in the economy.

Support for Exporter SMEs

Halkbank generates customized solutions for and supports exporter SMEs in accordance with Turkey's strategy and programs. As part of the Export Support Package that was designed to support export-oriented production, the Bank offers foreign currency loans, Turkish lira-denominated export loans, and letters of guarantee to SMEs gearing up for exports while providing installment export loans to SMEs that prefer to make installment payments on foreign currency-denominated credits. This package also offers forward and options contracts to customers interested in protecting their businesses against losses stemming from operating expenses, cash flows and pricing strategies due to movements in the foreign exchange rates. In addition, customers can tap low-interest Eximbank-sourced loans through Halkbank and leverage the Bank's extensive correspondent network to initiate letters of credit and perform other foreign trade transactions under affordable terms.



Special Digital Platform for SMEs

The www.halkbankkobi.com.tr website was established as a free platform that all SMEs can access, bridging a crucial gap in this segment. As such, Halkbank's strong ties with SMEs were further bolstered via this online resource with a platform serving more than 160 thousand people.

Over the portal www.halkbankkobi.com.tr, designed by Halkbank with the awareness that platforms to support SMEs are crucial for the development of SME banking, Halkbank not only promotes its products and services but also allows customers to easily and rapidly apply for these offerings.

In addition to providing the most affordable financial support to the SMEs, Halkbank also strives to assess their needs correctly and serve them with training and advisory support. The "Ask an Expert" feature on the platform provides quick answers to the questions directed by SMEs to the Bank's expert advisors. Halkbank SME Experts respond to the inquiries of those who visit the platform. These experts also author monthly magazines with articles of relevance to the platform's members, providing guidance to SMEs and entrepreneurs.



REVIEW OF OPERATIONS IN 2017

“ The “Ask an Expert” feature on the platform provides quick answers to the questions directed by SMEs to the Bank’s expert advisors. Halkbank’s SME Experts also author monthly magazines with articles of relevance to the platform’s members, providing guidance to SMEs and entrepreneurs in a number of important subjects.



SME-ARTISANS BANKING

Halkbank provides round-the-clock support to SMEs over the dedicated phone line 0850 222 0 401 SME Dialog. This hot line allows clients to obtain information on the Bank’s products and services, make appointments, and receive other support services without visiting a branch.

The www.halkbankkobigelisim.com.tr website carried Halkbank’s ongoing training services for the SMEs to the digital platform. Designed with the understanding that “Turkey Develops if SMEs Develop,” the online training platform aims to ensure that all SMEs develop and overcome the hurdles in front of their businesses with the knowledge they will learn from this platform.

Support for Technological Transformation

Currently, Industry 4.0 is making headlines both in Turkey and across the world, suggesting that that SMEs must keep up with this technology transformation in order not to fall behind in global competition. Halkbank continues to encourage and support SMEs to realize this transformation. The Bank emphasizes the importance of Industry 4.0, innovation and R&D investments on every platform. Halkbank underscores that SMEs should focus their attention in these key areas while it continues work to finance these investments with long-term loans including payment free periods.

“Target Market Days” and “Shared Intelligence” Meetings

Halkbank continued to organize Target Market gatherings for the exporters in partnership with the Turkish Exporters’ Assembly while conducting Shared Intelligence Meetings to get together with leading representatives from strategic industries and hear about each sector’s problems from that sector’s representatives. With regard to the recommended solutions voiced during these meetings, Halkbank takes action quickly and provides the requisite solutions in the financing area.



PRODUCTS AND SERVICES

Delivering all the banking products and services that SMEs need, Halkbank continues to support SME clients by working continuously to develop fast solutions in line with ever-changing market conditions and needs, expand its product range, and establish partnerships with various institutions and organizations.

Halkbank launched the following products and services in line with SME needs in 2017 and updated existing products based on customer needs.

KOSGEB Interest Support Loans

Halkbank and the Small and Medium Enterprises Development Organization (KOSGEB) signed agreements. Under these agreements, Halkbank offers financial support at favorable terms to manufacturing enterprises registered in the KOSGEB database. SMEs that meet the criteria stipulated in the protocols were supported via the 2017 Zero Interest Working Capital Loan, the 2017 Urgent Support Loan, and the KOSGEB Trabzon Province Beşikdüzü and Vakıfkebir Districts Urgent Support Loan.

KGF-Sponsored Loans

As part of its partnership with the Credit Guarantee Fund of Turkey (KGF), Halkbank continued its efforts to inform all SMEs about KGF guarantees and enable them to be able to tap this resource in 2017. SMEs that were experiencing difficulty in obtaining financing due to lack of guarantees gained access to the needed funding thanks to the KGF-sponsored loans originated by Halkbank. The KGF-Sponsored Loans allowed SMEs to meet their working capital and investment financing needs. While intermediating these supports, Halkbank also provided the necessary notifications and maintained its advisory bank mission. Loans originated within this program topped the TRY 20 billion threshold as Halkbank ranked first among all banks by this measure.

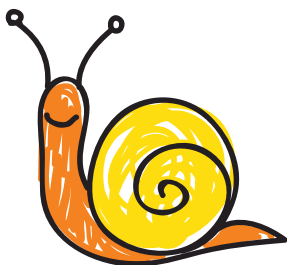
TMO Loan (2017 Campaign Period)

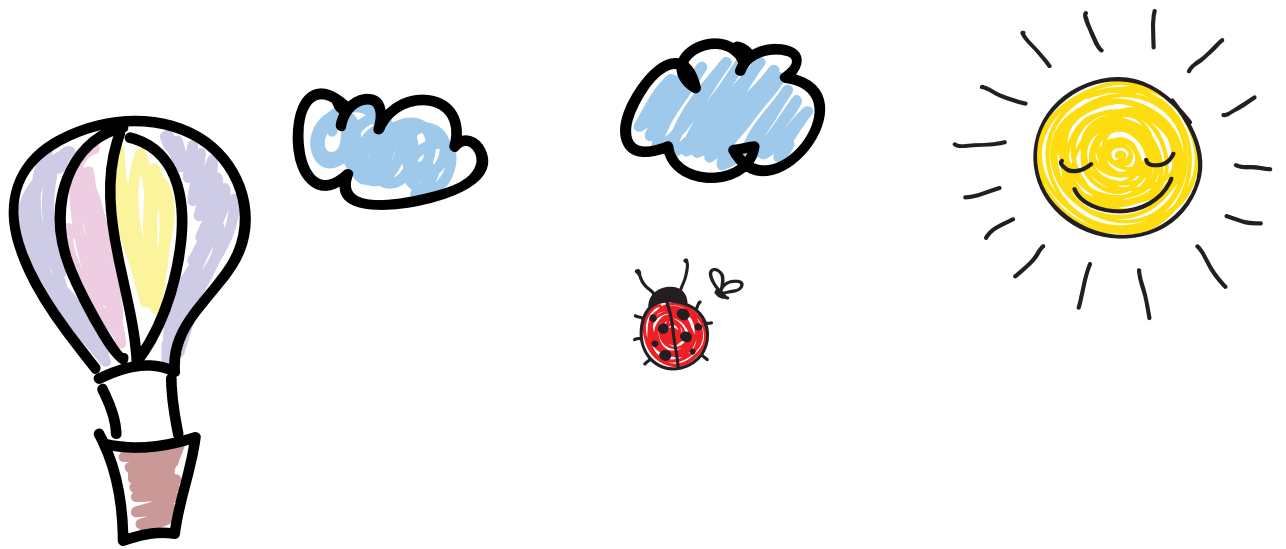
Under an agreement signed between Halkbank and the Turkish Grain Board (TMO), real and legal persons delivering to TMO their domestic corn, rice, wheat and barley harvest produced in 2017 can obtain loans from the Bank upon submitting their TMO receipt.



SUPPORTING TECHNOLOGICAL TRANSFORMATION

Halkbank lends strong support to the technological transformation of businesses with the products and services it develops.





“ My older sister
bakes delicious cakes
and pies. She is an
inventor in taste and in
technology. I wish she
had a place where she
can showcase her skills.

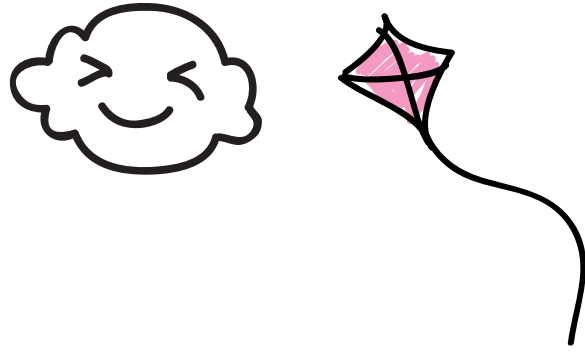




ENTREPRENEURSHIP LOAN

We offer special loan choices to entrepreneurs from different backgrounds and with business ideas in various areas. Our entrepreneurial loans support a wide variety of entrepreneurs, from recent university graduate young entrepreneurs to technology startups operating in technology parks.





REVIEW OF OPERATIONS IN 2017

“ Halkbank addresses the financial needs of this segment quickly and effectively by deploying state-of-the-art technology while continuing to support tradesmen and artisans.

SME-ARTISANS BANKING

Microcredit for MicroSMEs

As part of the agreement signed between the Credit Guarantee Fund of Turkey (KGF) and the European Investment Bank within the framework of the European Union's Instrument for Pre-Accession Assistance, "Microcredit for MicroSMEs" is originated by way of the Portfolio Guarantee System (PGS) within the scope of the protocol inked between Halkbank and KGF.

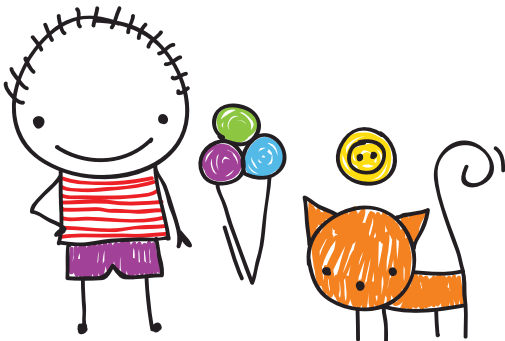
Loans with Treasury-subsidized Interest

In line with its founding mission, Halkbank continues to meet the financing needs of tradesmen, craftsmen and artisans, who make up an important part of society today, under the most favorable terms possible, while providing them with effective, top-quality banking services.

The Bank continues its support to tradesmen and artisans to meet the financial requirements of this key social group in the fastest, most efficient way by using cutting edge technologies.

In addition to working capital loans with Treasury-subsidized interest to artisans and tradesmen with monthly, quarterly and semi-annual repayment period options up to a 60-month term, Halkbank also offers investment loan products for workplace and vehicle purchases with monthly and quarterly repayment period options up to a 120-month term.

Halkbank's Loans with Treasury-subsidized interest for artisans and tradesmen are offered with attractive interest rates and favorable terms. These loans are extended under the guarantee of the 997 Artisans and Tradesmen Loan and Guarantee Cooperatives (ESKKK) or directly by the Bank without a cooperative's guarantee.



KOBİ ister Halkbank yapar.

KOBİ'lerin her ihtiyacında yüzünü güldürmek için tüm gücümüzle çalışıyoruz, her zaman yanlarında olmaktan gurur duyuyoruz.



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 **HALKBANK**

REVIEW OF OPERATIONS IN 2017



SME-ARTISANS BANKING

“ In line with its founding mission, Halkbank continues to meet the financing needs of tradesmen and artisans, who make up an important part of society today, under the most favorable terms possible, while providing them with top-quality, effective banking services.

Under the initiative in which loans with Treasury-subsidized interest rate payments are extended by Halkbank to tradesmen and artisan customers, those active in professions that are near extinct and those with certificates of mastership who set up new businesses are given a 100% interest rate discount with zero interest. Besides, tradesmen and artisans received 50% interest rate payment support from the Treasury for working loans.

Under the Treasury-supported loans for tradesmen and artisans program in 2017, loans with a maximum maturity of one year had an interest rate of 8% and those with a longer maturity term had an interest rate of 10%.

In addition, loans with Treasury-subsidized interest for tradesmen and craftsmen are exempt from the banking insurance transaction tax (BSMV)^(*), stamp duty, and resource utilization support fund tax (KKDF).

^(*) In Treasury-subsidized direct loan allocations, non-manufacturing firms cannot enjoy exemption from the BSMV tax.





Loans to 447,854 Tradesmen and Artisans

Total Treasury-subsidized loans to tradesmen and artisans rose from TRY 20,359 million at end-2016 to TRY 27,743 million at end-2017, up 17%.

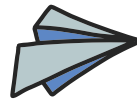
As of year-end 2017, total Treasury-supported loans extended to tradesmen and craftsmen under ESKKK guarantee amounted to TRY 22,604 million, while Treasury-subsidized loans without ESKKK guarantee granted directly by the Bank totaled TRY 1,139 million.

In 2017, the Bank extended 100%-interest rate discount or zero interest rate loans totaling TRY 399 million. Of this total, TRY 379.3 million went to those in this segment who took out zero interest rate loans of up to TRY 30,000; TRY 3.5 million was allocated to craftsmen and artisans with mastership certification who were setting up new businesses; TRY 2.4 million was obtained by tradesmen and craftsmen operating in professions nearing extinction, with 36% extended; TRY 13.3 million went to terrorism-victim tradesmen and artisans active in the Sur district of Diyarbakır province; and TRY 935 thousand was extended to young entrepreneurial tradesmen and artisans.

Following the new amendment in 2017, the individual upper limits of Treasury-supported operating loans to ESKKK partners were set at TRY 100 thousand to TRY 200 thousand according to the risk groups of the cooperatives. Meanwhile, the individual upper limits of direct, Treasury-supported allocations remained at TRY 100 thousand to TRY 200 thousand according to the customers' risk groups.

Halkbank launched the Treasury Interest-Subsidized Investment Loan to help tradesmen and artisans own their current or prospective places of business or to enable them to purchase new motor vehicles for business use up to a term of 12 months with a maximum amount of TRY 500 thousand. The Bank originated TRY 32 million for workplace purchases and TRY 24 million for motor vehicle acquisitions, for a total of TRY 56 million in investment loans within this scope.

As part of the "CY17 KOSGEB Zero-Interest Working Capital Loan Interest Support" protocol signed with the Small and Medium Enterprises Development Organization (KOSGEB), Halkbank extended zero-interest loans to tradesmen and artisans under the guarantee of ESKKK.



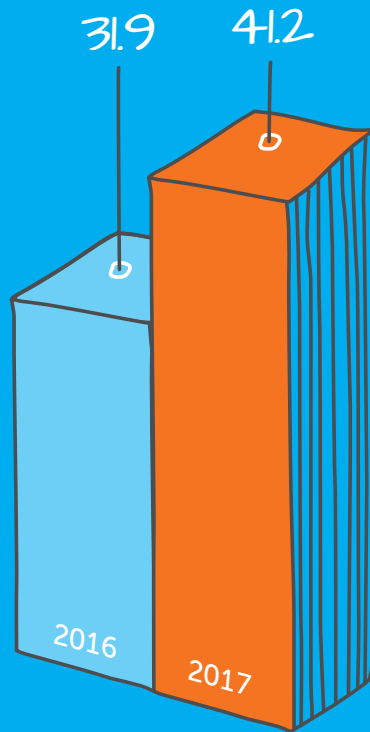


“ I wish we had a white car so we can go on a trip as a family and we can all be very happy. But then we come back to our home.





RETAIL LOANS (TRY BILLION)



One of Halkbank's top priorities has always been to support our people in every area they need us. We offer loan choices at most affordable interest rates according to customer budgets and needs.



REVIEW OF OPERATIONS IN 2017



RETAIL BANKING

Embracing a customer-focused approach to retail banking with 79 years of banking experience, Halkbank delivers the solutions best suited to meet rapidly changing and evolving needs with an advanced technology infrastructure upgraded every year.

Halkbank provides conventional retail banking products in addition to numerous financial products and services designed to meet customer needs. Halkbank's retail loan volume increased to TRY 41.2 billion, accounting for 21% of total cash loans.

Ground-breaking, Pioneer and Differentiated General Purpose Loans

A central pillar of Halkbank's Retail Banking operations is developing new products that respond to ever-changing customer needs and fluctuating market dynamics while meeting the Bank's performance objectives. Halkbank's strategic priorities include boosting product and service quality, and diversifying the product offering to capture more market share.

In 2017, the Bank rolled out an array of diversified loan products. These include the "Medicine Festival Loan" for the healthcare sector, "Loan 155" for police officers, "Teacher's Day Loan" for the teachers in the education sector and "Halk Day General Purpose Loan." In addition to traditional general purpose loan promotional campaigns such as "Bayram Ettiren Kredi (Holiday Celebration Loan)". Other general purpose loan products priced according to specific customer segments were Payroll 24, Public Sector, Pensioners and Private Sector employees. Different loans were provided to the customers.

Retail Banking Products and Promotion Payments for Pensioners

Halkbank offers exclusive loans to pensioner customers in order to foster their trust in the Bank and meet their expectations.

Retirees whose pension payment accounts are at Halkbank or who promise to transfer their pension account to the Bank were offered the "Smiling Pensioner Loan." The Bank continued to offer the "Smiling Pensioner Loan" product while unveiling the "Mini Pensioner Loan" for retirees to pay for their small needs conveniently.

As of March 1, 2017, the Bank made TRY 613 million promotional payments to nearly 1.7 million pensioners as part of the promotional payments offered to pensioners who have their pension payments direct deposited to Halkbank.

Special Solutions for Salary Payment Clients

The Bank specially designed the Payroll 24 Consumer Loan with a low interest rate for those customers who collect their salary from Halkbank.

These clients have been offered the customized Instant Package, which includes credit card, overdraft account and loan solutions in a bundled offering. For salary-payment customers, the Bank developed the Instant Salary Advance and Instant Loan products.



Sabit faiz
%0,88'den
başlayan faiz oranı
120 ay vade
(sabit)

**EV SAHİBİ
OLMANIN
EN KESTİRME
YOLU
HESAPLI EVİM
KONUT KREDİSİ**

Düşük faiz oranına sahip Hesaplı Evim Konut Kredisi Halkbank'ta! Siz de Halkbank'a gelin 0,88'den başlayan faiz oranları ve 120 aya varan vade seçenekleriyle Hesaplı Evim Konut Kredisi'ne başvurun, kolayca ev sahibi olma fırsatını kaçırmayın.

Kredi Tutarı (TL)	Kredi Tutarı (Milyar TL)	Akıl Faiz Oranı (%)	Sabit Faiz (%)	Tasarruflar (%)	Yüksek Faiz (%)	Yüksek Faiz (%)	Yüksek Faiz (%)
100.000	20	0,88	0,88	0,88	0,88	0,88	0,88

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HALKBANK

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Financial Solutions in Housing Loans

Halkbank has become one of the most preferred banks in mortgage lending thanks to a broad product range, flexible repayment options customized for each customer, and attractive promotional campaigns.

Halkbank views housing loans as the basis of a long-term relationship of trust with customers. To this end, the Bank continued with the "My Sweet Home" scheme and the My Economical Home Mortgage Loan to offer individuals payment plans at attractive interest rates so that they can become homeowners.

Halkbank developed differentiated solutions at the request of retail homebuyers as well as residential construction companies. The Bank participated in nearly 200 branded residential development projects in Istanbul and other large metropolitan areas.

Retail Loan over ADC

Halkbank helps customers make swift applications for the loans they need over alternative distribution channels – such as SMS, Internet Branch, Dialogue and the website – and thus receive rapid responses. In addition, work is ongoing to ensure that customers who use the fast loan application channels can obtain their loans via alternative distribution channels outside the physical branches.

Corporate Salary Payment

Halkbank continued to grow the salary payment intermediation business and gained new clients with high potential in 2017. As of year-end 2017, pension payments of 1.3 million people are direct deposited to Halkbank.

Innovative Insurance Products

Insurance products that are developed in line with the banking industry's corporate structure, financial support, vast product range, customer trust and multiple distribution channel strategies, are offered to customers via the Bank and its subsidiaries Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.

As part of this effort, Halkbank developed the "Hardworking Homemakers Pension Plan" product for homemaker customers who wish to set aside small sums from their budgets to invest in their future, and the "Happy Women Insurance" product for all women customers to help women customers sustain their standards of living by paying funding the high costs during the treatment period of cancer types specific to women as well as during the recovery period afterwards.

Paraf Era in Credit Cards

In December 2012, Halkbank launched its new in-house credit card brand Paraf to boost the Bank's credit card business.



REVIEW OF OPERATIONS IN 2017

“ Halkbank used non-branch delivery channels intensively in order to increase customer satisfaction, reduce the operational workload at the branch level, deepen customer relationships and acquire new clients. During the reporting year, 91% of Halkbank's banking transactions were performed through Alternative Distribution Channels (ADC).

RETAIL BANKING

Beginning to carve out a distinct niche in the market with the “Paraf: Home of Benefits” concept, Paraf aimed to offer customers innovative and competitive products worthy of its tagline while capturing more market share in 2017.

Second in Bank Card Market Share

Halkbank maintained its second-place market position in terms of number of debit cards in circulation.

The Bank launched a new debit card which is instantly issued to customers; these cards are sent to branches without any name on them and are then personalized at the branch location.

Halkbank joined forces with Turkish Red Crescent and launched the Red Crescent Card, whereby international aid organizations can make payments to Syrian beneficiaries under the Emergency Social Safety Net (ESSN) umbrella. A Red Crescent Card customer hotline was established and customer service in the Arabic language was initiated.

ParafPOS

Following the launch of Paraf Card in the market in 2012, the Bank has worked to boost the number of its POS devices, ensure that its bank cardholders can easily access special offers at more contact points, and increase its market share in terms of turnover. To this end, Halkbank offers a diversified range of options that includes the Cash Register POS, Fixed POS, Mobile POS, Virtual POS, Economic POS and Dial-Up POS products.

In order to have a presence in the Cash Register POS market and to prevent contracted merchants from encountering problems, the Bank pioneers the sales of Committed Cash Register POS devices through various promotional campaigns. The Bank has maintained the fifth place position with a 9.7% market share in the payment registry devices category. Halkbank's market share in terms of POS turnover is 4.6%; in terms of POS devices, the Bank's market share is 7.4%.

91% of Banking Transactions Pass through ADCs

Halkbank used non-branch delivery channels intensively in order to increase customer satisfaction, reduce the operational workload at the branch level, deepen customer relationships and acquire new clients. During the reporting year, 91% of Halkbank's banking transactions were performed through alternative distribution channels (ADC).



SECOND PLACE IN DEBIT CARDS

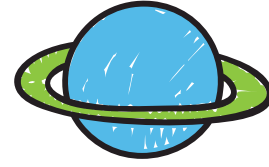
Halkbank maintained its second-place market position in terms of number of debit cards in circulation.

Intensive ADC Sales and Marketing Efforts

Halkbank also made extensive use of ADCs in the Bank's sales and client activation initiatives. During the reporting year, the Bank's activities in these areas included welcome calls for new salary direct-deposit customers; activations for inactive ADC clients; in addition to activations of credit card recovery, returned card, credit card and overdraft account limit monitoring; contact information updating; pre-approved loan/card product offers, product activation, limit extension and automatic bill payment instruction offers; deposit-related information; channel activities; and insurance sales. During the year, Halkbank engaged in intensive efforts to market services such as Cash Advance with Installments, Post-Facto Installments, Installments, and Overdraft Accounts (KMH).

The Bank frequently conducted proactive initiatives such as updating the contact data of customers whose cards have expired and soliciting requests for e-statements, which reduced the Bank's statement mailing costs. In addition, promotion and referral efforts particularly for the gold deposit account as well as insurance initiatives were carried out on the ADC. As part of customer satisfaction measurement efforts in 2017, Halkbank conducted regular surveys to measure customer satisfaction levels through the Bank's communication channels.

In addition to marketing and sales operations in 2017, Halkbank rolled out the "Collection Management System" that will enable the Bank to manage its collection processes end to end in overdue retail products. Accordingly, all collection processes were updated as the Bank switched to a centralized structure focused on efficiency and collection. Branches were integrated into the same structure in October 2017, which established communication with customers in collection using a common language and enhanced the functioning of the system. The new collection system broke new ground and became the first of its kind in the industry thanks to this fully-integrated structure.



REVIEW OF OPERATIONS IN 2017

“ With the addition of 176 new ATMs, the Bank’s ATM network grew 4.7% with the total number of ATMs reaching 3,917 in 2017.

RETAIL BANKING

Halkbank used the ATM channel frequently in product marketing and activation, New Limits and Limit Increases in Overdraft Accounts related work. As part of channel membership and activation efforts, the Bank extended offers via ATMs rather than through outgoing calls. At the ATMs, the Bank offers those customers whose credit cards are not connected to their account the option to link their accounts, thus preventing them from encountering problems while withdrawing cash.

Halkbank also collected e-bank statement orders from credit cardholders to reduce bank statement postal delivery costs. Halkbank undertook intensive book building efforts for product sales via SMS and e-mail channels, thereby slashing telephone call expenses.

4% Increase in Call Center Utilization

In 2017, the Call Center’s inbound call volume rose 14% over the year, and its workforce increased 1%. Using both in-house and external resources, nearly 11.8 million outbound calls were made to inform customers about the Bank’s product and service offering; to market and sell products and services; and to collect payments.





Integration of the solution that calls the customers when it is their turn and connects them with a customer representative rather than making the customers wait in the queue was completed, and it was rolled out for customer use in certain queues.

Number of Digital Banking Customers Climbs to 1.6 Million

Halkbank continued to focus on Internet Banking and Mobile Banking operations in 2017. As of year-end, the Bank's active customer base in Digital Banking grew to 1.6 million.

The Mobile Banking application was made accessible to visually impaired customers.

ATM

With the addition of 176 new ATMs, the Bank's ATM network grew 4.7% with the total number of ATMs reaching 3,917 in 2017.

The number of annual transactions performed on the ATMs declined 4% in 2017 to 292 million due to the launch of the Mobile Branch. In addition, the network's total annual transaction turnover was up 4%, to TRY 81 billion. With the newly installed and replaced automated teller machines, the number of Cash-Deposit ATMs rose to 3,093, up by 7%. Halkbank's Internet Branch was upgraded in the first half of 2017. The Internet Branch now boasts a user-friendly interface and delivers services perfectly compatible with mobile devices. Some 79% of all Halkbank ATMs have the cash deposit feature with all the new Off-Site ATMs coming equipped with this feature. Halkbank began to roll out ATMs with the Recycle feature in 2017; initially, they were deployed at 130 locations transaction performance of which necessitate the installation of Recycle ATMs.





REVIEW OF OPERATIONS IN 2017

“ Halkbank revised the segmentation criteria for Corporate-Commercial and SME customers and made the requisite adjustments to render higher quality service to customers as part of the most fitting segment commensurate with their financial positions.

LOAN POLICIES, MONITORING AND LEGAL PROCEEDINGS

Halkbank made a number of updates to its lending regulations within its loan policies due to effective laws and regulations, the Bank's goals, strategies and risk appetite, and the economic conditions.

The changes in internal regulations made to improve and simplify lending processes, coupled with systemic adjustments, resulted in meeting customer demands within shorter time frames.

Halkbank revised the segmentation criteria for Corporate-Commercial and SME customers and made the requisite adjustments to render higher quality service to customers as part of the most fitting segment commensurate with their financial positions.

Halkbank made comprehensive revisions to its loan assessment modules and began also including external data in assessment modules, which enabled the Bank to more accurately measure creditworthiness of its customers. To this end, the Bank developed applications to strike a more effective and competitive balance between risk and collateral, reinforce asset quality, and harmonize lending processes with internal Halkbank regulations.

As part of the new protocols entered into with the Credit Guarantee Fund of Turkey, the Bank implemented regulations updates regarding KGF-sponsored loans and conducted regulatory and systemic improvements for faster allocation and disbursement of these loans.





Efforts such as the Energy Efficiency Assessment Report and Service Procurement Report, evaluating companies and/or their investments drafted pursuant to requests from related units of the Bank outside lending processes. Systems infrastructure was developed in 2017 to manage these processes effectively, create an institutional memory, and store the reports.

Aiming to preserve Halkbank's asset quality, ensure the repayment of its loans, and uphold loan quality, the IT-based Loan Risk Monitoring System continued to be employed during the year. The system is used to classify loans based on rules identified pursuant to legal regulations; initiate the early warning mechanism according to the risk measurement and perception criteria designated by the Bank; and review and assess the loans on a periodic basis. For this purpose, new organizational structures were established.

Under applicable legislation and the Bank's policies and practices, Halkbank restructured the maturity of its loan risks at firms that experience a temporary liquidity problem although their credibility is otherwise maintained, considering that these firms can repay their loans without difficulty if a new payment plan is put in place.

In accordance with the provisions of the new Provisioning Regulation published within the scope of TFRS 9 and to take effect in 2018, Halkbank carried out processes regarding credit classification and efforts on harmonizing the Bank's practices with the new regulation.

Data sources, systems integrations, and improvements that will lend major support to Advance Warning initiatives have been completed to a large extent while efforts were implemented to gain access to sources of information from other companies and institutions.

Embracing results-based and solution-oriented approaches in managing the non-performing loans to cash loans ratio (NPL ratio), the Bank conducted all necessary efforts in a comprehensive manner including reorganization, process and procedure improvements, and new collection strategies. The Bank forged collaboration with all related parties, internal and external, as part of these efforts and acted cooperatively. To this end, the Bank's NPL ratio had a positive performance during the year below the industry averages. In an attempt to increase collections from non-performing loans by way of legal and administrative means, Halkbank implemented structuring and liquidation programs, organizational structure was improved and strengthened, and the Legal Proceedings System was enhanced and made more effective in order to increase efficiency in receivables management.



REVIEW OF OPERATIONS IN 2017

“ With its vast correspondent bank network, Halkbank provides top-quality and high value added products and services to its clients. In line with evolving customer needs in 2017, the Bank continued to develop new products, innovate its operations, participate in different markets, and to provide financing under the most favorable terms possible.

TREASURY MANAGEMENT AND INTERNATIONAL BANKING

Dynamic Treasury Management Strategies

Under its risk/income oriented management approach, Halkbank determined specific treasury management strategies by closely monitoring domestic and international macroeconomic developments throughout 2017. Capable of adapting itself to the changing economic conditions with the support of a strong capital and financial structure, the Bank maintains its profitability and growth momentum as a consequence of the dynamic policies it pursues.

Having successfully maintained the title “Turkish GDS Market Maker” since 2003, Halkbank remains an active player in primary and secondary capital markets in also 2017. With a well-balanced securities portfolio strategy, the Bank continued to eliminate the impact of market risks on its balance sheet and improved profitability.

Aiming to raise alternative funding and extend the maturity of its outstanding funds, Halkbank continued to issue securities in 2017. On the domestic front, in addition to the public offering-type issuances, the Bank continued to issue securities targeting qualified investors without public offering. As part of this effort, the Bank issued a Tier II debt security in October that is eligible to be included in the equity base.

Efficient Liquidity Management

Halkbank performs balance sheet management in light of the Assets & Liabilities Committee’s strategy decisions, which take into consideration macroeconomic analyses, stress tests and risk management reports. As a result of these market analyses, the Bank effectively provided short term funding via money market transactions, efficiently utilized funds surpluses, while TRY and FX liquidity management was performed in the most efficient way possible by using various derivatives and other debt instruments.

Increasing Trade Volume and Profitability

In 2017, Halkbank continued to improve its operations in terms of both products and technology in parallel with customer needs. The Bank offers both fixed income and hedging products in the rapidly developing derivatives markets in Turkey. Expanding its offering of products that will meet the need of import/export companies to protect against FX and interest rate



risk in this period, Halkbank continued to provide support to clients especially in hedging transactions related to project finance. In an effort to increase transaction volume and gain new customers, the department conducted client visits with the branches and continued to provide marketing support at an accelerating pace.

During the year, the Bank increased its transaction volume and profitability especially in the FX and commodity markets by means of a widespread branch network throughout Turkey, an extensive customer portfolio composed primarily of SMEs and a significant corporate client base. With the marketing strategies specially formulated for its customer base, the Bank has bolstered its position among the most effective players in the foreign currency and commodity markets.

Vast Correspondent Bank Network

With its vast correspondent bank network, Halkbank provides top-quality and high value added products and services to its clients. In line with evolving customer needs in 2017, the Bank continued to develop new products, innovate its operations, participate in different markets, and to provide financing under the most favorable terms possible. The Bank

continued to offer customers import and export services on a global scale, working tirelessly as a major supporter of Turkish exporters.

During the year, Halkbank effectively managed its extensive correspondent bank network comprised of some 1,600 banks in 134 countries. The Bank also enriched its range of basic foreign trade products with resources, structured financing products and new financing alternatives secured from international liabilities and capita markets. As a result, Halkbank remained one of Turkey's most important and efficient banks in meeting customers' demand for funding. Factors underlying the Bank's success are customer trust towards Halkbank, its strong relationship management capabilities, extensive know-how, sustainable trade volumes directed to correspondent banks, ever-increasing service quality in overseas operations and customer satisfaction arising from its diversified product portfolio.

As part of its correspondent bank relations efforts, Halkbank continuously monitors country risks and financial indicators, and performs all trading in meticulous fashion. The Bank reviewed limits on a regular basis and managed correspondent bank risks effectively. Halkbank kept a

REVIEW OF OPERATIONS IN 2017

TREASURY MANAGEMENT AND INTERNATIONAL BANKING

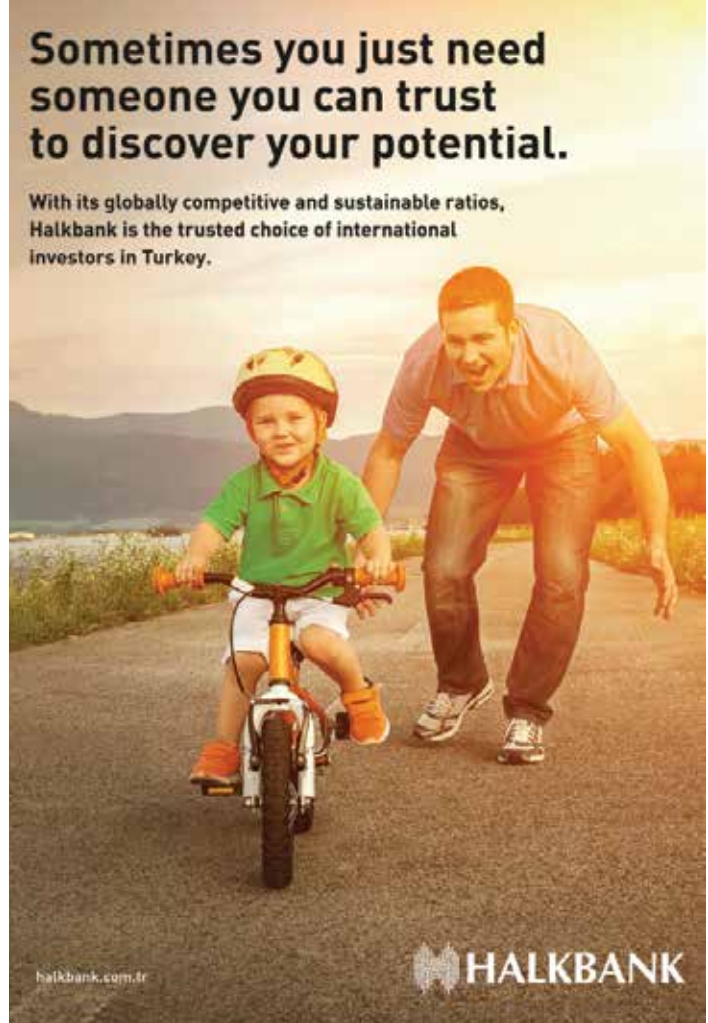
watchful eye on geopolitical developments and the global economic environment, while avoiding all negative country or bank related risks.

In the coming year, Halkbank plans to deliver the best solutions that meet customer financing needs and expectations. The Bank also aims to establish new, long-term collaborations in order to develop products that make a difference in the market.

By means of bilateral foreign trade financing agreements and insurance and guarantees from Export Credit Agencies, Halkbank offered long- and medium-term funds to its customers, in collaboration with numerous correspondent banks.

Halkbank boasts one of the largest credit lines within the GSM-102 Program of the US Department of Agriculture and continued to make this facility available to customers that import agricultural products from the United States.

In the scope of the agreement with Taiwan Eximbank, the exports in Taiwan were financed. As part of the agreement signed between the Saudi Fund for Development (SEP) and the Bank, the loan limits allocated to Halkbank were made available.



Halkbank became a sponsor to the Bond, Loans & Sukuk conferences held on September 28, 2017 in Istanbul and November 15-16, 2017 in Singapore. At these events, the Bank informed participating bond and other investors about its operations and services.

Efficient Communication with Stakeholders and Investors

In 2017, Halkbank continued to keep all business partners, existing and potential investors in both equities and fixed income securities informed and up-to-date, in order to increase the Bank's value in the eyes of investors over the long run. The Bank made its disclosures in an efficient, consistent and reliable manner.

Halkbank met with investors, analysts and asset managers in individual and group meetings. The Bank also attended a large number of meetings in Turkey as well as overseas, especially in financial centers where international institutional investors are based.

During investor meetings, Halkbank discussed its financial and corporate governance structure, market position within the domestic banking industry and internationally, corporate strategies, and expectations for the upcoming period.



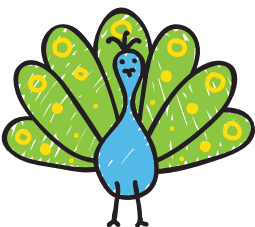
“ Thanks to strong relationships with the foreign institutional investment community, Halkbank maintained its top position among publicly traded banks in terms of the Bank's share of international institutional investors.

Halkbank prepared quarterly presentations related to its capital structure based on the Bank's financial results disclosed to the public, published these on the corporate website and simultaneously presented them to domestic and overseas investors via teleconferences. The Bank addressed questions related to the financial results in detail as promptly as possible. In addition, Halkbank maintained open communications channels with investors throughout the year; evaluated all questions, comments and requests conveyed to the Bank; and regularly made disclosures regarding material issues and significant developments in areas that could affect investment decisions.

Thanks to strong relationships with the foreign institutional investment community, Halkbank maintained its top position among publicly traded banks in terms of the Bank's share of international institutional investors.

Overseas Branches

Halkbank's current overseas organization consists of one country directorate and five branches in the Turkish Republic of Northern Cyprus (TRNC), one branch in Bahrain, and liaison offices in London, Singapore and Tehran.



Halkbank operates branches in the Turkish Republic of Northern Cyprus (TRNC) and in Bahrain. The Bank conducts operations in TRNC via a country management, five-branch network located in Lefkoşa (Nicosia), Gazimağusa (Famagusta), Girne (Kyrenia) and a satellite office in Paşaköy (Asia). The Bank's Northern Cyprus branches provide all banking services that are offered at Halkbank branches in Turkey. Halkbank plans to increase its market share in TRNC by expanding the existing branch network and developing a product portfolio suitable for that market.

Halkbank's Bahrain Branch, which commenced operations in 1994, is located in Bahrain, the financial center of the Gulf Region. Through the Bahrain Branch, the Bank aims to make Gulf Region funds available, both to Halkbank clients and to Turkey in general, as financing facilities; enter into strategic partnerships with the major banks in the region; fund foreign trade transactions that take place as a result of the increasing business volume between the Gulf Region and Turkey; and finance the projects planned for the region.

The London Representative Office, founded in 2014, works to establish more effective and sustainable business relations in the global finance markets; boost existing relations with current investors; and support access to business opportunities with new investors.

In order to improve cooperation with both international institutional investors and correspondent banks in the Asia-Pacific region, in 2016, a Representative Office was inaugurated in Singapore.



REVIEW OF OPERATIONS IN 2017

DEPOSIT MANAGEMENT

“ Growing faster than the industry average in savings deposits and achieving growth in deposit products in a highly competitive market are among Halkbank’s primary goals in this segment. Focusing on lengthening the average maturity of deposits as the deposit reserve requirements differentiate according to maturities, Halkbank sustained its broad-based and robust deposit volume as well as the maturity composition of its deposits.

Halkbank has adopted a dynamic deposit management strategy based on optimization of cost, market share, liquidity and non-deposit resource facilities. The Bank aims to offer services to the mass market with deposit products developed in line with this strategy.

The Bank’s deposit management strategy, which is critically important to maintain Halkbank’s solid funding structure, is based on the key principles of cost, market share and liquidity. As the Bank expects deposits to remain a very important source of funding in the coming year, Halkbank plans to continue maintaining a customer-oriented, stable, and broad-based deposit structure.

Solid Deposit Base

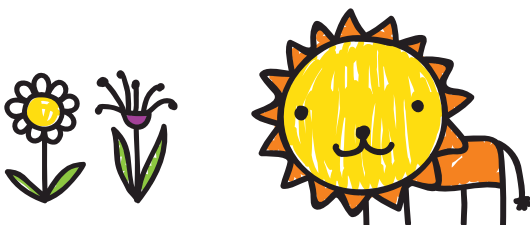
Effective deposit management serves to broaden the funding base and ensure continuity while also allowing Halkbank to roll out innovative products to diversify client transactions. To this end, the Bank continued to provide the Demand Gold Deposit, Accumulating Deposits, Fixed-Rate Productive Deposit Account, Flexible Term Deposit, and Mutual Fund, Convertible Safe Deposit and Convertible Term Deposit, Dowery Account and Home Deposit Account products. Halkbank rolled out the “Gold Term Deposit Account” product in 2017.

Growing faster than the industry average in savings deposits and achieving growth in deposit products in a highly competitive market are among Halkbank’s primary goals in this segment. Focusing on lengthening the average maturity of deposits as the deposit reserve requirements differentiate according to maturities, Halkbank sustained its broad-based and robust deposit volume as well as the maturity composition of its deposits.

Total Deposits Reach TRY 193.2 Billion

Halkbank’s total deposits increased 28.6% and reached TRY 193.2 billion as of end-2017.

Total demand deposits amounted to TRY 28.4 billion while the share of demand deposits in total deposits stood at 14.7%.





HUMAN RESOURCES AND SUPPORT MANAGEMENT

Human Resources

Halkbank provides employees with continuous training, expansive career opportunities and modern work spaces while taking heed of employee satisfaction.

Number of Employees 17,851

Some 1,602 new employees joined the Halkbank family in 2017, bringing the Bank's total workforce up to 17,851 personnel. The average job tenure of Halkbank employees stood at 10.2 years and the average age of the staff was 34.5 years. Of the Bank's personnel, 84.3% have university undergraduate or post-graduate degrees while the remaining 15.7% are high school graduates.

Career and Self-Improvement Days

Halkbank continued to engage in active dialogue with university students in 2017 with the dual objective of promoting the Bank to potential candidates for recruiting purposes and undertaking corporate social responsibility activities. As part of these efforts, the Bank participated in the Career and Self-Improvement Days held at select universities during 2017.

Halk Academy

Halk Academy conducts its operations as the Bank's training brand.

In 2017, Halk Academy conducted 2,050 days of in-class training, consisting of 2,860 training sessions for the Bank's employees. Of these, 48% were in-house training while the remaining 52% were administered by external training firms/instructors. The pace of core banking training programs was intense in the first quarter of the year due to new recruitments. In keeping with the Bank's strategies, the training programs focused on technical banking topics while also administering personal and professional development modules. On average, the participation rate was 4.88 people/day of training during the year.

“ In 2017, Halkbank continued to operate top quality banking services through the Head Office departments and a vast branch network of domestic and overseas branches.

In order to support in-class training in 2017, Halk Academy made an extensive e-learning catalogue available to employees; the catalogue consists of 209 e-learning programs, training videos on the topics of technical banking, bank applications, personal and professional development, IT trainings. 31 of these e-learning catalogues were generated in 2017 with content support from in-house and external instructors and related units. In 2017, each Bank employee received an average of 17.97 days of training, including 13.09 days of e-learning.

Halkbank's Vast Branch Network

In 2017, Halkbank continued to operate top quality banking services through the Head Office departments and a vast branch network of domestic and overseas branches.

Halkbank's branch network includes 963 branches in Turkey (889 branches, 6 corporate, 36 commercial, 3 free-zone, 29 satellite branches), 25 regional offices, 1 country management, 6 overseas branches and 3 overseas representative offices.





REVIEW OF OPERATIONS IN 2017

BANKING OPERATIONS AND INFORMATION TECHNOLOGIES

“ The Operation Center, designed to provide top quality, standardized and swift services at low operational risk to the branch network, performs transactions in 30 business lines. The number of transactions realized at the Operation Center rose by 10% over the prior year to 18.2 million.

Operational Transactions

Halkbank's operational transactions are conducted with the continuous improvement approach and in line with the principles of operational productivity and quality enhancement. Work is ongoing to improve, simplify and centralize operations that create an added work burden. 2017 was a period when the Bank implemented new solutions, methods and hardware, upgraded certain procedures and expanded the central operation transaction volume.

10% Increase in Transaction Volume

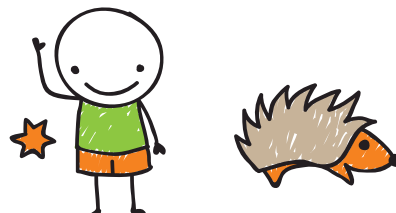
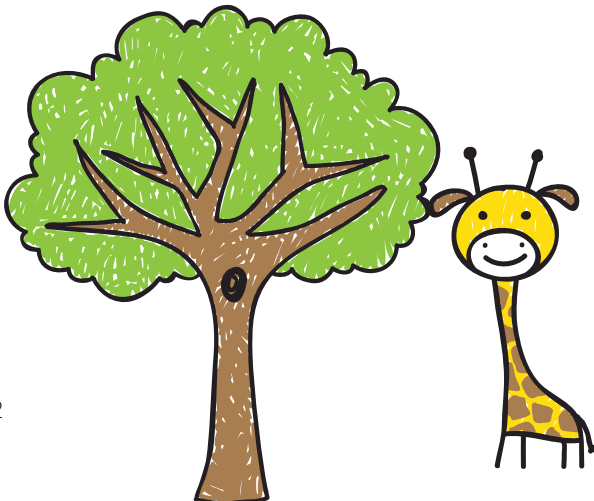
The Operation Center, designed to provide top quality, standardized and swift services at low operational risk to the branch network, performs transactions in 30 business lines. The number of transactions realized at the Operation Center rose by 10% over the prior year to 18.2 million.

In an effort to accurately identify the types of customers and to check whether all customer information and documentation is complete, institutional customer identification tasks were centralized for entities such as foundations, associations, industry bodies, trade unions, condominium boards, revolving fund establishments, delegations, social security institutions, local administrations, and banks.

Also in 2017, Halkbank centralized loan disbursements to and collateral controls of corporate and commercial customers as well as processes for challenging customer appeals and fee reimbursements.

Integration Initiatives

Halkbank conducted development and integration initiatives for transferring manually-administered processes to a systems-based infrastructure and including controls in data processing infrastructures, thereby reducing operational workload and lowering operational risk.





As a result of these efforts, integrations were activated that allow the received facsimiles to feed business flows without the need for a manual intervention; bulk EFT/wire transfer, salary and other payment, deduction and free payment files received electronically from the customers are transferred to the Bank system and processed securely without interfering with the data in the file; integrations were implemented to eliminate data entry steps in check inquiry transactions; the Bank began to respond to notifications received electronically from entities with garnishment authority in the electronic environment over the "Registered Electronic Mail" infrastructure; the Bank's systems were integrated with Directorate General of Civil Registration and Citizenship Affairs' Family Tree Registry Inquiry service, the Central Registration System (MERSIS), and services provided by the Revenue Administration's Identity Information Sharing System; the Bank switched to the Central Bank of Turkey's Cash Management System and began tracking group deliveries with barcode numbers on the basis of denomination and parcel number; and the infrastructure was created to send an e-mail and text message notification to the responsible personnel simultaneously with the transmittal of the customer complaint in an attempt to resolve customers' ATM problems in short order.

With regard to FATCA (Foreign Account Tax Compliance Act) and the global information sharing regulation CRS (Common Reporting Standard) approved by the OECD on July 15, 2014 aimed at reducing lost tax revenues of countries through information sharing between countries that fall within the purview of this regulation, requisite control points were created in the bank's standard documents and in the banking system. The report chart recommended by the U.S. Internal Revenue Service has been created to notify the Ministry of Finance of customers that are subject to FATCA.

Information Technologies

In an effort to reduce the workload from manual entry of customer financial data, OCR (Optical Character Recognition) technologies were deployed for automatic recognition, control, approval, automatic transfer to data entry screens of customer financial data, which resulted in increased efficiency in branch business processes.

As part of E-Applications, a system was set up for the placement of the papers and documents sent to the Bank in the "Document Management" system and their distribution, tracking and electronic archiving; integration was established with state institutions within the scope of e-Government applications.

Administrative portals were set up in order to support the efficient execution of branch marketing and operations personnel's daily tasks. A "CRM Portal" that enables access to asset, debt, limit, risk and active product information of customers from a single interface, and an "Operations Portal" where operations personnel can track their assigned tasks by opening task records were created.

A "Technological Transformation" program was initiated for an end-to-end overhaul of the Bank's core banking environment and internal processes with state-of-the-art technologies according to a "process management" and "service-oriented infrastructure" approach.

The Bank's Security Systems were reviewed and security level was increased with the implementation of three new systems. Additionally, pilot projects for two new systems are under way. In the ongoing process, Halkbank aims to integrate these projects into the system and continue to improve the level of security. Training sessions were administered and social engineering initiatives were conducted during the year in an attempt to raise the information security awareness of employees.



REVIEW OF OPERATIONS IN 2017

CORPORATE COMMUNICATION ACTIVITIES

“ Halkbank strives to cooperate with civil society organizations and public institutions in organized initiatives and continue to undertake social responsibility projects that reflect the principles and values of the Bank's deep-seated history.

At Halkbank, every contribution to the economy and society are integral parts of its sustainability approach. Halkbank continues to add value to society and life through its social responsibility projects that extend across numerous fields, including education, tourism, arts and environmental protection.

In the coming period, the Bank aims to further its social responsibility efforts that embody the principles and values of its long-standing history, by working in collaboration with both non-governmental organizations and public institutions.

In 2017, Halkbank's activities in this key area included:

Tradesmen and Craftsmen of Turkey Meeting

The Bank sponsored the Tradesmen and Craftsmen of Turkey Meeting organized by the Ministry of Customs and Trade in Istanbul.

Sector Analysis Meetings

The Bank lent sponsorship support to the meetings organized in cooperation with the Ministry of Customs and Trade that conducted field research and literature review in related industries for tradesmen and craftsmen.

Shared Intelligence Meetings

The Bank supported the Shared Intelligence Meetings organized in 10 different sectors in collaboration with the Turkish Exporters' Assembly as a solution partner.

Gazi University Africa and Mediterranean Basin Countries Documentary Film Production

The Bank sponsored 10 episodes of the Africa and Mediterranean Basin Countries documentary film organized by Gazi University.

Second World Technology and Innovation Conference

Halkbank was the main sponsor for the Second World Technology, Innovation and Entrepreneurship Congress organized by Istanbul University between May 12 and May 14, 2017.





Atlantic Council Energy and Economy Conference

The Bank lent main sponsorship support once again this year to the Atlantic Council Energy and Economy Conference where economic and energy policies of Middle East, Balkan and European countries were discussed.

Bonds, Loans & Sukuk Turkey 2017

Halkbank was a sponsor for the Bonds, Loans & Sukuk Turkey 2017, organized by Global Financial Conferences as Turkey's only international capital markets congress, as well as for the Middle East 2017 and the Middle East Meets Asia 2017 congresses.

Low Carbon Summit

The Bank sponsored the Fourth Istanbul Carbon Summit event organized by the International Emissions Trading Association on April 26, 2017.

Ankara International Film Festival

As in previous years, Halkbank continued to support cultural and social activities in 2017. The Bank became a sponsor of the 28th edition of the Ankara International Film Festival, for the eighth time.

Ahi Week Celebrations

As in previous years, Halkbank sponsored the 30th Ahi Week Celebrations organized by the General Directorate of Tradesmen and Craftsmen of the Ministry of Customs and Trade in Kırşehir, to uphold the "ahi" and "yaran" cultures, which are based on ethics, integrity, fraternity and philanthropy.



Safety and Child's Journal Book

Halkbank lent sponsorship support for the publication of the "Safety and Child's Journal" book prepared to educate elementary and middle school children on traffic rules in their daily lives.

Painting Contest

A painting contest was held for the children of employees of the Bank and its subsidiaries. The 20 children who advanced in the competition were invited to a two-day workshop at the Cappadocia Culture and Art Center while five young finalists were rewarded with laptop computers.

Photo Contest

Halkbank organized a photography contest to encourage the staff to take up cultural and artistic activities, and in support of efforts to this end. The seventh edition of the competition was held in 2017. To date, a total of 161 employees have garnered awards at the event.

Photo Workshop

Photo workshops at beginner and advanced level were conducted for Halkbank personnel interested in photography.

Turkish Folk Music Chorus

The Turkish Folk Music Chorus, composed of Halkbank employees, performed in concert. Chorus rehearsals continue for future concerts.

Turkish Classical Music Chorus

The Turkish Classical Music Chorus, comprised of Halkbank employees, continued its rehearsals and gave concerts in 2017.

"Together at Halkbank" Magazine

The internal communication magazine "Together at Halkbank" is published every two months to strengthen the corporate culture and provide motivation to employees.



REVIEW OF OPERATIONS IN 2017

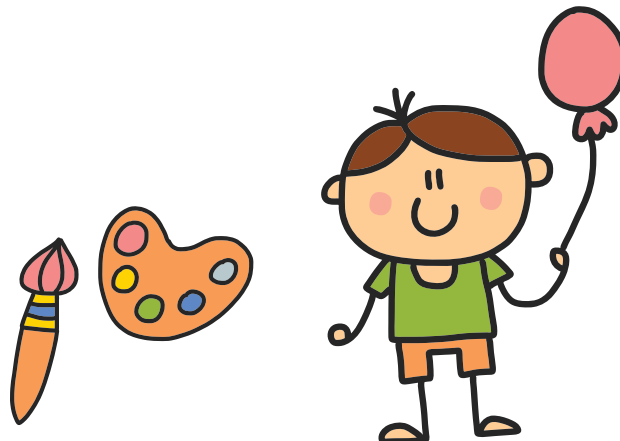
OTHER INFORMATION ON OPERATIONS

There were no major lawsuits filed against Halkbank that can impact the Bank's financial position or operations.

There have not been any administrative or legal sanctions imposed on the Bank for practices in breach of applicable legal or regulatory provisions.

There have not been any administrative or legal sanctions imposed on the members of the Bank's Board of Directors for practices in breach of applicable legal or regulatory provisions.

Total charitable contributions and donations made by Halkbank in 2017 amounted to TRY 4.3 million, while donations including the consolidated subsidiaries amounted to TRY 4.5 million.





HALKBANK'S SUBSIDIARIES AND AFFILIATES

Halkbank has an extensive portfolio of subsidiaries and affiliates comprised of 24 companies that provide its customers with advanced banking services, as well as products and services in other areas.

In accordance with Halkbank's policy, its subsidiaries and affiliates strive to:

- Create added-value, enrich the product and service portfolio that Halkbank offers to its retail and corporate clients, and create cross-selling and supplementary product marketing and sales opportunities.
- Establish good relations with other enterprises, while expanding and continuing existing relationships.
- Increase operational efficiency and reduce service production costs.
- Ensure the delivery of high-quality services needed by the Bank's clients.

Acting in accordance with this policy, Halkbank provides quick and effective services to its customers, with the synergistic cooperation among its subsidiaries and affiliates.

“ Halkbank provides quick and effective services to its customers, with the synergistic cooperation among its subsidiaries and affiliates.





HALKBANK'S SUBSIDIARIES AND AFFILIATES

HALKBANK'S SUBSIDIARIES



Halk Sigorta A.Ş.

Capital: TRY 187,000,000

Halkbank's shareholding: 89.18%

The Company was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives. The Company became a subsidiary in early 2006 when Halkbank acquired the shares held by Türkiye Halk Bankası Personnel Provident Fund.

At the Extraordinary General Assembly Meeting held on December 27, 2010, the Company's name was changed from Birlik Sigorta A.Ş. to Halk Sigorta A.Ş. At the Ordinary General Assembly Meeting held on June 15, 2017, a total of TRY 58 million in bonus shares was distributed to shareholders. Thereby, the company's capital was increased from TRY 129 million to TRY 187 million.



Halk Hayat ve Emeklilik A.Ş.

Capital: TRY 412,000,000

Halkbank's shareholding: 100%

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

Making preparations in 2009 to operate in the private pension sector, the Company acquired the operating license from the Undersecretariat of Treasury to operate in the pension branch in January 2012 and launched initiatives in this segment.

At the company's Ordinary General Assembly Meeting held on July 26, 2017, it was decided to make a TRY 135 million capital increase by bonus issue. The Company's capital was increased from TRY 277 million to 412 million. The Bank holds a 100% stake in the Company.



Halk Yatırım Menkul Değerler A.Ş.

Capital: TRY 82,000,000

Halkbank's shareholding: 99.96%

Halk Yatırım Menkul Değerler A.Ş. was set up in 1997 to carry out capital markets activities, to purchase and sell capital markets instruments, and to execute stock exchange transactions. The Company became a subsidiary in early 2006 when Halkbank bought the shares of Türkiye Halk Bankası Personnel Provident Fund.

In 2014, Halkbank acquired the stakes in this company held by Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş., bringing its total ownership share up to 99.96%. In 2015, the Company's paid-in capital was increased from TRY 64 million to TRY 82 million.

As a result of the application filed by the Company due to the obligation of renewing investment firm licenses based on the abrogated Capital Markets Law No. 2499 under Capital Markets Law no. 6362, the Company was classified and authorized as a brokerage firm with broad authority as per CMB's resolution dated October 15, 2015.

The agency contract between Halk Yatırım Menkul Değerler A.Ş. and Halkbank was cancelled to be replaced with the Order Transfer Intermediation Contract signed on November 11, 2015 and approved by CMB.



Halk Banka A.D., Skopje

Capital: MKD 3,633,180,000
(Macedonian denars)

Halkbank's shareholding: 99.03%

Halkbank acquired the majority shares of Izvozna I Kreditna Banka A.D., Skopje, a Macedonian bank that began operating in 1993 to conduct a full range of banking activities, from Demir-Halk Bank (Nederland) N.V. in 2011. Subsequently, the Bank became a subsidiary of Halkbank; the name was changed to Halk Banka A.D., Skopje.

Halk Banka A.D., Skopje, acquired Ziraat Banka A.D., Skopje, another bank operating in Macedonia the controlling shares of which are owned by T.C. Ziraat Bankası A.Ş., with all of its assets, liabilities, branches and personnel as of October 1, 2012. As a result of this takeover, the Company's capital increased from MKD 1,884,150,000 to MKD 2,893,690,000 while Halkbank's equity stake went up from 98.12% to 98.78%. At Halk Banka A.D. Skopje's Ordinary General Assembly dated June 27, 2016 and Extraordinary General Assembly dated June 29, 2016, the profits of the previous and the current period were decided to be used for a capital increase. The capital was raised to MKD 3,633,180,000 and the Bank's shareholding was increased from 98.78% to 99.03%.

Halk Banka conducts operations with a 39 branch network-19 branches in Skopje and 20 in other cities and a total of 499 employees.



Halkbank A.D., Beograd

Capital: RSD 2,421,160,000
(Serbian dinars)

Halkbank's shareholding: 99.89%

In line with the Bank's policy of increasing its presence in the Balkan region and Middle East, Halkbank acquired a 76.76% stake in Cacanska Bank, operating in the Cacak region of Serbia. The Bank included the acquisition target in the subsidiary portfolio as of May 27, 2015. The acquired bank was renamed Halkbank A.D.

Beograd in line with the resolution adopted at the General Assembly dated October 15, 2015, and its headquarters was transferred from Cacak to Belgrade. Halkbank A.D. Beograd has 32 branch locations, four exchange offices and 437 employees.

Following a capital increase in 2015, Halkbank's shareholding went up to 82.47%. After acquiring other publicly-traded shares of the bank, Halkbank's equity stake rose to 99.89% in 2017.



Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

Capital: TRY 820,000,000

Halkbank's shareholding: 71.96%

The Company was established under the leadership of Halkbank in 2010 to do business for the objectives and in the matters stipulated by the regulations of the Capital Markets Board of Turkey regarding the Real Estate Investment Trusts and to invest in real estate properties, real estate-backed capital markets instruments, real estate projects and real estate-based rights.

The initial public offering of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. was held in February 2013; the entire shares offered to the public, with a nominal value of TRY 185.5 million, was sold. On February 22, 2013, 28% of the Company shares began to be traded on the Borsa İstanbul.

Halkbank raised its stake in the Company to 71.96% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.

In 2017, the Company's capital was increased from TRY 790 million to TRY 820 million.



HALKBANK'S SUBSIDIARIES AND AFFILIATES

HALKBANK'S SUBSIDIARIES



Halk Finansal Kiralama A.Ş.

Capital: TRY 272,250,000

Halkbank's shareholding: 99.99%

Commencing operations in 1991, Halk Finansal Kiralama A.Ş. was founded to acquire movable and immovable property, machinery, vehicles and equipment through purchasing, import and other legal means; to use these economic assets in domestic and overseas leasing operations; and to conduct all kinds of leasing transactions. The Company, which was a 47.75%-owned affiliate of Halkbank, became a subsidiary after Halkbank acquired the shares of other shareholders in 2011.

In 2014, the Company's capital was increased from TRY 259.2 million to TRY 272.3 million. Halkbank raised its stake in the company to 99.99% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.



Halk Portföy Yönetimi A.Ş.

Capital: TRY 18,000,000

Halkbank's shareholding: 74.99%

The Company was founded on June 24, 2011 to manage portfolios consisting of capital markets instruments through discretionary portfolio management agreements with customers as their authorized agent and to engage in investment advisory and capital markets activities pursuant to the provisions of the Capital Market Law and its related regulations.

Halkbank raised its stake in the Company to 74.99% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.

In 2017, the Company's capital was increased from TRY 11 million to TRY 18 million financed exclusively by internal funds, within its registered capital ceiling of TRY 20 million.



Halk Faktoring A.Ş.

Capital: TRY 70,000,000

Halkbank's shareholding: 97.50%

Halk Faktoring A.Ş. was founded on June 6, 2012 as a Halkbank subsidiary in order to provide all financing, guarantee and collection products needed in domestic and international trade transactions with a focus on trade finance and receivables-backed financing to SMEs, companies with major import or export activities, corporations with extensive supplier and dealer networks, as well as all other clients. Pursuant to the operating license granted by the Banking Regulation and Supervision Agency of Turkey, the Company began executing transactions on December 10, 2012.

Halkbank raised its stake in the Company to 97.50% in 2014, by acquiring the stakes of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. In 2017, the Company's capital was increased to TRY 70 million.

The Company operates three branches: two in Istanbul and one in Ankara.



Bileşim Alternatif Dağıtım Kanalları A.Ş.

Capital: TRY 20,000,000

Halkbank's shareholding: 100%

Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. commenced operations in 1998 to carry out activities in the areas of alternative distribution channels and payment systems. Pursuant to the Turkish Competition Authority's approval for the share transfer transaction, Halkbank's acquisition of Ziraat Group's 76% equity stake (T.C. Ziraat Bankası A.Ş. shareholding: 61%; Ziraat Finansal Kiralama A.Ş. shareholding: 15%) in the Bank's affiliate Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş. was finalized on July 22, 2013 and the Company became a wholly-owned subsidiary of the Bank. Upon a resolution reached at the Ordinary General Assembly Meeting on April 21, 2016, the Company's trade name was changed to "Bileşim Alternatif Dağıtım Kanalları A.Ş." The Company's capital was raised from TRY 17.5 million to TRY 20 million in 2017.

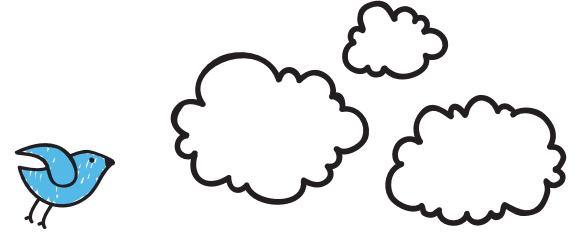


Halk Varlık Kiralama A.Ş.

Capital: TRY 100,000

Halkbank's shareholding: 100%

The Company was established on October 3, 2017 to issue "Lease Certificates" pursuant to the Capital Markets Law No. 6362, the Capital Markets Board's related communiqué, and the Capital Markets Board's related regulations. The Company's capital is TRY 100,000 and Halkbank's shareholding is 100%.



HALKBANK'S SUBSIDIARIES AND AFFILIATES

AFFILIATES



KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Capital: TRY 38,000,000
Halkbank's shareholding: 31.47%

KOBİ Girişim Sermayesi Yatırım Ortaklığı A.Ş. was established in 1999. The purpose of the Company is to provide support for small and medium-scale enterprises that have high potential for development and are in need of funds. The intention of the Company is to contribute to their development by offering them the capital and strategic support they need to grow.

The Company was expanded to build and manage an angel investor network and to carry out portfolio management activities. Through this network, the company intends to bring together a group of angel investors and undertake finance matching to meet core and initial capital needs.



Demir-Halk Bank (Nederland) N.V.

Capital: EUR 113,750,000
Halkbank's shareholding: 30%

Having commenced operations in 1992 and carrying out a full range of banking operations, Demir-Halk Bank (Nederland) N.V. is a company with Turkish capital, operating according to Dutch legislation. It was established in Rotterdam, Netherlands to offer services particularly to Turkish companies and their partners in Western Europe.



Bankalararası Kart Merkezi A.Ş.

Capital: TRY 14,000,000
Halkbank's shareholding: 18.95%

The Company was established in 1990 to generate solutions for common issues related to the card payment system and to develop the rules and standards for debit and credit cards in Turkey.



Kredi Kayıt Bürosu A.Ş.

Capital: TRY 7,425,000
Halkbank's shareholding: 18.18%

The Company was founded in 1995 to facilitate information sharing, a prerequisite for monitoring and controlling retail loans, between financial institutions that are engaged primarily in money and capital markets and insurance business lines.



Türk P&I Sigorta A.Ş.

Capital: TRY 6,000,000
Halkbank's shareholding: 16.67%

The Company was established on December 31, 2013 in accordance with Insurance Law No. 5684 to operate exclusively in the non-life insurance branch of Water Vessels Liability Insurance, with capital of TRY 300,000. Pursuant to the Regulation on the Establishment and Operating Principles of Insurance and Reinsurance Companies, the company obtained a license to operate in the field of Water Vessels Liability Insurance on February 18, 2014.

At the Extraordinary General Assembly which convened on January 17, 2014, the Company's capital was increased by TRY 5.7 million to TRY 6 million.

On April 2, 2015, Halkbank acquired a 16.6667% stake in Türk P&I Sigorta A.Ş. previously held by Halk Sigorta A.Ş. As a result, Türk P&I Sigorta was transformed into an affiliate.



SECURITIES AVAILABLE FOR SALE

Kredi Garanti Fonu A.Ş.

Capital: TRY 318,281,750

Halkbank's shareholding: 1.54%

Commencing operations in 1991, Kredi Garanti Fonu A.Ş. was established to support small and medium-size enterprises through loan guarantees and to facilitate their access to bank loans in order to finance their investments and working capital needs.

Sberbank Magyarország Zrt.

(Sberbank Hungary)

Capital: HUF 3,727,100,000 (Hungarian Forints)

Halkbank's shareholding: 1.07%

Magyarorszagi Volksbank RT was established in Hungary in 1993 to carry out a full range of banking services.

Volksbank International AG, the controlling shareholder of Magyarorszagi Volksbank RT, sold its 98.60% stake in the Company to Sberbank Europe AG in 2012. At the General Meeting held on May 29, 2013, it was decided to change the Bank's name to Sberbank Magyarország Zrt.

İstanbul Takas ve Saklama Bankası A.Ş.

Capital: TRY 600,000,000

Halkbank's shareholding: 0.99%

Mesbaş Mersin Serbest Bölge İşleticisi A.Ş.

Capital: TRY 5,402,160

Halkbank's shareholding: 1.37%

Türkiye Cumhuriyet Merkez Bankası

Capital: TRY 25,000

Halkbank's shareholding: 1.11%

Alıdaş Alanya Liman İşletmeleri Denizcilik Tur. Tic. ve San. A.Ş.

Capital: TRY 6,000,000

Halkbank's shareholding: 0.50%

Borsa İstanbul A.Ş.

Capital: TRY 423,234,000

Halkbank's shareholding: 0.00353%

Visa INC.

Capital: USD 16,900,000,000

Halkbank's Shareholding: %0.0017614

ANNUAL REPORT **COMPLIANCE STATEMENT**

INDEPENDENT AUDITOR'S REPORT REGARDING THE BOARD OF DIRECTOR'S ANNUAL REPORT

To the Board of Directors of Türkiye Halk Bankası A.Ş.

1) Opinion

We have audited Türkiye Halk Bankası A.Ş. ("Bank") and subsidiaries that are subject to consolidation ("Group") Annual Report regarding the accounting period of the 1st of January 2017-31st of December 2017.

In our opinion, the consolidated and standalone financial information in the Board of Director's Annual Report, and the assessments made by the Board of Directors on the Bank's situation based on the information presented in the audited consolidated and standalone financial statements, with all its important aspects, are consistent with the complete set of audited consolidated and standalone financial statements and the findings we have come across during our independent review, and they reflect the facts.

2) Basis for the Opinion

The independent audit we have conducted was performed in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette numbered 29314 dated April 2, 2015, and the Independent Audit Standards ("BDS") that is a part of the Turkish Audit Standards published by the Public Oversight, Accounting and Audit Standards Authority ("KGK"). Our responsibilities pursuant to these Standards were stipulated in detail in the section titled Independent Auditor's Responsibilities regarding the Independent Audit of the Annual Report. We hereby declare that we are independent from the Bank in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by KGK and with the provisions on ethics stipulated in the independent auditing laws and regulations. We have also fulfilled all other responsibilities stipulated in the Code of Ethics and effective laws and regulations. We believe that the independent audit indicators we have found during the independent audit form a reasonable and sufficient basis for our conclusion.

3) Our Auditor's Opinion on Complete Set of Consolidated and Standalone Financial Statements

In our auditor's report dated February 14, 2018, we have issued a conforming opinion on the Bank's complete set of consolidated and standalone financial statements covering the accounting period between January 1, 2017 and December 31, 2017. Additionally, our opinion points out the court proceedings on a current Halkbank executive currently under way in the United States as a matter of interest.

4) Board of Director's Responsibility Regarding the Annual Report

As per the 514th and 516th Article of the Turkish Commercial Code n.6102, and the "Regulation on the Principles and Procedures Regarding the Preparation of the Annual Report by Banks" the Bank management is responsible for below mentioned regarding the annual report:

- a) Issuing an annual report within three months of the date of the balance sheet and presenting it to the general assembly of shareholders.
- b) Preparing the annual report as an accurate, complete, straightforward, factual and honest reflection of the Bank's financial position in every aspect alongside a review of the Bank's operations during that year.



c) The annual report also entails the following elements:

- Major developments at the Bank that transpired after the end of the reporting year that are of particular significance,
- The Bank's research and development activities,
- Financial compensation in the form salary, bonus or incentives; allowances; travel, accommodation and representation expenses; in-kind and cash facilities; insurances and similar guarantees,

The Board of Directors also complies with the secondary regulations set forth by the Banking Regulation and Supervision Agency, the Ministry of Customs and Trade, and the other related authorities when preparing the annual report.

5) Independent Auditor's Responsibility Regarding the Annual Report

Pursuant to the provisions of the Turkish Commercial Code and the Regulation, our purpose is to present an opinion on whether the consolidated and standalone financial information in the Board of Director's Annual Report, and the assessments made by the Board of Directors on the Bank's situation based on the information presented in the audited consolidated and standalone financial statements, are consistent with the audited consolidated and standalone financial statements and the findings we have come across during our independent review, and whether they reflect the facts; and issue a report conveying this opinion.

The independent audit that we have performed was done within the framework of the 397th Article of the Turkish Commercial Code and the "Regulation on Independent Audit of the Banks" published in the Official Gazette n.29314 dated: 2nd of April 2015 and in conformity with the Independent Audit Standards ("BDS"). These standards require that we comply with ethics provisions, and plan and conduct the independent audit in a way that provides a reasonable assurance on whether the consolidated and standalone financial information in the Board of Director's Annual Report, and the assessments made by the Board of Directors on the Bank's situation based on the information presented in the audited consolidated and standalone financial statements, are consistent with the audited consolidated and standalone financial statements and the findings we have come across during our independent review, and whether they reflect the facts.

Hasan Kılıç is the responsible auditor who conducts and finalizes this independent audit.

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

HASAN KILIÇ, SMMM
Partner

Istanbul, March 9, 2018

BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



RECEP SÜLEYMAN ÖZDİL
Chairman

Mr. Özdil was born in 1961 in Istanbul and graduated from Ankara University, Faculty of Political Science, Department of Economics. He started his professional career in 1984 at a private company as Inspector. Subsequently, Mr. Özdil went on to work as Specialist, Assistant Manager and Branch Manager at Albaraka Türk Özel Finans Kurumu A.Ş. between 1986 and 1993. From 1993 to 1995, he served as Financial Coordinator at a private company. Later, he worked as Deputy General Manager between 1995 and 2001 at İhlas Finans Kurumu A.Ş. and from 2001 to 2005 at Family Finans Kurumu A.Ş. From 2005 until 2011, Mr. Özdil was a Board Member and CEO at Birleşik Fon Bankası A.Ş. and Board Member at Security Deposit Insurance Fund (TMSF). Since August 28, 2015, Mr. Özdil has been serving as Chairman at T. Halk Bankası A.Ş.



SADIK TILTAK
*Vice Chairman
Independent Board Member*

Sadık Tiltak received his Bachelor's degree in Finance from the Ankara University Faculty of Political Science. He began his professional career as an Assistant Inspector at T. Garanti Bankası A.Ş. in 1988 and moved on to serve as a Branch Manager before becoming a General Manager at the company's headquarters. Appointed Board Member of T. Vakıflar Bankası T.A.O. on March 30, 2012, Mr. Tiltak previously served as Loan Committee Member, Corporate Governance and Appointment Committee Member, and Audit Committee Member at Vakıflar Bankası; Chairman at Vakıf Finans Faktoring Hizmetleri A.Ş.; Vice Chairman at Vakıf Gayrimenkul Değerleme A.Ş., Vakıf Pazarlama ve Ticaret A.Ş., Vakıf Portföy Yönetimi A.Ş. and Board Member at Halk Hayat ve Emeklilik A.Ş. As of April 1, 2014, Mr. Tiltak became an Independent Board Member at T. Halk Bankası A.Ş. and was appointed Vice Chairman on March 31, 2016. He is also Vice Chairman of Halk Sigorta A.Ş.



OSMAN ARSLAN
*Board Member and
General Manager*

Born in Ankara in 1971, Arslan graduated from the Middle East Technical University, Faculty of Science and Literature, Department of Statistics. He later received an MBA at the same university. He joined Ziraat Bank in 1995. He served in managerial positions at various private banks from 1998 to 2004. Between 2004 and 2012, he worked as a Division Manager, Head of Department, and Deputy General Manager at Halkbank as well as General Manager at Arap Türk Bankası. In March 2012, he began serving as the Deputy General Manager of Financial Affairs at Ziraat Bank. He became the Deputy General Manager of International Banking and Partnerships and then the Deputy General Manager of Information Technologies in January 2013 and August 2014, respectively, at Ziraat Bank. He served as the CEO of Ziraat Katılım Bankası A.Ş. from February 2015 to June 2017. Arslan was appointed General Manager of Halkbank on June 8, 2017. He also serves as the Chairman of the Boards of Directors of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş.



YUNUS KARAN
Board Member

Yunus Karan was born in Giresun in 1940. He received his Bachelor's degree in Finance and accounting from Istanbul University, Faculty of Economics and Administrative Sciences in 1964. Mr. Karan began his professional career at T.C. Ziraat Bankası A.Ş. in 1965 and served as Branch Manager in various branches of the bank until 1996. He then served as the Fatih Branch Manager of İhlas Finans Kurumu A.Ş. between 1996 and 1999. Mr. Karan was a Board Member at Ziraat Leasing Finansal Kiralama A.Ş. from 2002 until May 2012 and an Independent Board Member at Halk Gayrimenkul Yatırım Ortaklığı A.Ş. between May 14, 2012 and March 31, 2014. He has been serving as a Board Member at Türkiye Halk Bankası A.Ş. since April 1, 2014. He is also a Board Member at Halk Gayrimenkul Yatırım Ortaklığı A.Ş.



CENAP AŞÇI
Board Member

Cenap Aşçı was born in 1967 in Aksaray and graduated from İstanbul University, Faculty of Political Sciences, Department of Public Administration in 1988. He received his Master's degree in International Trade from Boston University, Department of Management Sciences. He started his professional career in 1989 as Assistant Customs Auditor, and later served as Customs Auditor, Chief Customs Auditor, Head of Customs Internal Audit Board, Head of General Directorate of Customs, Vice Director of EGO, Assistant General Director of Customs, and General Director of Customs, before being appointed Undersecretary of the Ministry of Customs and Trade. In the 63rd government (temporary council of ministers) established on August 28, 2015, he served as Minister of Customs and Trade. Since March 31, 2016 he has served as Board Member at T. Halk Bankası A.Ş. Fluent in English, Cenap Aşçı is married and has three children.



MAKSUT SERİM
Board Member

Born in İzmit in 1955, Serim graduated from Marmara University, Faculty of Theology. He received his master's degree from Atılım University, Department of Public Administration and Political Science. Between 1977 and 1998, he served as a clerk, chief, supervisor, deputy manager, and deputy general manager at Vakıfbank. He later served as Press and Public Relations Adviser and then as Senior Adviser to the Prime Minister between 2003 and 2016. Serim currently serves as a Senior Adviser to the President, and has been a Member of the Board of Directors of Halkbank since June 8, 2017.

BOARD OF DIRECTORS AND THE SUPERVISORY BOARD



MELTEM TAYLAN AYDIN
Board Member

Born in Ankara in 1973, Aydın graduated from Istanbul University, Faculty of Political Science, Department of Business Administration. She completed her graduate studies on the macroeconomic performance of emerging economies and behavioral economics. In 2014, she was admitted to Harvard University's Emerging Leaders program. She is currently working toward her MBA degree at Harvard Extension School. Aydın currently serves as an Adviser to the President, and has been appointed a Member of the Board of Directors of Halkbank in June 2017.



MEHMET NİHAT ÖMEROĞLU
Independent Board Member

Born in Antakya in 1947, Ömeroğlu graduated from Istanbul University, Faculty of Law and was appointed as a judge in 1975. Following his long tenure as a judge, he served as the Director General of Legal Division and as the Director General of Criminal Division at the Ministry of Justice between 2003 and 2005. In 2005, he was appointed a member of the Court of Cassation. He retired in 2012. In November 2012, Ömeroğlu was elected as Turkey's first Chief Ombudsman by the Grand National Assembly of Turkey and served in this capacity for four years. He has been serving as a Member of the Board of Directors of Halkbank since June 8, 2017. He is also a Member of the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.



YAHYA BAYRAKTAR
Independent Board Member

Yahya Bayraktar was born in 1955 in Erzincan/Kemaliye. He graduated from İ.H.O. in 1974 and from Middle East Technical University, FEAS, Department of Business Administration in 1981. In 1982, Mr. Bayraktar took office at Yapı ve Kredi Bankası as Assistant Auditor. While sitting on the Yapı ve Kredi Bankası Board of Auditors between 1983 and 1988, he participated in endeavors concerning the transition to electronic audit and IT systems. In 1988, Mr. Bayraktar joined Faisal Finans Kurumu, and worked there as Auditor, Director of Marketing, Fund and Banking and Director of Fund Management between 1991 and 1995. In 2006, he served as Branch Manager at Türkiye Finans Katılım Bank. Currently, Mr. Bayraktar is member of the Board of Trustees and General Secretary at Erzincan Culture and Education Foundation (EKEV), with a special focus on student scholarships and organization of educational activities. He penned numerous articles on the economy and finance, and wrote a book entitled "Waiting for the Mulberry Season" published by EKEV in 2011. Between 2012 and 2016, Mr. Bayraktar served as Independent Board Member at a public subsidiary of T. Vakıflar Bankası T.A.O., namely Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. He joined T. Halk Bankası A.Ş. as Independent Board Member on March 31, 2016. Yahya Bayraktar also serves as a Board Member at Halk Gayrimenkul Yatırım Ortaklığı A.Ş.



FARUK ÖZÇELİK

Member of the Supervisory Board

Faruk Özçelik was born in Hadım, Konya in 1968. He is a graduate of the Public Administration, Banking and Insurance from the Faculty of Economics of Ankara University and he is also a graduate of Justice from the Faculty of Law of Ankara University and holds a Master's degree in International Relations from Institute of Social Sciences, Selçuk University and a Bachelor's degree in Business Administration from the Faculty of Political Sciences, Ankara University. Mr. Özçelik began his career as Assistant Auditor at the Republic of Turkey Prime Ministry, General Directorate of Foundations, later serving as Auditor and Chief Auditor in the same institution and the Ministry of Public Works and Settlements. Between 2003 and 2009, Mr. Özçelik worked as Deputy General Manager at the Prime Ministry, General Directorate of Personnel and Principals, and later served as the General Manager of the same institution until 2014. He has also served as a Director on the Boards of Natural Disasters Insurances Authority and the Institute of Public Administration for Turkey and the Middle East (TODAİE), and as a Member of the Supervisory Board of Turkish Maritime Operations (Türkiye Denizcilik İşletmeleri A.Ş.). Currently, he serves as a Member of the Supervisory Board of Türkiye Halk Bankası A.Ş., and on the Istanbul Olympic Games Presentation and Organization Committee. Mr. Özçelik is married with two children. Mr. Özçelik was appointed as the Undersecretary of Ministry of Youth and Sports on January 26, 2014. His interests include football, volleyball, and athletics. Mr. Özçelik speaks French, Arabic and English.



PROF. DR. YILMAZ ÇOLAK

Member of the Supervisory Board

Born in Giresun in 1969, Çolak graduated from the Middle East Technical University, Department of Sociology. He received his master's degree and Ph.D. from Bilkent University, Department of Political Science and Public Relations. Between 1993 and 2010, he held academic titles and served as faculty at Bilkent University, Kırıkkale University, and Eastern Mediterranean University, respectively. In 2010, he began working at the Police Academy and currently serves as the President of the Police Academy. Çolak has been serving as a Member of Halkbank's Supervisory Board since June 8, 2017.



EXECUTIVE MANAGEMENT



OSMAN ARSLAN
*Board Member and General
Manager*

Please see page 86 for Mr. Osman ARSLAN's background.



MEHMET AKİF AYDEMİR
*Deputy General Manager
Loan Allocation and Management*

Mehmet Akif Aydemir, born in 1963 in Ankara, is a graduate of Ankara University, Department of Economics, Faculty of Political Science. He began his career on October 20, 1986 at Pamukbank as an Assistant Inspector and went on to become an Inspector, Branch Manager and Division Manager at the bank. Mr. Aydemir was the head of the Corporate Loans Department between December 10, 2004 and March 3, 2010 and was the Assistant General Manager in charge of Corporate and Commercial Loans from March 4, 2010 to July 21, 2011. He has since been working as an Deputy General Manager responsible for Loan Allocation and Management at Halkbank, which he began on July 22, 2011.



MEHMET SEBAHATTİN BULUT
*Deputy General Manager
Loan Policies, Monitoring and Legal
Proceedings*

Mehmet Sebahattin Bulut was born in Erzurum in 1965. After receiving his Bachelor's degree in Econometrics from the Faculty of Economics and Administrative Sciences at Uludağ University, he began his professional career as Assistant Financial Analysis Specialist at T. Vakıflar Bankası T.A.O. in 1994. He later worked as Inspector as well as Manager at various levels and as Head of Department at the same bank. Mr. Bulut served as Board and Audit Committee Member at various subsidiaries of T. Vakıflar Bankası T.A.O. He started working as Deputy General Manager on July 10, 2014. Since 18th of July, 2017 he has been Deputy General Manager in charge of Loan Policies, Monitoring and Legal Proceedings at Halkbank.



MUSTAFA ÇÖDEK
*Deputy General Manager
Retail Banking*

Mustafa Çödek was born in 1963 in Alucra - Giresun. He graduated from the Department of Economics, Faculty of Economics and Administrative Sciences at Gazi University in 1986. Çödek began his professional career as an Assistant Specialist at Halkbank in 1987 and has spent his entire career at the same institution serving as Assistant Inspector, Inspector, Branch Manager, Department Head, and Regional Coordinator. He has been serving as the Deputy General Manager of Retail Banking since July 18, 2017.



HAKAN ERYILMAZ
*Deputy General Manager
Treasury Management and
International Banking*

Born in Çankırı in 1972, Eryılmaz graduated from the Middle East Technical University, Faculty of Science and Literature, Department of Statistics. He received his master's degree from Yeditepe University, Department of Finance and Banking. Eryılmaz began his professional career in 1995 as Assistant Specialist in the Investment Banking Department at Yapı Kredi Bank. He served in various positions at BNP-Ak-Dresdner Bank between 1998 and 2005. He worked as Deputy General Manager, Founder, and Board Member at various private financial institutions between 2005 and 2013. As of November 2013, he began serving as General Manager of Ziraat Portföy Yönetimi A.Ş (Ziraat Asset Management) at Ziraat Finance Group. Eryılmaz served as Member of the Board of Directors and General Manager at Ziraat Yatırım Menkul Değerler A.Ş. (Ziraat Investment) between November 2013 and June 2014, and then at Ziraat Portföy Yönetimi A.Ş., between June 2014 and August 2017. Eryılmaz is married with one son. He is fluent in English. He has been serving as Halkbank's Deputy General Manager of Treasury Management and International Banking since July 18, 2017.



ERGİN KAYA
*Deputy General Manager
Banking Operations and
Information Technologies*

Born in Artvin in 1970, Kaya graduated from Ankara University, Faculty of Political Science, Department of Public Administration. He served as Assistant Inspector, Inspector, Division Director, and Department Head at Halkbank. Kaya has been serving as the Deputy General Manager of Banking Operations and Information Technology since July 18, 2017.

EXECUTIVE MANAGEMENT



METİN KÖSTEK
*Deputy General Manager
Internal Systems*

Born in Istanbul in 1964, Köstek graduated from Istanbul University, Faculty of Economics, Department of Economics. He served as Assistant Specialist at Ziraat Bankası A.Ş., and as Assistant Inspector, Inspector, and Branch Manager at Türkiye Emlak Bankası A.Ş. After serving as Division Director and Regional Coordinator at Halkbank, Metin Köstek has been serving as the Deputy General Manager of Internal Systems since July 18, 2017.



YUSUF DURAN OCAĞ
*Deputy General Manager
Financial Management and
Planning*

Financial Management and Planning Born in Kadırlı, Osmaniye, in 1966, Ocağ graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Public Finance. After serving as Assistant Inspector, Inspector, Deputy Head of the Board of Inspectors and Department Head at Halkbank, Ocağ has been serving as Halkbank's Deputy General Manager of Financial Management and Planning since July 18, 2017.



SELAHATTİN SÜLEYMANOĞLU
*Deputy General Manager
Human Resources and Support
Management*

Selahattin Süleymanoğlu was born in Alucra, Giresun in 1962. He received his Bachelor's degree in Business Administration from the Faculty of Economics and Administrative Sciences at Gazi University in 1987. After receiving his Master's degree in International Relations from the Institute of Social Sciences, at Selçuk University, he began his career as an Assistant Inspector at Adabank. He served as an Inspector, Manager and District Manager at T. Emlak Bankası A.Ş. between 1991-2001. He joined T. Halk Bankası A.Ş. in 2001, working as a Branch Manager. He served as Deputy General Manager responsible for Risk Collection and Liquidation, Risk Management and Internal Control, and Banking Operations since 2007. Süleymanoğlu has been serving as the Deputy General Manager of Human Resources and Support Management since July 18, 2017.



LEVEND TORUSDAĞ
*Deputy General Manager
SME and Artisans Banking*

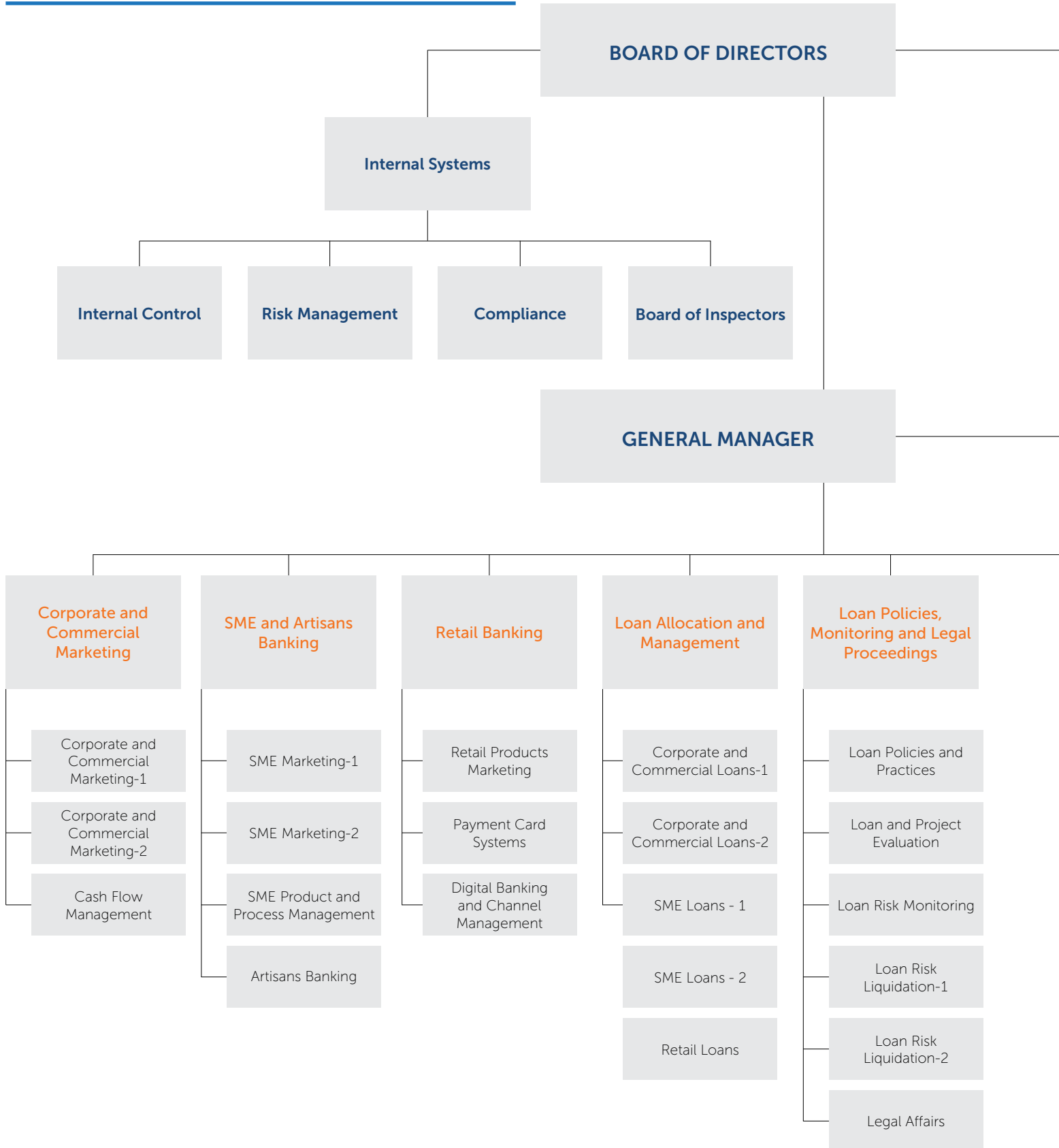
Born in Van in 1967, Torusdağ graduated from Erciyes University, Faculty of Engineering, Department of Mechanical Engineering. He has served as Engineer, Chief Engineer, Division Director, Branch Manager, Department Head, and Regional Coordinator at Halkbank. Torusdağ has been serving as the Deputy General Manager of SME and Artisans Banking since July 18, 2017.

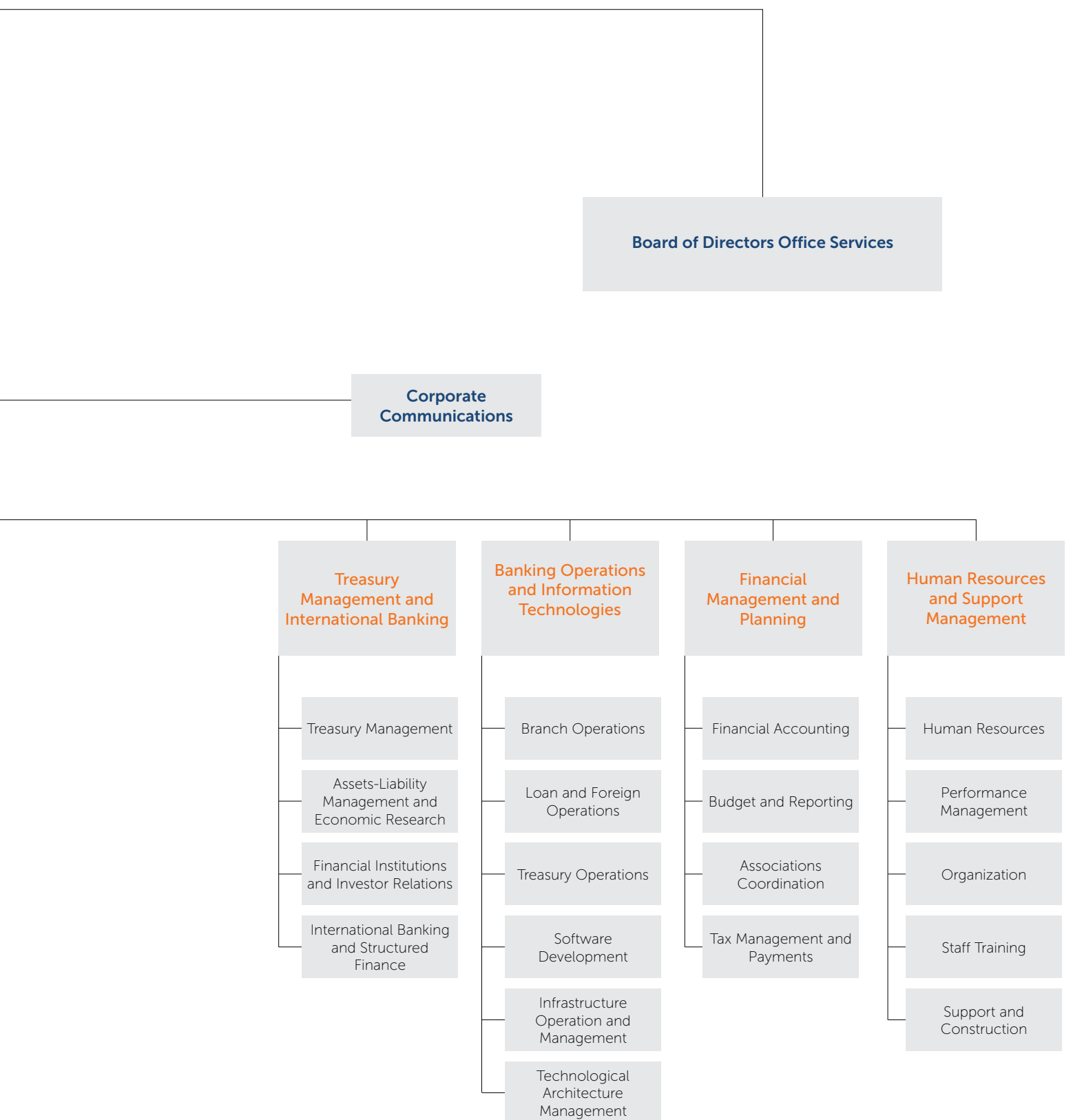


HASAN TUNCAY
*Deputy General Manager
Corporate and Commercial
Marketing*

Born in Ankara in 1967, Tuncay graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Business Administration. He worked as Inspector and Manager at Pamukbank T.A.Ş. Beginning from 2004; he served as Branch Manager and Department Head at Halkbank. Tuncay has been serving as the Deputy General Manager of Corporate and Commercial Marketing since July 18, 2017.

ORGANIZATIONAL CHART





COMMITTEES

Audit Committee

Halkbank's Audit Committee was established pursuant to the Board of Directors resolution numbered 34-01 dated October 31, 2006. Qualifications, duties and responsibilities of the Audit Committee are set forth in the Internal Directive on Governance as amended last pursuant to the Board of Directors resolution numbered 42-45 dated December 27, 2016. As per the provisions of the "Regulation On Banks Internal Systems and Internal Capital Adequacy Evaluation Process" published in the Official Gazette n.29057 dated: 11.07.2014; the Audit Committee is responsible – on behalf of the Board of Directors – for overseeing the efficiency and sufficiency of the internal control, risk management and internal audit systems of the Bank, and the systems, and the accounting and reporting systems functioning within the framework of the law and relevant regulations, and for overseeing the integrity of the information produced. The Audit Committee is also responsible for: i) making preliminary evaluation necessary for the Board of Directors to choose an independent audit firm, ii) regularly monitoring the activities of the independent audit firm chosen by the Board of Directors, iii) making sure that the internal audit functions of the corporations subject to consolidated audit are performed in a consolidated manner in the corporations which are defined as the parent company within the scope of the law. The Audit Committee is in charge of establishing the audit and control process which will provide assurance for the efficiency and accuracy of İSEDES. Within the scope of "Early Detection and Management of Risk" specified in the Turkish Commercial Code, the Audit Committee also carries out the duty of early "diagnosis" of the reasons that endanger the existence, development and continuity of the Bank. It counsels the Board of Directors regarding the issues of risk management and implementation of remedies for the detected risks. Carrying out the necessary tasks by means of the relevant units of the Bank in accordance with its duty, the Committee submits the situation analysis and its suggestions (if any) in a report to the Board of Directors.

Duties of the Audit Committee

The Audit Committee is in charge of and authorized for:

- a) On behalf of the Board of Directors, overseeing the effectiveness and adequacy of the internal control, risk management, compliance and internal audit systems of the Bank; ensuring the functioning of these systems and the accounting and reporting systems in accordance with the Law and related regulations as well as the integrity of the information generated by these systems; providing that the internal audit functions of the Bank's consolidated subsidiaries and affiliates are conducted in a consolidated framework and coordinated fashion pursuant to the regulations issued as per the Law,
- b) Establishing the channels of communication through which the employees of the internal systems units can contact the Audit Committee directly,
- c) Overseeing that the internal audit system covers the Bank's existing and planned activities as well as the risks arising from these activities, analyzing internal Bank regulations regarding internal audit that will take effect with the approval of the Board of Directors,
- d) Making recommendations to the Board of Directors regarding the election of the heads of the units covered by the internal systems and reporting directly to the Audit Committee, providing opinion when the Board of Directors considers removing these employees from their related positions,
- e) Soliciting and evaluating senior management's opinions and recommendations regarding internal systems,
- f) Ensuring the establishment of channels of communication through which irregularities and fraud within the Bank can be reported directly to the Audit Committee or to the internal audit unit or to the inspectors,
- g) Overseeing that the inspectors execute their duties independently and impartially,
- h) Analyzing internal audit plans,
- i) Making recommendations to the Board of Directors regarding the desired qualifications of personnel to be employed in the internal systems units,
- j) Supervising the measures taken by the senior management and the units reporting to the senior management in response to the matters identified in internal audit reports,
- k) Assessing the professional education levels and qualification of the managers and personnel, within the internal systems,
- l) Assessing the existence of methods, tools and implementation procedures necessary for identifying, measuring, monitoring and controlling the risks the Bank is exposed to,
- m) Meeting with the inspectors as well as the independent auditors of the independent audit companies which conduct independent audit process of the Bank within the scope of pre-determined programs and agendas at regular intervals not less than four times a year,
- n) Informing the Board of Directors about the opinions and assessments of the senior management, employees performing risk management, internal control and internal audit functions, and the independent audit company regarding the practices required for the proper execution, ensuring efficiency and improvement of the tasks that are part of their duties and responsibilities,



- o) Reviewing the assessments of the independent audit company with regard to the compliance of the Bank's accounting practices with the law and other related regulations, soliciting the statement of the senior management regarding the discrepancies identified,
- p) Evaluating the independent audit results, annual and quarterly financial statements and their related documents, and the independent audit report in conjunction with the senior management and the independent auditors and resolving other issues that the independent auditors have reservations about,
- q) Evaluating the rating agencies, independent audit firms including ones that perform information systems audits, and valuation firms that the bank is contemplating signing contracts with; independence of these companies' chairmen and board of directors members, auditors, executives and employees with respect to their activities concerning the Bank; and the adequacy of the resources assigned to these activities; presenting its assessments in a report to the Board of Directors; and repeating these procedures regularly during the term of the contract if the Bank resolves to procure service from these companies, not to exceed one year for valuation firms and three months for other firms.
- r) Conducting a risk assessment for the support service the Bank is considering procuring, presenting the assessments to the Board of Directors in the form of a report, repeating these steps at regular intervals not less than one time a year as long as the contract is in effect should the Bank resolve to procure service from them, and supervising the adequacy of the services rendered by the support service provider,
- s) Overseeing that the Bank's financial reports contain only the facts and all the information which need to be revealed and that these reports comply with the law and other related regulations; ensuring that the errors and irregularities identified are corrected,
- t) Consulting with the independent auditors whether the financial reports accurately reflect the Bank's financial position, results of its activities and the Bank's cash flows and whether they are prepared in accordance with the procedures and principles stipulated in the law and other related regulations,
- u) Not exceeding periods of six months, reporting the activities the Audit Committee has performed during the period and the results of such activities to the Board of Directors, including in these reports the Audit Committee's opinions on the measures that need to be taken and practices that need to be initiated within the Bank as well as other matters significant for being able to continue the Bank's operations in a safe manner,
- v) Monitoring whether officers with the authority to establish line of credit take part in the assessment and decision-making processes for credit transactions with themselves, their spouses, children under their custody, and other real persons and entities that form a risk group with these individuals, and establishing the channels of communication that will enable these matters to be transmitted to the Committee,
- w) Collecting information and documentation from all units of the bank, support service providers under contract, and independent audit firms; procuring consulting services from subject matter experts subject to approval by the Board of Directors to be paid for by the Bank,
- x) Within the scope of "Early Detection and Management of Risk" stipulated in the Turkish Commercial Code, carrying out the duty of early "diagnosis" of the factors that may endanger the existence, development and continuity of the Bank; making recommendations to the Board of Directors regarding the issues of implementation of mitigations and remedies for the detected risks and risk management; undertaking the necessary tasks by means of the related units of the Bank in accordance with its duty and submitting the status evaluation and its suggestions, if any, in a report to the Board of Directors.
- y) Establishing the requisite audit and control process that will provide assurance for the adequacy and reliability of the Internal Capital Adequacy Evaluation Process (ISEDES),
- z) Ensuring that the Bank's obligations and responsibilities pursuant to Law no. 5549 on Prevention of Laundering of Proceeds of Crime, Regulation related to Law no. 5549, and other related legislation; overseeing the adequate and effective execution of the entire compliance program.

The Audit Committee convened 12 times during 2017; during these meetings, the potential risks of the Bank, stress tests, scenario analyses, and risk management policies and implementation procedures were discussed. The members of the Committee attended the meetings regularly.

MEMBERS OF THE AUDIT COMMITTEE	POSITION	PRIMARY POSITION
Sadik TILTAK	Chairman	Vice Chairman/Independent Board Member
Yahya BAYRAKTAR	Member	Independent Board Member

Operational Risk Working Committee

This Committee is formed for the purpose of identifying the Bank's transactions that create operational losses and preventing operational losses. The Operational Risk Working Committee meets once a month on a regular basis.

COMMITTEES

Duties of the Operational Risk Working Committee

- Establishing the procedures for creating the database required to measure the Bank's operational risks in coordination with the related units,
- Undertaking the technical and administrative efforts required to build and improve a database of the operational losses incurred in the previous periods,
- Performing all functions regarding tracking, monitoring and preventing all operational risks incurred by the Bank,
- Performing the duties that may arise as a result of developments in the banking laws and regulations.
- Documenting in writing the resolutions passed in the Operational Risk Working Committee in official meeting minutes and forwarding them to the manager of the related business segment for information purposes or to be acted upon.

The Operational Risk Working Committee convened 12 times during 2017. At these meetings, decisions were made regarding the identification of operations that cause operational losses and the prevention of operational losses.

MEMBERS OF THE OPERATIONAL RISK WORKING COMMITTEE	POSITION	PRIMARY POSITION
Erdem ÖZDEMİR	Chairman	Head of Risk Management Department
Ali CEBECİ	Member	Head of Internal Control Department
İsmail Rüşü ATİK	Member	Head of Branch Operations Department
Hasan APAYDIN	Member	Head of Loan and Foreign Operations Department
İbrahim Okan ÇAĞLAR	Member	Head of Budget and Reporting Department
Dursun Ali ALEV	Member	Head of Treasury Operations Department
Hamdi COŞGUN	Member	Head of Tax Management and Payments Department
İ. Öngen AKIN	Member	Head of Digital Banking and Channel Management Department
Olcay ATLIOĞLU	Member	Head of Technological Architecture Management Department
Mehmet Zahit YILMAZ	Member	Deputy Head of the Board of Inspectors
Ethem ARSLANHAN	Member	Department Director of the Head of Human Resources Ethics Applications and Discipline

Credit Committee

Operating within the authority delegated to it by the Board of Directors, the Credit Committee makes decisions related to new loan allocations and on loan restructuring matters such as maturity extension, increase, change in covenant, and lowering the interest rate for loans. The Committee sets the mandatory rules and principles governing the Bank's credit decisions. Established to perform the credit-related duties assigned by the Board of Directors, the Credit Committee consists of the Bank's General Manager and a minimum of two members elected from among the members of the Board of Directors who possess all of the qualifications required of a General Manager except for the tenure requirement. Two associate members, who also possess all of the qualifications required of a General Manager except for the tenure requirement, are elected from among the members of the Board of Directors to replace any members of the Credit Committee who are unable to attend a meeting.

An affirmative vote of at least three-quarters of the members of the Board of Directors is required to elect the members and associate members of the Credit Committee. The General Manager serves as the Chairman of the Credit Committee. In the absence of the General Manager, a permanent member presides over the Credit Committee. The Chairman of the Credit Committee is responsible for the coordination of the effective and healthy functioning of the Credit Committee's activities.

Duties of the Credit Committee

- Enforcing the policies approved by the Board of Directors related to the Bank's lending policy, size of its placement portfolio, and its breakdown by sector, region and loan type,
- Making recommendations to the Board of Directors to determine the procedures and principles pertaining to the Bank's lending policies and its lending activities on the basis of the portfolio and real/legal persons,
- Ensuring that the loan portfolio is managed in accordance with generally accepted credit risk management principles,



- d) Delegating some of its duties and authorities as needed provided that the limit and scope are expressly set out; however, the Committee may not delegate its authority with regard to open credit transactions, except for retail loans, and it shall oversee and supervise the actions of the bodies to which it delegated its authority.
- e) Carrying out the authorities and duties delegated by the Board of Directors.

The Credit Committee convened 50 times and made 899 decisions in 2017. The members of the Committee attended the meetings regularly.

MEMBERS OF THE CREDIT COMMITTEE	POSITION	PRIMARY POSITION
Osman ARSLAN	Chairman	Board Member and General Manager
Sadik TILTAK	Member	Vice Chairman / Independent Board Member
Yunus KARAN	Member	Board Member

Assets and Liabilities Committee (ALCO)

The Committee was formed to set the policies regarding the management of the Bank's assets and liabilities and the movement of funds within that scope, and to take and implement the decisions regarding the management of the Bank's balance sheet to be executed by the related units.

Duties of the Assets and Liabilities Committee Deliberating and evaluating the financial structure, portfolio, budget, loan and deposit interest rates of the Bank; developments in the money and capital markets; and the developments taking place in the Bank itself and in other banks.

ALCO meets regularly once a week, but at minimum once a month, on the date and at the place determined by the Chairman of the Committee. ALCO meetings begin with the discussion of the agenda items put together by the Committee Chairman. Upon invitation by the Committee, Deputy General Managers and other officials may attend these meetings to obtain information and/or offer opinions. The decisions and practices adopted in previous meetings are evaluated at these meetings, after which the decisions to be made and the practices to be adopted are identified. The decisions made and practices to be adopted are submitted to the General Manager for approval to be transmitted to the related Deputy General Manager.

The Assets and Liabilities Committee convened 49 times in 2017. The members of the Committee attended the meetings regularly.

MEMBERS OF THE ASSETS AND LIABILITIES	POSITION	PRIMARY POSITION
Osman ARSLAN	Chairman	Board Member and General Manager
Hasan TUNCAY	Member	Deputy General Manager of Corporate and Commercial Marketing
Mehmet Akif AYDEMİR	Member	Deputy General Manager of Loan Allocation and Management
Levent TORUSDAĞ	Member	Deputy General Manager of Artisans-SME Banking
Mustafa ÇÖDEK	Member	Deputy General Manager of Retail Banking
Mehmet Sebahattin BULUT	Member	Deputy General Manager of Loan Policies and Risk Monitoring
Hakan ERYILMAZ	Member	Deputy General Manager of Treasury and Management and International Banking
Selahattin SÜLEYMANOĞLU	Member	Deputy General Manager of Human Resources and Support Services
Yusuf Duran OCAK	Member	Deputy General Manager of Financial Management and Planning
Ergin KAYA	Member	Deputy General Manager of Operational Processes and Information Technologies
Metin KÖSTEK	Member	Deputy General Manager of Internal Systems

COMMITTEES

Corporate Governance Committee

The Corporate Governance Committee oversees the Bank's compliance with the Corporate Governance Principles, identifies conflicts of interest that may arise in this matter, and undertakes improvement efforts. The Chairman of the Corporate Governance Committee is appointed by the Board of Directors from among its independent and non-executive members. The date and location of the Corporate Governance Committee meetings are determined by the Committee Chairman. Upon invitation by the Committee Chairman, other officials may attend these meetings to obtain information and/or offer opinions.

Duties of the Corporate Governance Committee Overseeing the Bank's compliance with corporate governance principles, carrying out activities to make improvements in this area and presenting opinions to the Board of Directors in accordance with the "Regulation on the Corporate Governance Principles for Banks" published by the Banking Regulation and Supervision Agency and the "Corporate Governance Principles" published by the Capital Markets Board. It also oversees the activities of the Investor Relations Department. The Corporate Governance Committee also fulfills the functions of the Nomination Committee as outlined in the Corporate Governance Communiqué.

The Corporate Governance Committee convened 4 times during 2017.

MEMBERS OF THE CORPORATE GOVERNANCE COMMITTEE	POSITION	PRIMARY POSITION
Mehmet Nihat ÖMEROĞLU	Chairman	Independent Board Member
Yahya BAYRAKTAR	Member	Independent Board Member
Cenap AŞCI	Member	Board Member
Hakan ERYILMAZ	Member	Deputy General Manager of Treasury Management and International Banking
Yusuf Duran OCAK	Member	Deputy General Manager of Financial Management and Planning
Selahattin SÜLEYMANOĞLU	Member	Deputy General Manager of Human Resources and Support Management
Hakan ÖZYOL	Member	Head of Human Resources Department
Osman BEKTAŞ	Member	Head of Financial Accounting Department

Compensation Committee

The Compensation Committee was established pursuant to the Board of Directors Resolution No. 41-32 dated December 27, 2011 for the purpose of supervising and overseeing the Bank's compensation policies on behalf of the Board of Directors. The Committee is comprised of at least two non-executive Members of the Board of Directors.

The Compensation Committee convened once during 2017. The members of the Committee attended the meeting.

MEMBERS OF THE COMPENSATION COMMITTEE	POSITION	PRIMARY POSITION
Maksut SERİM	Chairman	Board Member
Meltem TAYLAN AYDIN	Member	Board Member



Sustainability Committee

Sustainability Committee was established with the Board of Directors decision dated: 16.04.2015, in order to coordinate the sustainability activities of the Bank.

The Committee started its activities, under the Board of Directors, with the aim of increasing the Bank's strength to create long term value, and adapting economic, environmental and social factors together with the Corporate Governance Principles into the activities and decision mechanisms of the Bank.

A deeply rooted player in the Turkish banking industry, Halkbank is a corporation that translates its sustainability approach into its business processes. Considering the fate of future generations and contributing to sustainable development are integral parts of the Bank's policies.

After issuing its Sustainability Report for 2016, the Bank also participated in the Carbon Disclosure Project – Climate Change and Water Program in 2017. The aim was to combat climate change-related problems and the depletion of water resources to contribute to creating a habitable world.

Having adapted the Corporate Governance Principles to all its activities and decision-making mechanisms, the Bank figured among those major corporations, which, in the November 2017 – October 2018 period, were included in the BIST Sustainability Index. The index features companies that demonstrate a superior corporate sustainability performance.

In 2017 Halkbank was among the companies included in the "FTSE4Good Emerging Markets Index" created by FTSE, an independent organization owned jointly by the London Stock Exchange and Financial Times.

Halkbank has calculated its carbon footprint since the year 2013 and devises mitigation strategies. Aiming to minimize the environmental impact of its operations and with a view toward reducing its energy consumption by using efficiently and establishing a standard structure, the Bank integrated the ISO 14001:2015 Environment Management System and ISO 50001:2011 Energy Management System into its structure and working process and established "Integrated Management System" in 2016. The Bank established environment and energy procedures for internal audit, target and practices, completed the audit process, and fulfilled the necessary conditions for certification. The Bank expanded the scope of and certified the Integrated Management System with the inclusion of 130 branches in 2017.

Halkbank became the first ISO 50001-certified Turkish bank.

Supporting its financial operations with environmental and social projects, Halkbank conducts its business activities within the scope of sustainability, environment and energy policies.

COMMITTEES

Sustainability Committee's Duties and Powers

The Committee pursues the "Sustainability Policy" determined by the Board of Directors and ensures that the Policy is implemented. The Committee coordinates Bank's sustainability activities and evaluates the economic, environmental and social impacts of its activities. Study groups are established in relevant units for sustainability, and if necessary technical assistance is received outside the Bank. Within the scope of sustainability, the Committee makes necessary recommendations in order to decrease the potential negative impacts of the Bank's activities, and determines the procedures and principles regarding the energy management of the Bank. The Committee analyzes the results of the emission calculation based on the Bank's energy and water consumption figures and waste data, and shares the results with and makes recommendations to the related units in the Bank, and if necessary reports to the public disclosure platforms like CDP (Carbon Disclosure Project). In compulsory circumstances for sustainability, whether legally required or not, the Committee prepares the appropriate infrastructure for the Bank, and takes necessary action in order to ensure that the Bank, as a publicly traded bank on Borsa İstanbul, is continuously listed in the BIST Sustainability Index, and coordinates the internal regulations of the Bank for this purpose. Committee advises the Board of Directors regarding the activities and deficiencies in the Bank in the field of sustainability.

The Committee convened four times in 2017.

MEMBER OF THE SUSTAINABILITY COMMITTEE	POSITION	PRIMARY POSITION
Yahya BAYRAKTAR	Chairman	Independent Board Member
Yunus KARAN	Vice Chairman	Board Member
Mehmet Sebahattin BULUT	Member	Deputy General Manager of Loan Policies, Monitoring and Legal Proceedings
Hakan ERYILMAZ	Member	Deputy General Manager of Treasury Management and International Banking
Selahattin SÜLEYMANOĞLU	Member	Deputy General Manager of Human Resources and Support Services
Ergin KAYA	Member	Deputy General Manager of Banking Operations and Information Technologies
Mehmet Hakan ATAŞ	Member	Head of Loan Policies and Practices Department
Recep GÜLEÇ	Member	Head of Financial Institutions and Investor Relations Department (Acting)
Recep GÜLEÇ	Member	Head of International Banking and Structured Finance Department
İsmail Rüştü ATİK	Member	Head of Branch Operations Department
Yalçın KAYA	Member	Head of Corporate Communications Department
Mehmet TANRIVERDİ	Member	Head of Support and Construction Department

Board of Directors

The Bank is governed and represented by the Board of Directors in accordance with the Turkish Commercial Code, Banking Legislation, Capital Market Law, other related laws and regulations, and the Bank's Articles of Association.

The Board of Directors has the ultimate oversight authority over whether individuals with managerial duties comply with the laws, the Bank's Articles of Association, internal by laws, and the written instructions of the Board of Directors.

The Board of Directors is comprised of nine (9) members. The members of the Board of Directors are elected by the General Assembly of shareholders.



At its first meeting following the swearing-in ceremony, the Board of Directors appoints one of its members as the Chairman of the Board of Directors and one as the Vice Chairman. The Chairman presides over the Board of Directors. When the Chairman is not present, the Vice Chairman presides over the Board of Directors.

The independent members who will serve on the Board of Directors are determined in accordance with the provisions of the Capital Market Law and Banking Legislation.

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board member. The Board is obligated to convene at least once a month.

As a rule, the Board of Directors meetings are held in the province where the Head Office of the Bank is located. However, it is possible to have the meetings elsewhere if a simple majority of all members agree to do so.

Board of Directors meetings can be conducted in a physical and/or an electronic environment. As per Article numbered 1,527 of the Turkish Commercial Code, those who have the right to attend the Bank's Board of Directors meetings may choose to do so electronically. Pursuant to the provisions of the "Communiqué on Board Meetings at Corporations Other Than Joint Stock Company General Assembly Meetings To Be Held in an Electronic Environment," the Bank may establish an electronic meeting system that permits the rights holders to attend these meetings and to vote in an electronic environment or it may opt to procure the service from systems that are created for this function. The Bank shall ensure that stakeholders will be able to exercise their rights as stipulated in the relevant laws, rules and regulations under the provisions of the Communiqué at the meetings either through the system established in accordance with the relevant provision of the Articles of Association or through an externally procured system.

The agenda of the Board of Directors is set by the Chairman or Vice Chairman calling the meeting at least 24 hours prior to the meeting and it is delivered to the members along with the meeting invitation by the Board of Directors Secretariat Services Department. In the event of an emergency, items may be added to the agenda upon the request of the Chairman of the Board of Directors; members of the Board of Directors may also make a motion on the issues that require a Board resolution to be passed.

The motions that are part of the Board of Directors meeting agenda, as well as all related attachments, shall be transmitted to the Board of Directors Secretariat Services Department by the member making the motion up to the time when the agenda is finalized. The motions that will be taken up as part of the Board of Directors agenda are presented to the Chairman, Vice Chairman and members of the Board of Directors as well as to the General Manager by the Board of Directors Secretariat Services Department.

If the subject of an agenda item is proposed by the Chairman, Vice Chairman and/or a member of the Board of Directors, the subject is converted into a motion by the Board of Directors Secretariat Services Department, signed by the member(s) of the Board of Directors making the motion and presented to the Board of Directors.

A motion that falls within the authority of the Credit Committee but cannot be resolved by the Committee with a unanimous vote is presented to the Board of Directors with all related attachments via the Board of Directors Secretariat Services Department.

Unless a member requests a deliberation, Board of Directors resolutions can also be passed by obtaining the written approval of a simple majority of the full membership of the Board of Directors for a motion made by a member, provided that all members of the Board of Directors were notified of the motion.

The Board of Directors convened 41 times and passed 964 resolutions in 2017.

EXECUTIVES OF THE INTERNAL SYSTEMS UNITS

Head of the Board of Inspectors: Kadir YAYLAK

TENURE IN CURRENT POSITION	PROFESSIONAL EXPERIENCE AND POSITION	EDUCATION
4 months	22 years 5 Months Head of the Board of Inspectors of T. Halk Bankası A.Ş.	Bachelor's Degree in Turkey

Head of Internal Control Department: Ali CEBECİ

TENURE IN CURRENT POSITION	PROFESSIONAL EXPERIENCE AND POSITION	EDUCATION
3 year 4 months	21 years 9 months Head of Department of T. Halk Bankası A.Ş.	Bachelor's Degree in Turkey

Head of Risk Management Department: Erdem ÖZDEMİR

TENURE IN CURRENT POSITION	PROFESSIONAL EXPERIENCE AND POSITION	EDUCATION
4 months (acting as official) 3 years (acting viewed times)	17 years 9 months Head of Department of T. Halk Bankası A.Ş.	Bachelor's Degree in Turkey



REPORT OF THE BOARD OF DIRECTORS

During the year, "The Bank of Productive Turkey – Halkbank" continued to offer quality products and services to its customers with its 79-years of know-how. Halkbank sustained its support to the real economy, thanks to the importance placed on risk management and the Bank's rapid adaptation to market conditions. The Bank diversified its retail banking offering via the credit card brand Paraf. Halkbank also continued to secure overseas financing to bolster its support to SMEs with its widespread deposit structure, exported capital markets instruments and contribute to the national economy.

In 2017, Halkbank grew its assets by 31.9% over the prior year, from TRY 231.4 billion to TRY 305.4 billion and ranked fifth in the sector.

As of year-end, the Bank had channeled a large portion of its funds to loans, recording a loans to deposit ratio of 66.6%. Commercial lending, which includes SME loans, totaled TRY 162.2 billion, while retail lending totaled TRY 41.2 billion and ranked fourth in the sector. In 2017, the cash and non-cash loan volume rose by 27.1% over the previous year, increasing from TRY 206.1 billion to TRY 262 billion. In addition, it became the leader in the sector exceeding TRY 20 billion limit of KGF.

In 2017, the Bank's securities portfolio grew 47.2% over the previous year to TRY 48.9 billion. The portfolio's weight in the balance sheet stood at 16%.

In 2017 Halkbank issued corporate bonds with a total nominal value TL 8.3 billion in the Turkish capital markets while also issuing a 10-year, TL 1 billion Tier II debt security. Further, the Bank founded Halk Varlık Kiralama A.Ş. in 2017 and issued the first lease certificate in the real estate investment trust market.

The Bank's total deposits went up 28.6% over the prior year, increasing from TRY 150.3 billion to TRY 193.2 billion. In 2017, total demand deposits stood at TRY 28.4 billion.

In 2017, the Bank reported a capital adequacy ratio of 14.18%, average return on equity of 15.96% and an average return on assets of 1.39%.

In 2017, Halkbank's profit rose 45.6% over the prior year to TRY 3.7 billion, thus maintaining its sustainable profitability.

Halkbank inaugurated 4 new branches in 2017 – bringing its domestic branch network up to 963 locations – and closed the year with 17,851 employees.

We would like to thank our employees for helping Halkbank continue its growth through a profitable and productive period in 2017, and hereby present the Board of Directors report, Auditor Report and financial reports for fiscal year 2017 for the review of our esteemed shareholders and their representatives.

Best regards,

OSMAN ARSLAN
*Board Member and
General Manager*

R.SÜLEYMAN ÖZDİL
Chairman

HUMAN RESOURCES PRACTICES

“ The performance management system that is used actively at the Bank allows Halkbank to link corporate performance to individual performance and to measure it at the individual level.

Recruitment

Taking into account the developments in the sector, developments that affect recruitment, qualitative changes in human resources, and budget opportunities, the Human Resources Department is responsible for planning how and from which resources, internal or external, the Bank's workforce needs will be supplied for the coming year. Candidates to be hired are expected to possess the following general qualifications, although special qualifications may be sought depending on the position for which a candidate applies.

- Being a Turkish citizen or possessing a work permit obtained from the official bodies in accordance with Law No. 4817 on Work Permits for Foreign Nationals,
- Not being devoid of public rights,
- Not having any compulsory service obligations to any company or organization,
- Being at least 18 years of age as of the date of the examination,
- Being no more than 30 years of age at the time of the commencement of employment for the positions of Assistant Inspector, Assistant Specialist, Service Officer and titles below these (this age limit may be changed upon approval of the Board of Directors for special positions),
- Excluding negligent offenses and suspended convictions apart from the offenses listed below, not having been sentenced with heavy imprisonment or imprisonment for more than six months or even if they have been pardoned, in relation to the following offenses: crimes against the state, infamous or disgraceful offenses such as embezzlement, peculation, extortion, bribery, theft, fraud, forgery, abuse of faith, fraudulent bankruptcy or smuggling except for employment or consumption smuggling, rigging of official tenders or auctions, money laundering or disclosing state secrets,
- Not having been banned from working at banks in accordance with the Banking Law,
- Having completed or deferred military service as of the date of the examination or to be exempt from such military service obligation,
- Except for those who will be employed within the scope of the requirement set out by the Labor Law on the mandatory employment of disabled persons, being in good health as required by the position of employment and not having any mental or physical disabilities that may prevent the individual from doing permanent work in any part of Turkey,
- For Assistant Specialist and Service Officer positions, having graduated from a four-year undergraduate program offered by a university or academy or being a graduate of an equivalent accredited school overseas; for lower-rank positions, being a high school graduate or a graduate of a high-school equivalent institution,
- Possessing the basic qualifications stipulated in the related article of the Banking Law.



“ There are two types of promotion at Halkbank: promotion in title and/or promotion in position.

Job Applications

Vacant positions at the Bank are announced via newspaper and magazine advertisements as well as on human resources websites and Halkbank's website. These announcements clearly state the relevant information about the examinations that will be held for the positions. Those who pass the examination are interviewed when necessary to determine whether they possess the knowledge and experience required by the position.

Promotion

There are two types of promotion at Halkbank: promotion in title and/or promotion in position. The minimum requirements to be met by the employees to be promoted to a higher title and/or position from their current title and/or position are as follows: The availability of a vacant title and/or position to which the employee will be promoted, to have completed the minimum term of office in the current title and/or position, if applicable, to have achieved the necessary level of success at the end of the performance review, to hold the minimum education level and competencies required by the position and/or title to which the employee will be promoted, to have successfully completed the courses and/or seminars to which the employee will attend/attended in relation to the title and/or position to which the employee will be promoted, not to have received a title/position demotion in accordance with a Disciplinary Board decision within the two years prior to the promotion exam/promotion evaluation.

Performance Management

The performance management system that is used actively at the Bank allows Halkbank to link corporate performance to individual performance and to measure it at the individual level. Performance management is administered concurrently in two main avenues: numerical rating and competency evaluation. The performance evaluation results are used actively in the bonus system and training planning.

TRANSACTIONS WITH THE RISK GROUP

The details and related notes of the transactions the Bank carried out with its risk group in 2017 are provided in Footnote VII of Section Five of the Non-Consolidated Independent Auditor's Report.

INFORMATION ON SUPPORT SERVICES PROVIDERS

Under the "Regulation on Bank's Procurement of Support Services," Halkbank procured the following support services provided by the companies listed below:

- PayGateSearch services provided by Fineksus Bilişim Çözümleri Ticaret A.Ş.,
- Business continuity and disaster recovery services provided by IBM Global Services, İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.,
- Software development and maintenance services for internet and telephone banking provided by V.R.P. Veri Raporlama Programlama Bilişim Yazılım ve Danışmanlık Hizmetleri Ticaret A.Ş.,
- Call Center Project software development and maintenance services provided by Asseco See Teknoloji A.Ş.,
- Legal monitoring system development and maintenance services provided by GMG Bilgi Teknolojileri Ltd. Şti.,
- ID Management System Product license purchase, and maintenance and support services from Bilgi Birikim Sistemleri Elektronik and Bilgisayar Endüstrisi Müh. Hiz. San. Tic. Ltd. Şti.,
- Demand and SLA management service provided by Signum Teknoloji Tanıtım ve Eğitim Ltd. Şti.,
- Purchase made for Bank units' need for security staff services, from Yavuz Koruma ve Özel Güvenlik Hizmetleri Tic. Ltd. Şti.,
- Credit card, debit card and member business information systems software service provided by Banksoft Bilişim Bilgisayar Hizmetleri Ltd. Şti.,
- Payment card systems and alternative distribution channels operations service provided by Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.,
- Call Center and Operations Center staffing service provided by KRM Yönetim Danışmanlık A.Ş.,
- Call Center and marketing operations-related outbound calling service provided by Global Bilgi Pazarlama Danışmanlık ve Çağrı Servis Hizmetleri A.Ş.,
- Purchase made for software development and maintenance services within the scope of the mobile banking project, from TMOB Bilişim Yazılım Teknoloji Sistemleri A.Ş.,
- Purchase made for collection management system software development and maintenance, from Intellect Design Arena Fz Llc.
- The service received from Hobim Digital Elektronik Hizmetleri A.Ş. for protecting, storing and destroying the Bank's physical archive
- Physical gold appraisal service provided by Istanbul Altın Rafinerisi A.Ş. (Istanbul Gold refinery),
- Special e-invoice integration software development and maintenance services provided by ISIS Bilişim Teknolojileri San. Tic. Ltd. Şti. (ISIS Information Technologies Ltd.).



PROFIT DISTRIBUTION

POLICY

During its dividend distribution processes, the Bank complies with the Turkish Commercial Code, Banking Law, Capital Market Law, other applicable legislation and its Articles of Association.

The profit distribution policy is laid out by the Board of Directors and later submitted for approval to the General Assembly, before being disclosed to the public and issued on the corporate website.

The Bank shall distribute at least 5% of its distributable net profit for the period to shareholders in the form of cash and/or bonus shares. The profit share to be given to those individuals outside the shareholders is disclosed in the Board of Directors' profit distribution proposal.

The Board of Directors determines the most appropriate profit distribution policy by taking into consideration its capital adequacy ratio, equity capital, lending plans, market developments, and investor requests. The Bank drafts its profit distribution proposal in accordance with the profit distribution policy and in line with the provisions of the Articles of Association and subsequently presents this proposal to the General Assembly for approval.

The profit distribution date is set by the General Assembly upon the recommendation of the Board of Directors. The General Assembly may accept the date recommended by the Board of Directors or set another date within the legal deadline.

The Bank does not pay any dividend advance.

REPORT OF THE SUPERVISORY BOARD

SUPERVISORY BOARD REPORT REGARDING 2017 YEAR OF TÜRKİYE HALK BANKASI A.Ş.

Our Supervisory Board analyzed the Bank's 2017 activities and discovered the following:

- The size of the assets in the banking sector that was TRY 2,731,037 million as of 2016 year-end, increased by 19.3% and reached TRY 3,257,819 million as of 2017 year-end, while the loan volume that was TRY 1,734,342 million as of 2016 year-end increased by 21% and reached TRY 2,098,329 million as of 2017 year-end. Furthermore, total securities in the banking sector increased by 14.3% and reached TRY 401,671 million, while total deposit that was TRY 1,541,946 million as of 2016 year-end increased by 16.5% and reached TRY 1,796,536 million as of 2017 year-end, as the non-performing loans / total cash loans ratio reached 2.96%.
- In comparison to the abovementioned developments in the banking sector; as of 2017 year-end, the size of the assets of the Bank increased by 31.9% and reached TRY 305,351 million while the Bank's cash loans increased by 28.5% and reached TRY 199,221 million. It was determined that: The Bank increased its loan volume for SMEs, the driving force of Turkish economic growth, from TRY 57,136 million in 2016 to TRY 75,913 million in 2017, up 32.9%. The Bank ranked among the leaders of the sector with its 14.8% share in the SME loan market in 2017. Halkbank's total securities grew by 46.4% to TRY 45,141 million. total deposits rose 28.4 percent to TRY 192,122 million and ratio of non-performing loans to total cash loans stands at 2.97%, KGF loans originated topped the TRY 20 billion threshold as of year-end 2017 as Halkbank ranked first among in the industry by this measure,
- The Bank issued corporate bonds with a total nominal value TRY 8.3 billion in the Turkish capital markets and issued a 10-year, TRY 1 billion Tier II debt security in 2017,
- In addition to lending to small and medium-size enterprises, artisans, tradesmen and craftsmen due to its historical mission, the Bank also extends loans to corporate and commercial segment firms and retail customers; to this end, Halkbank's ratio of cash loans to total assets, a major determinant of asset quality, stands at 65.2 percent as of year-end 2017, above the industry average of 64.4 percent; and Halkbank's loans-to-deposits ratio stands at 103.7 percent, against the industry average of 116.8 percent,
- The Bank's shareholders' equity rose by 19%, from TRY 21,317 million at end-2016 to TRY 25,377 million at end-2017. Net profit for the period increased by 45.6% over the prior year to TRY 3,725 million as of end-2017,
- The number of credit cards issued rose to 4 million; POS devices went up to 348 thousand; contracted merchants increased to 328 thousand,
- The Bank founded Halk Varlık Kiralama A.Ş. as a subsidiary in 2017 and issued the first lease certificate in the real estate investment trust market,
- All books and records that the Bank is obliged to keep pursuant to all relevant provisions of legislation were kept in accordance with the legal requirements. Records and certified documents were stored properly, and the accounting and reporting systems were operated appropriately and effectively,



- The resolutions regarding the management of the Bank were recorded in the duly kept minutes book of the Board of Directors,
- The Bank's internal control, risk management and internal audit systems were operated appropriately and effectively through centralized and on-site audits,
- In 2017, the Bank opened 4 new branches and continued its growth activities while the total number of its branches in the country reached 963; operating from a total of 969 branches, 6 of which are overseas, 5 in the Turkish Republic of Northern Cyprus (TRNC), 1 in Bahrain,
- In 2017, the total number of staff members leaving the Bank due to retirement or for other reasons, was 707. On the other hand, 1,602 new personnel were employed to meet the Bank's human resources network needs, and the total number of employees reached 17,851, while the ratio of personnel costs to total operating costs fell from 18.9% in 2016 to 18.5% in 2017,
- In 2017, the ratio of higher education graduates increased by 90 basis points to 84.3% in the Bank compared to the previous year,
- In 2017, the total person/day ratio regarding the training programs Bank personnel attended via "in class" and "distance learning" methods amounted 17.97 while 18,054 personnel attended the training programs,

In conclusion; we submit the Supervisory Board Report that we have prepared pursuant to Article N.31 of the Bank's Articles of Association for the information of the General Assembly.

Best regards,

PROF. DR. YILMAZ ÇOLAK
Member of the Supervisory Board

FARUK ÖZÇELİK
Member of the Supervisory Board

* Excluding rediscount.

CORPORATE GOVERNANCE PRINCIPLES

COMPLIANCE REPORT

1. Statement of Compliance with Corporate Governance Principles

Halkbank has implemented, since its initial public offering in May 2007, the principles set out in the "Corporate Governance Principles" published by the Capital Markets Board of Turkey. Halkbank achieved compliance with the regulations stipulated in the Turkish Commercial Code regarding Corporate Governance. The Bank is subject to the provisions of the corporate governance structures, processes and principles set forth in the "Regulation on Corporate Governance Principles for Banks" published by the Banking Regulation and Supervision Agency of Turkey (BRSA).

Halkbank has achieved compliance with the compulsory principles of the CMB's "Corporate Governance Principles". Furthermore, the Bank carries out activities to comply with the non-compulsory principles, and significantly practices all policies and measures while progressively continuing its activities in this field.

Since 2011, Halkbank has been provided with rating services on the issue of Compliance with Corporate Governance by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services Inc.) – authorized by the CMB. Concurrently, the Bank has been included in the top ranked stocks of BIST Corporate Governance Index. Halkbank increased its Corporate Governance Rating which was 9.30 over 10 in 2016, to 9.38 in 2017.

PART I – SHAREHOLDERS

2. Shareholder Relations Unit

Some 24.98% of the Bank's outstanding shares began to be traded on the Borsa Istanbul as of May 10, 2007. Since that date, the Bank has been carrying out its activities in accordance with the provisions of the Corporate Governance Principles published by the Capital Markets Board. Halkbank's free-float ratio rose to 48.93% following the secondary public offering in November 2012.

As announced via Public Disclosure Platform within the scope of the 11th Article of the Corporate Governance Communiqué and as per the provision stipulating that the Director of the Investor Relations Department must have a Level 3 Capital Market Activities License and Corporate Governance Rating License, and must be a full-time working director within the Corporation and must be appointed as a member of the Corporate Governance Committee; As part of this effort, the shareholder relations function of the Bank is executed by the Financial Institutions and Investor Relations Department and the Financial Accounting Department as a Head Office function. The Investor Relations Unit which is formed from the Financial Institutions and Investor Relations Department, is responsible for establishing institutional relations with domestic and foreign investors that invest in equities and issued fixed-income securities. The other unit responsible for conducting relations with shareholders is the Public Disclosure and Shareholders Unit that is organized under the Financial Accounting Department. Both departments are represented in the Corporate Governance Committee and report all information regarding their activities to this committee. The Bank conducts shareholder relations with a very active organization. Mr. Hakan ERYILMAZ is the Deputy General Manager of that controls the Investor Relations Department and Mr. Yusuf Duran OCAK is the Deputy General Manager of that controls the Public Disclosure and Shareholders Department and Osman BEKTAŞ is the Head of the Public Disclosure and Shareholders Department while all are Bank's Corporate Governance Committee Members. Mr. Yusuf Duran OCAK is the Investor Relations Department Director.

As the Investor Relations Unit continued its efficient communication efforts throughout 2017, participation was achieved in 3 international promotional organizations (roadshows) and 11 international one-on-one meeting organizations in and outside the country. Some 859 investors-analysts were contacted – 228 at the international organizations, 104 at the Bank headquarters, 221 via teleconference and 306 by electronic mail or phone – and 5,010 questions were answered. The questions were mainly about the Bank's financial structure, profitability/productivity situation, sectoral position, growth strategies, administrative structure, future expectations and about the country's economic and political structure.

In 2017, approximately 100 information requests – some of which were sent in writing to the Public Disclosure and Shareholders Unit under the structure of the Financial Accounting Department, and some of which were sent via Halkbank Dialog and electronic mail – were answered.



Financial Accounting Department:

NAME	POSITION	E-MAIL	PHONE
Osman BEKTAŞ	Head of Department	osman.bektas@halkbank.com.tr	+90 216 503 54 50
Zafer ERDEM	Manager	Zafer.Erdem@halkbank.com.tr	+90 216 503 52 10

Primary Activities of the Department:

- Facilitating the exercise of shareholder rights and conducting the relationships between the Board of Directors and the shareholders,
- Maintaining and updating shareholder records,
- Responding to written requests from shareholders,
- Carrying out the Bank's capital increase-related tasks,
- Fulfilling the legal and regulatory requirements regarding the General Assembly meetings,
- Publishing the material event disclosures,
- Preparing annual and interim reports.

Financial Institutions and Investor Relations Department:

NAME	POSITION	E-MAIL	PHONE
Hakan ERYILMAZ	Deputy General Manager	Hakan.ERYILMAZ@halkbank.com.tr	+90 216 503 55 07
Recep GÜLEÇ	Head of Department (D)	Recep.GULEC@halkbank.com.tr	+90 216 503 57 75
Lena ÇİTELİ	Division Manager	Lena.CITELI@halkbank.com.tr	+90 216 503 59 02
Umut KOVANCI	Specialist	Umut.KOVANCI@halkbank.com.tr	+90 216 503 58 02

Primary Activities of the Department:

- Contributing to the positive evaluations about the Bank by organizing meetings in and outside the country with investors and analysts,
- Instructing the related units to make the necessary updates (in English and Turkish) at the Bank's website on the Investor Relations page, and announcing the developments about the Bank,
- Releasing information to investors and analysts about the Bank's quarterly financial results, preparing presentations and documents about the financial results, and having these posted on the website,
- Keeping track of the developments regarding the banking industry and performances of the competitor banks, and informing the top management,
- Closely monitoring the stock performance of the Bank, and informing the top management,
- Keeping track of the daily news on the media about the banking sector, global markets, economic developments, competitor banks and Halkbank,
- Answering the questions coming from the investors and analysts, and classifying the correspondence,
- Organizing teleconference or one-on-one meetings with the investors and analysts,
- Participating to nationwide and foreign roadshows,
- Managing the relations with international rating institutions.

CORPORATE GOVERNANCE PRINCIPLES

COMPLIANCE REPORT

3. Exercise of Shareholders' Right to Obtain Information

In order to facilitate the exercise of shareholders' right to obtain information effectively, all changes that may impact the financial and organizational structure of the Bank are announced on the Bank's website and on the Public Disclosure Platform. In addition, requests for information communicated to the Bank's units via telephone, mail or e-mail are responded to as soon as possible.

Questions received by phone or e-mail about the General Assembly Meetings, capital increases, dividend payments are answered. Furthermore, written answers are given to the shareholders and other third parties who make information requests such as annual report request and etc. The Investor Relations Unit promptly answers the questions received by phone or e-mail from the existing and/or potential investors, bank analysts and rating companies. Furthermore, the unit answers the questions regarding the Bank's administrative and financial structure by organizing one-on-one and/or group meetings.

Bank's website, set up both in Turkish and English (www.halkbank.com.tr), is updated regularly. The corporate profile, Corporate Governance, financial information and annual reports, media announcements, and information regarding the sustainability, and the products and applications that create value in the economy are given on the website.

The Bank's Articles of Associations do not provide for the appointment of special auditors as an individual right; no requests were received to date for the appointment of special auditors.

4. General Assembly Meetings

An Ordinary General Assembly Meeting was held during the fiscal year on June 8, 2017 with a participation rate of 79.92% of the Bank's share capital. The announcements for the meeting were published, 3 weeks earlier according to Capital Market Law No. 6362, in the Trade Registry Gazette of Turkey, two national newspapers, Public Disclosure Platform, the Central Registry Agency (CRA) - Electronic General Assembly System (EGAS) and the Bank's website. The meeting announcements were made in accordance with the provisions of the Laws and the Articles of Association.

The Bank's annual report and informational documents were made available to the shareholders prior to the General Assembly for their information and review in Public Disclosure Platform, Bank's website and Bank's Head Office. Background information on the members of the Board of Directors was disclosed via the Bank's website after the meeting.

General Assembly Meeting was organized in a manner that would enable the shareholders to attend the meeting with minimum cost possible, and that would increase attendance. Persons who were entitled to attend the General Assembly Meeting, were given the opportunity to attend and vote via Electronic General Assembly System.

Shareholders exercised their right to ask questions during the General Assembly meetings and the Bank's management team responded to these questions. There is no provision in the Articles of Association stipulating that the General Assembly Meetings should be open to public including the stakeholders and media but without giving them right to speak in order to prevent any delays and to finish the meeting on time. Shareholders didn't submit a written agenda item proposal.

Information regarding the charitable contributions and donations made during the year and their beneficiaries was included as a separate agenda item at the General Assembly meeting and it was presented to the General Assembly.

The minutes of the General Assembly Meetings are made available to the shareholders on the Bank's website and at the Public Disclosure and Shareholders Unit. In addition, the minutes of the Ordinary General Assembly Meeting of the Bank, that was held on June 8, 2017 have been published on the Bank's website and the Public Disclosure Platform, the Central Registry Agency (CRA) EGAS and the Bank's website.



5. Voting Rights and Minority Rights

There are no privileged shares in the shares of the Bank. The Bank does not have any cross-shareholding relationship with any company that has voting rights in the General Assembly. Minority shares are not represented in the Bank's management. There is no provision in the Articles of Association stipulating that the shareholders who own a portion less than one twentieth of the capital should be given minority rights. Moreover, attention is paid to enable using minority rights within the scope of the Turkish Code of Commerce and CMB regulations.

6. Dividend Right

The procedures and principles governing the Bank's profit distribution are stipulated in Article 35 of the Bank's Articles of Association. The Bank's profit distribution policy is announced to the public on the Bank's website and annual report. In previous years, the portion of the distributable profit remaining after setting aside legal reserves has been paid to the shareholders as dividend. After the profit distribution policy is determined by the Bank's Board of Directors, it is presented to the General Assembly for approval and dividend is distributed to the shareholders within the timelines set out in the regulations. A dividend was paid to the Bank's shareholders pursuant to a resolution passed in the Ordinary General Assembly Meeting held on June 8, 2017. The Bank's profit distribution policy for the period ahead will be determined in light of Halkbank's equity position and the economic developments. There is no privilege in participating of the Bank's profit.

7. Transfer of Shares

The Bank's Articles of Association do not contain any restrictions regarding the transfer of shares.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

Pursuant to the "Communiqué on the Principles of Material Event Disclosures" published by the Capital Markets Board of Turkey, the Bank's Disclosure Policy, which was prepared for the purpose of disseminating information to the public within the framework of the Corporate Governance Principles, was drawn up in accordance with the legislation provisions. Within this scope, The Bank's Disclosure Policy is carried out by the following units.

NAME	POSITION	UNIT
Osman BEKTAŞ	Head of Department	Department of Financial Accounting
Recep GÜLEÇ	Head of Department	Department of Financial Institutions and Investor Relations (Acting)
Yalçın KAYA	Head of Department	Department of Corporate Communication

Halkbank's Information Disclosure Policy, which sets out and defines four principal methods through which all stakeholders including shareholders, potential investors and the public at large are assured of having timely, accurate and complete information about the Bank, has been posted on the Bank's website.

Since the disclosure to be made by the Bank has the potential significance to impact the decision-making process of investors, it is essential for Halkbank that such disclosure reflects the latest, transparent, objective and accurate information. As part of this policy, the independently-audited quarterly financial statements and financial results presentations are announced through press releases as well as in the Investor Relations/Financial Information section of the Bank's website. Following the earnings announcements, Halkbank holds conference calls to discuss its quarterly financial performance, to provide guidance for its future performance and to inform stakeholders about the realization of the targets and expectations stipulated during the past periods. Future assessments are publicly announced in conformity with the provisions of the relevant legislation.

CORPORATE GOVERNANCE PRINCIPLES

COMPLIANCE REPORT

9. The Bank's Internet Site and Its Contents

Bank's web address, www.halkbank.com.tr is structured in conformity with the CMB Corporate Governance Principles' "Public Disclosure and Transparency" Section 2.1. Corporate Website provision. Trade Registry information, shareholders' and management structure, the Articles of Association, disclosure of material matters, Annual and interim reports, financial reports, General Assembly meeting agenda, attendance list and meeting minutes, power of attorney, and the Bank's policies and code of ethics are available on this website. Information given on the website is kept up to date. Furthermore, a webpage is also available in English for international investors.

10. Annual Report

Halkbank's Annual Report is generated in accordance with the Corporate Governance Principles and disclosed to the public.

PART III - STAKEHOLDERS

11. Informing the Stakeholders

Halkbank pays utmost attention to carry out effective, regular, continuous and safe communication with its stakeholders. All information that may have an impact on the Bank's financial and organizational structure is published on the Public Disclosure Platform and on the Bank's website. In addition, in response to individual requests, questions about the Bank are answered through face-to-face meetings, road shows, in-person meeting organizations, phone calls, teleconferences and e-mails. All stakeholders can refer to the related sections of the Public Disclosure Platform or the Bank's website or other means of communication to reach this information.

Employees are informed about the Bank's activities when deemed necessary using intra-company channels of communication. (i.e. electronic announcements, corporate portal, magazine, website). In addition, meetings are held to assess the Bank's targets and strategies for managers and employees on a periodic basis. Stakeholders can refer the Bank's activities that are in breach of related laws or regulations or rules of ethics to the Corporate Governance Committee and the Audit Committee through intra-company as well as other channels of communication.

12. Stakeholders' Participation in Management

Stakeholders' rights to participate in the Bank's management are safeguarded within the framework of the related laws, regulations and the Articles of Association. The Bank's operating principles and relationships with customers are carried out in accordance with the defined principles of ethics.

Problems, requests, opinions, suggestions and complaints about products and services delivered to customers are communicated to the Bank via phone, fax, mail, branch, e-mail and social media channels as well as through the Head Office units and official bodies. Using certain procedures, requests, opinions, suggestions and complaints communicated to the Bank are processed, evaluated and as a result feedback is provided as soon as possible.

Halkbank strives to deliver all banking services effectively and efficiently to continuously create value-added for its customers, shareholders and employees. As part of this effort, the Bank has developed a Quality Recommendation System for the purpose of improving the business processes and delivering more efficient and higher quality services. Employees are also encouraged to participate in management within the scope of this system. Employees submit their suggestions through this system and the suggestions that conform to the evaluation criteria are implemented.



13. Human Resources Policy

Halkbank's Human Rights and Human Resources Policy featured in the Human Rights Directive is the basis for the determination and implementation of the Human Resources Policy.

The Human Rights and Human Resources Policy was published on the corporate web site and thus disclosed to shareholders (https://www.halkbank.com.tr/yatirimci-iliskileri/images/channels/politikalar/hum_rig_hum_res.pdf).

The Bank and the trade union Öz-Finans İş had reached the II. Period Collective Agreement covering the period between January 01, 2017-December 31, 2018 was signed in December 2016. Trade unions have workplace representatives which charged with managing relations with the personnel.

No complaints were received from personnel regarding discrimination. Job descriptions and work distribution of personnel; as the performance evaluation and merit system are announced to employees and maintained in a portal that is accessible by personnel.

14. Code of Ethics and Social Responsibility

The code of ethics consists of the principles and the regulations that Türkiye Halk Bankası A.Ş. employees need to follow when performing their duties. These principles aim at preventing any disputes or conflicts of interest that may arise between employees, clients and the Bank. Attitudes and behavior in violation of these rules are evaluated in accordance with the Discipline Regulation. Halkbank expects its employees to use common sense and the rules of goodwill with regard to the issues and circumstances that fall outside the scope of these rules.

Halkbank's "Code of Ethics" is a supplement to the job contract and an integral part of the Human Resources Directive. The Code of Ethics features detailed information on a range of issues-such as the principle of equality, confidentiality of customer information, conflict of interest, non-business activities, responsibilities of managers, and acceptance of gifts and personal benefits. The Code of Ethics is divided into chapters entitled Customer Relations, Competition, Protection and Confidentiality of Information, Employee Responsibilities, Offers and Gifts, Responsibilities to Employees, and Anti-Corruption Policy.

The Code of Ethics was disclosed to the general public via the Bank's web site.

With its social responsibility mission and high awareness of duty; Halkbank developed its corporate social responsibility activities within the framework of sustainability, social economic and environmental factors, and continued to add value to social and cultural structure of the country offering its experience in these fields to society's service.

With its 79-year track record of success in the banking industry, Halkbank has established itself as one of the most important supporters of SMEs and the real economy. In line with its mission of supporting entrepreneurs and in keeping with its social responsibility awareness, the Bank offers the necessary financial support to entrepreneurs through the Young, Bold, Master and Inventor Entrepreneur Loans-customized according to criteria such as education, age and business experience. The aim is to boost employment, support entrepreneurs in establishing new businesses, and encourage youth to actively participate in the economy. In addition, the Bank gave support to various social responsibility projects in fields such as education and culture. Additionally, Halkbank continued to provide zero-interest loans and other financing support to entrepreneurs who has been certified as a master as per the Apprenticeship and Vocational Training Act No. 3308 for at least three years as of the date of the loan application, and to young tradesmen and craftsmen entrepreneurs who have completed the KOSGEB Entrepreneurship Support Program and were below the age of 30 on the date of the application. The corporate social responsibility projects the Bank undertook during the year include:

CORPORATE GOVERNANCE PRINCIPLES

COMPLIANCE REPORT

- Main Sponsorship of 28th Ankara International Film Festival (for the eighth time)
- Second World Technology and Innovation Conference Sponsorship,
- Low Carbon Summit Sponsorship,
- Gazi University Africa and Mediterranean Basin Countries Documentary Film Production Sponsorship,
- Atlantic Council Energy and Economy Conference Sponsorship,
- "Safety and Child's Journal" Book Sponsorship,
- 30th Ahi Week Sponsorship,
- "Keşif Çanakkale" Film Sponsorship,
- "Mehmetçik Kut'ül Amare" TV Series Sponsorship,

The Bank sponsored the Tradesmen and Craftsmen of Turkey Meeting organized by the Ministry of Customs and Trade in Istanbul.

Halkbank was a sponsor for the Bonds, Loans & Sukuk Turkey 2017, organized by Global Financial Conferences as Turkey's only international capital markets congress, as well as for the Middle East 2017 and the Middle East Meets Asia 2017 congresses.

Halkbank continued to serve its SME website (www.halkbankkobi.com.tr) in order to provide premium service, comprehensive informational resources and other support to SMEs, and bring them together on a single platform. Providing assistance to all SMEs, whether a Bank customer or not, this platform offers complimentary advisory services to small and medium enterprises covering a wide variety of subjects including ones that are most heavily demanded by SMEs such as entrepreneurship, investment advisory, incentives, grants and supports, financial management, tax, labor law, law on obligations, foreign trade, retirement, insurance, and institutionalization. In addition to these services, the Bank sees support for entrepreneurship as a social responsibility project and supports entrepreneurs via credit facilities and training programs. Entrepreneurs can access the e-learning modules on the Halkbank SME Development Platform to solidify their personal and professional development, and to increase the performance and service quality of their businesses in such areas as entrepreneurship, finance, law, quality, efficiency, leadership and international trade. The entire set of training programs is free of charge and available online for SMEs to access them from any location, at any time they choose.

People with physical disabilities can conduct all ATM transactions using Bank24s. Visually-impaired individuals can perform cash withdrawal or balance inquiry transactions via headphones utilizing the text-to-speech technology. Optionally, the customer may select to mask the account information on the ATM screen.

Our Accessible Bank24 ATMs serve visually-impaired customers at 125 locations and customers with physical disabilities at 156 service points throughout the country, At 57 locations 340 ATMs in total for both visually or physically impaired customers whether they are Halkbank customers or not.



PART IV – BOARD OF DIRECTORS

15. Structure and Composition of the Board of Directors

NAME	POSITION	COMMENCEMENT DATE OF TERM*	DATE OF BECOMING INDEPENDENT MEMBER	ENDING DATE	COMMITTEE ASSIGNMENT
Recep Süleyman ÖZDİL	Chairman	August 28, 2015		Continuing	
Sadık TILTAK	Vice Chairman Independent Board Member	April 1, 2014	April 1, 2014	Continuing	Audit Committee-Chairman Credit Committee-Member
Osman ARSLAN	Board Member and General Manager	June 8, 2017		Continuing	Credit Committee-Chairman Asset/ Liability Committee-Chairman
Yunus KARAN	Board Member	April 1, 2014		Continuing	Sustainability Committee Vice Chairman, Credit Committee Member
Cenap AŞCI	Board Member	March 31, 2016		Continuing	Corporate Governance Committee- Member
Yahya BAYRAKTAR	Independent Board Member	March 31, 2016	March 31, 2016	Continuing	Sustainability Committee-Chairman Corporate Governance Committee- Member/Audit Committee-Member
Maksut SERİM	Board Member	June 8, 2017		Continuing	Remuneration Committee Member
Meltem TAYLAN AYDIN	Board Member	June 8, 2017		Continuing	Remuneration Committee Member
Mehmet Nihat ÖMEROĞLU	Independent Board Member	June 8, 2017		Continuing	Corporate Governance Committee Member
Faruk ÖZÇELİK	Member of the Supervisory Board	March 29, 2016		Continuing	
Yılmaz ÇOLAK	Audit Committee Member	June 8, 2017		Continuing	

* The commencement date is the date on which the Members were first elected.

CORPORATE GOVERNANCE PRINCIPLES

COMPLIANCE REPORT

The Members of the Board of Directors are elected for three-year terms. The Members of the Board of Directors are authorized to enter into transactions in accordance with the provisions of the related articles of the Turkish Commercial Code. The backgrounds of the Members of the Board of Directors are presented in the Bank's annual report as well as on the Bank's website and announced to the public.

All Members of the Bank's Board of Directors possess the minimum qualifications required for Members of the Board of Directors as stipulated in the Capital Markets Board's Corporate Governance Principles.

In 2017, there was no breach of independence of the Independent Members of the Board of Directors.

There are no female members in the Board of Directors. There is no policy specifying a target ratio – that must be no less than twenty five percent – and time for female members to be in the Board of Directors. However, our Bank does not have any regulation that prevents our shareholders from electing a female member to the Board of Directors.

Whether the Members of the Board of Directors are permitted to hold positions outside of the Bank are determined in accordance with the Banking Law as well as the Regulations and Board Resolutions of the Banking Regulation and Supervision Agency of Turkey.

The Members of the Board of Directors can hold positions in representation of the Bank at the subsidiaries that the Bank has the right to be represented.

16. Operating Principles of the Board of Directors

The Board of Directors convenes at the request of the Chairman of the Board of Directors or the Vice Chairman or a Board member. The Board is obliged to convene at least once a month. The agenda of the Board of Directors is set by the Chairman or Vice Chairman calling the meeting at least 24 hours before the meeting and it is delivered to the Members along with the meeting invitation by hand or by the Board of Directors Secretariat Services Department.

The Board of Directors Secretariat Services Department enters the Board Decisions into the decision book. All discussions and briefings that take place during the meetings are recorded and kept by the Board of Directors Secretariat Services Department.

Neither the Articles of Association of the Bank nor the Regulation on Management Bodies gives any majority voting rights nor affirmative/negative veto rights to any Member of the Board of Directors.

In 2017, 41 Board of Directors Meetings were organized. The percentage of Members attending the Board of Directors Meetings is 98.91%.

The authorities and the responsibilities of the members of the Board of Directors are primarily set out in the Bank's Articles of Association and also in the "Regulation on Management Bodies" adopted pursuant to Board of Directors Resolution No. 34-33 dated August 12, 2014. This Regulation sets out in detail the Bank's operating principles and the duties and authorities of the Board of Directors, the Credit Committee and the General Manager of the Bank. While the Internal Regulation on Management Bodies includes provisions on the Audit Committee, detailed regulations are stipulated in the Internal Regulation on the Duties, Powers, Operating Principles and Procedures of the Audit Committee adopted pursuant to Board of Directors Resolution No. 34-01 dated October 31, 2006.

The authorities and responsibilities of the Bank's Managers are stipulated in the existing regulations and also determined by the authorities delegated by the Board of Directors particularly in financial matters as well as the authorities delegated to the lower ranks by the General Manager, to whom these authorities were delegated in the first place.



Halkbank practices the 396th Article of the Turkish Code of Commerce that stipulates competition ban as well as the relevant provisions of the Banking Law. In 2017, Members of the Board of Directors did not make any transactions with the Bank, which would be breaching this scope. The Bank has an employers' liability insurance, with an upper limit of EUR 65 million, which covers the Top Management's personal responsibilities and the faults they may make while carrying out their tasks.

17. Number, Structure and Independence of the Committees Formed by the Board of Directors

The Bank has established committees comprised of the members of the Board of Directors: Credit Committee, Audit Committee, Corporate Governance Committee, Compensation Committee and Sustainability Committee. In addition to these committees, there are a number of other executive and/or directing boards, committees and commissions in which the Board of Directors members do not take part.

Audit Committee was established within the Board of Directors of the Bank in order to help the Board of Directors carry out audit and monitoring activities. Audit Committee is composed of two non-executive Members of the Board of Directors. The units established within the scope of internal control, internal audit and risk management systems and the independent audit corporations submit regular reports to the Committee about the tasks they perform. In case of having issues that may have negative impacts on continuously and safely carrying out the activities of the Bank, and if there is a breach of legislation and internal regulations, Audit Committee is responsible for informing the Board of Directors about these issues.

In accordance with the Regulation on Lending Transactions of Banks published by the Banking Regulation and Supervision Agency, the Credit Committee consists of two members of the Board of Directors and the General Manager. The General Manager acts as the Chairman of the Credit Committee. In the absence of the General Manager, the Credit Committee is presided over by a primary member of the Credit Committee. The Chairman of the Credit Committee is responsible for the coordination of the Committee's activities to ensure that they are run in an effective and smooth manner. The Committee convened one time in 2017.

The Remuneration Committee is composed of two Members of the Board of Directors. The Committee Chairman is an Independent Member of the Board of Directors while both Members of the Board of Directors are not executive members. Remuneration Committee effectively carries out its activities within the scope of monitoring, auditing and reporting the remuneration practices on behalf of the Board of Directors.

Corporate Governance Committee was established in order to; i) monitor Bank's compliance with the Corporate Governance Principles within the framework of Banking Regulation and Supervision Agency ("BDDK") and CMB's Corporate Governance Principles regulations, ii) make sure improving activities are carried out in this issue, and iii) advise the Board of Directors. Corporate Governance Committee also nominates the Independent Members of the Board of Directors to be elected for the Board of Directors.

Corporate Governance Committee is composed of 3 Members of the Board of Directors, 3 Assistant General Managers and 2 Unit Directors. Corporate Governance Committee Chairman is an Independent Member of the Board of Directors.

The mandatory Article numbered 4.5.1 of the Corporate Governance Principles exempts banks from the obligation of creating a Risk Assessment Committee. The Bank did not set up a separate Nominating Committee in 2017. As per Article numbered 4.3.2.3 of the Management Internal Regulations dated August 12, 2014, the Bank delegated the functions of Nomination Committee to the Corporate Governance Committee in compliance with the regulatory provisions of the Capital Markets Board and Banking Regulation and Supervision Agency. Committee convened 4 times in 2017.

Sustainability Committee was established under the Board of Directors in order to coordinate Bank's activities in sustainability.

CORPORATE GOVERNANCE PRINCIPLES

COMPLIANCE REPORT

Sustainability Committee is composed of 1 Independent Member of the Board of Directors, 1 Member of Board of Directors, 4 Assistant General Managers, and 6 Unit Directors. Committee's Chairman is an Independent Member of the Board of Directors and Vice Chairman is a Member of Board of Directors. Committee convened 4 times in 2017.

Meetings of the Committees of the Board of Directors are recorded in writing. Board of Directors provides all means and support necessary for the efficiency of the activities of the Committees.

Committees' members are determined by the Board of Directors. Detailed information about Committees structure, tasks and functioning is available in the Annual Report and on the website.

Considering the number of the Members of the Board of Directors of the Bank, a Member of the Board of Director can assume tasks in more than one committee.

18. Risk Management and Internal Control Mechanism

Pursuant to Articles 23, 24, 29, 30, 31 and 32 of Banking Law No. 5411, banks are responsible for establishing and operating adequate and effective internal control, risk management and internal audit systems that cover all branches and all subsidiaries and affiliates subject to consolidation and that are compatible with the scope and structure of their activities and compliant with changing conditions in order to monitor and control their risks exposure.

In accordance with this, the Bank's Risk Management, Internal Control and Internal Auditing units carry out their activities in compliance with the above-mentioned articles and the Regulation on Internal Systems of Banks published in Official Gazette (No.29057 dated July 11,204) by the Banking Regulation and Supervision Agency of Turkey. The internal systems units carry out their activities under the Audit Committee, which consists of Board of Directors members with no executive functions. These activities intend to measure and eliminate potential risks.

Of Internal Systems units, the Departments of Internal Control and Risk Management operate under the supervision of the Deputy General Manager responsible for Internal Control and Risk Management under Internal Systems Vice Chairman while the Board of Inspectors operates under the supervision of the Audit Committee, which is formed to provide support in carrying out the control and supervision on behalf of the Board of Directors.

The Board of Inspectors oversees that the Bank carries out its activities in accordance with the Law and other related regulations as well as internal strategies, policies, principles and objectives; the smooth, adequate and effective functioning of the risk management and internal control systems.

The operations of the internal systems units for the measurement and elimination of risk and their findings regarding the safe operation of the Bank are evaluated by the Audit Committee every six months and are reported to the senior management of the Bank. In addition, the Audit Committee has regular meetings with the internal systems units throughout the year to analyze and evaluate the Bank's risks. Audit Committee's evaluation report is available in the Annual Report.



19. Strategic Goals of the Company

The Mission, Vision, Main Goals and Core Strategies of the Bank were adopted pursuant to Board of Directors Resolution No. 41-04 dated December 27, 2006 and disclosed to public on the Bank's website.

The Bank's annual budget and strategic plan are approved by the Board of Directors. Target achievement reports are biweekly tracked by the Board of Directors. Bank top management, periodically organizes performance meetings with branch and region managers in order to evaluate target achievement. Furthermore, in addition to the presentations made to the Board of Directors, financial statements and indicators regarding target achievement are daily available via technological infrastructure system.

20. Remuneration of the Board of Directors

In accordance with Article 23 of the Bank's Articles of Association, the Bank pays a monthly salary to the Members of the Board of Directors. The amount of such monthly salary is determined by the General Assembly. In 2017, gross TRY 8.9 million payment was made to the Members of the Board of Directors and to the Senior Executive Managers of the Bank. On the other hand, taking the banking sector practices into account; remuneration and all other benefits granted to the Members of the Board of Directors and to the managers who have administrative responsibilities are not announced on individual basis. The Remuneration Policy was created regarding the wage criteria of the Bank employees and published on the Bank's website after being submitted for the approval of the shareholders in the General Assembly. There is no detailed explanation in the Remuneration Policy about how the wage basis of the Members of the Board of Directors will be calculated. The remunerations of the Members of the Board of Directors are determined by the General Assembly. Within the limits in the Banking Law, it has been provided to use credit for the Board of Directors. Remunerations and all benefits given to the Members of the Board of Directors and Executives are publicly announced in the Annual Report and on the website.

AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL AND COMPLIANCE, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2017

Board of Inspectors

Türkiye Halk Bankası A.Ş.'s Board of Inspectors carries out its activities via the Audit Committee under the Internal Systems Vice Chairman in the name of the Board of Directors.

The Board of Inspectors audits, periodically with a risk-based approach without any limitations, all of the Bank's activities and units including the domestic and overseas branches and Head Office departments to provide assurance to the senior management regarding the compliance of the Bank's activities with the law and other related regulations and the Bank's internal strategies, policies, principles and objectives as well as the effectiveness and adequacy of the internal control and risk management systems; identifies the deficiencies, errors and misconduct; and offers its opinions and recommendations for preventing the recurrence of similar situations and ensuring the effective and efficient use of the Bank's resources.

As of 31.12.2017; with 181 bank examiners coordinated by the 4 Assistant Directors and 1 IT Team Leader under the Chairman of the Board of Inspectors, the Board of Inspectors carries out its activities within the framework of ISO 9001:2015 Quality Management System Standards, and with a risk oriented approach, in three separate methods complementing each other: On-site Audit, Centralized Audit, and Information Technologies Audit (The Board is composed of 187 members).

On-site audit activities are carried out via working programs prepared in line with the Bank's targets, strategies and policies, as they are performed in accordance with the annual audit plan. In on-site audit activities, Bank's reporting systems are utilized besides the special reports like Loan Report Package, Operation Report Package issued by the Centralized Audit Team. Thus, bank examiners can work more effectively and efficiently.

Centralized Audit activities are carried out by issuing and reviewing various special reports in order to early detect potential frauds and operational faults focusing on transactions with high risk level, and to prevent potential actions that would damage the benefits of deposit holders and Bank's shareholders.

Within the scope of Information Technologies Auditing; assessment is made regarding the efficiency, sufficiency and compliance of the information systems of the Bank and corporations subject to consolidation.

Within the framework of risk oriented audit approach; based on the 2017 Audit Plan; 584 Branches, 10 Region Coordination Units, 27 Unit Directors' Offices, 10 Associate Companies, 3 Foreign Branches, 4 Exchange Operation Centers, 18 Cash Operation Centers, one Monitoring and Operation Service, one Compliance Unit were audited, and 1 process audit were made. Within the scope of Information Technologies; within the framework of 80 control targets of the 12 COBIT process, 619 control points were examined, and 77 application audits were made.

In 2017, the Board of Inspectors carried out centralized and on-site audit activities or examinations and investigations regarding the transactions discovered after warnings and complaints.

With the help of the Symptom Monitoring System established under the structure of the Board of Inspectors, controls are made regarding the up to date risk status of the symptoms found during audit, and activities performed by relevant units to eliminate such symptoms. Thus, not only are the symptoms reported, but actions are taken to eliminate them, as well.



Training opportunities in and outside the Bank are provided to the Board of Inspectors Members who perform audit activities in various units of the Bank, having the opportunity to gain experience in every field of banking profession. As a result; the Board of Inspectors Members are supported to receive various certifications, and the Bank is provided with a qualified workforce.

In addition to all these issues, Halkbank Board of Directors' management declarations are made regarding the information systems and banking processes of the Bank, are effective, sufficient and compliant. Auditing is performed on accuracy of the data used in the Internal Capital Adequacy Evaluation Process Report, sufficiency of the systems and processes, and whether data, systems and processes allow correct information and analysis while the process of issuing the consolidated and non-consolidated financial statements of the Bank is audited. Also within this framework; the results of the report issued by the Bank within the scope of "Internal Capital Adequacy Evaluation Process (ISEDES)" scope, is effectively evaluated by the Board of Inspectors in the validation process.

By means of the effective and efficient audit it will perform with high responsibility and sense of duty, in line with the targets and policies that will be determined by the Bank's top management, the Board of Inspectors will continue to successfully perform the internal audit function within the structure of Türkiye Halk Bankası A.Ş. which is one of the banks having the widest branch network of the banking sector in our country.

Internal Control

The Bank's Internal Control Department performs the tasks of monitoring and making evaluations through financial, operational and other control points and reporting its findings to the management levels simultaneously, impartially and objectively with the oversight of the Audit Committee Deputy General Manager and the Board of Directors within the framework of the provisions of the Banking Law No: 5411 and the Banking Regulation and Supervision Agency of Turkey's Regulation on the Internal Systems of Banks in accordance with generally-accepted professional standards and rules of business ethics with a proactive and preventative approach with the purpose of protecting the Bank's assets; ensuring that the Bank's operations are conducted in an effective and efficient manner in compliance with the law and other relevant legislation, the Bank's internal policies and rules and banking best practices; and ensuring the reliability and integrity of the accounting and reporting systems and prompt access to the data.

Risk-oriented control activities carried out at the Head Office Units, Regional Coordinator's Offices, all domestic and overseas branches, domestic and overseas subsidiaries, and cash operations centers, supported by reports generated from the central system database and cross checks, create an effective internal control infrastructure.

Laws, regulations, Banking Regulation and Supervision Agency ("BDDK") regulations and up to date Bank legislation is tracked while changes are incorporated into control guidelines and control points. As a result, control guidelines which determine the scope of on-site control tasks, and the control points are kept up-to-date on a continuous basis as per the regulatory framework and the Bank's goals.

Business processes are analyzed and opinions and recommendations for increasing efficiency and productivity are communicated to the related departments. Internal Control activities' results are periodically analyzed, and service points and topic based risk assessments are regularly presented to the top management.

With the online reporting project, the aim is to: i) make internal control reporting through a web based system in an electronic environment, efforts to take action were completed. As of January 2, 2017, all branches have transferred to the İKSİR (Internal Control Transfer Analysis Reporting) program. As a result of the application, business processes were completely freed from the paper environment and all transactions began to be executed on the system; the symptom monitoring process was switched over to the system and as a result, the Bank gained the capability to track the actions taken by the branch regarding the symptoms that were not mitigated during the control activity; the Bank began storing all information in a data warehouse and added the capacity to generate numerical data on the results of the control operations and to analyze the resulting data.

AUDIT COMMITTEE'S ASSESSMENT ON THE OPERATION OF THE INTERNAL CONTROL AND COMPLIANCE, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS AND INFORMATION ABOUT ITS ACTIVITIES IN 2017

In addition to the controls performed on-site, the scope of the audit performed from the center is expanded. To this end, regional coordination offices began to be controlled from the head office as of 2017. Furthermore, it will be possible to enter the findings in the database in a retrospective manner to create region- and branch-based risk maps and conduct analyses in different subject areas. Data yielded by the banking system is analyzed; risks that cannot be prevented by the system are identified and solution proposals are shared with the relevant units. The scenario results created by the risk elements, which either cannot be eliminated by the system or require a long time, are either controlled directly from the center or forwarded to the internal controllers responsible in the relevant unit to be controlled on-site.

IT control group, organized at the level of Directorate, Information Systems, Process and Financial Reporting Controls team actively checks the communication channels and information systems, carries out activities with a team to make sure that data obtained within the Bank is reliable, complete, trackable, consistent and suitable (to meet the needs), and that relevant units and staff members can promptly access the data. In addition to the activities, financial system controls were included within the scope of continuous controls in the Department.

Upon the requests of the Bank's top management, the Board of Inspectors, Headquarters Units and Region Coordinators in various topics, Internal Controllers investigate the particular issues detected during the controls and report the results. During the investigation, information and documents about the investigated issue are evaluated in detail while issues that need to be investigated by an auditor are submitted to the Board of Inspectors, and issues that can be resolved with administrative measures are submitted to the relevant units of the Headquarters.

As of 31.12.2017, the Internal Controls Department comprehensively carries out its control activities with its staff of 203 people. The staff has 1 Director (Head), 2 Department Managers, 62 Senior Internal Controllers, 100 Internal Controllers and 36 Assistant Internal Controllers. Furthermore, there are 2 office personnel.

The Training Guidebook and Catalogue, which sets forth the processes and implementation procedures for the training programs needed for the professional and personal development of internal controllers employed within the Department from the day they join the Department to the time they take on administrative duties, was published in November 2017; all training operations will be planned and executed within this scope starting on January 1, 2018. With the intra-/extra-curricular training programs, personnel's professional and personal development is supported as they are encouraged to get certification in various fields.

Compliance

A Compliance Department was established pursuant to the Board of Directors resolution numbered 39 dated November 14, 2017 in order to carry out the Bank's obligations in accordance with the Prevention of Laundering of Proceeds of Crime legislation more effectively, and to oversee the Bank's legal and regulatory compliance activities.

The Bank Compliance Program was issued in order to fulfill the Bank's responsibilities within the scope of Law no. 5549 on Prevention of Laundering Proceeds of Crime. Under the Compliance Program, the risk management, monitoring and control activities, and activities for complying with national and international legislation regarding the prevention of laundering proceeds of crime and financing of terrorism are performed by the Compliance Group which reports to the Audit Committee.



Within the scope of the controls made to check the compliance with the legislation, compliance controls are made to see if the Bank's existing and future activities and new transactions and products comply with the Law and other relevant legislation, the internal policies and rules of the Bank, and banking trends. Bank employees are informed as soon as possible of any changes in the law and other applicable legislation.

Risk Management

The Risk Management Department which is responsible for executing risk management functions conducts its activities in accordance with the provisions of the Regulation on Internal Systems of Banks and Their Internal Capital Adequacy Evaluation Process published in Official Gazette No. 29057 dated July 11, 2014 by the Banking Regulation and Supervision Agency of Turkey under the supervision of the Audit Committee.

The Audit Committee has examined the reports on credit, market and operational risk elements generated by the Risk Management Department as well as the results of the scenario analyses and stress tests.

Within this scope, it has been determined by the Audit Committee that:

- The Bank's Basel II Capital Adequacy ratio is at compatible levels with its risk appetite,
- As a result of the validation efforts performed in order to measure the effectiveness of the Bank's internal rating systems, the results generated by the Bank's rating systems are generally satisfactory,
- Loan default rates are at reasonable levels,
- The Bank has achieved full compliance with the ratios and limits calculated within the scope of Basel III regulations,
- As a result of the stress tests and scenario analyses conducted, the Bank's equity capital is adequate for the Bank to continue its activities safely,
- The risks taken by the Bank are within the risk appetite limits set by the Board of Directors,
- Considering the ratings of the companies the Bank lent to and the risk mitigation elements established, the Bank paid adequate attention to the element of security in its placement activities,
- The results of the "Internal Capital Adequacy Assessment Process (ICAAP)" report, commissioned to determine the Bank's economic capital requirements consistent with its target rating score, support the conclusion that the Bank has adequate equity to cover its risk exposure,
- As a result of the structural interest rate risk analyses conducted to measure the interest rate risk inherent in banking calculations, the impact of changes in interest rates on the Bank's economic value is below the limits stipulated by the Banking Regulation and Supervision Agency,
- Based on the results of the Value at Risk analysis conducted by the Bank with an internal model to measure market risk, the market risk the Bank is exposed to is at levels that can be covered by the Bank's equity,
- The Bank is fully compliant with the liquidity ratios mandated by the Banking Regulation and Supervision Agency.

YAHYA BAYRAKTAR
Independent Board Member
Member of Audit Committee

SADIK TILTAK
Vice Chairman
Independent Board Member
Chairman of Audit Committee

FINANCIAL STANDING, PROFITABILITY AND DEBT-SERVICING CAPABILITY

Composition of Assets

As a result of its activities in 2017, the Bank's total assets grew by 31.9% to reach TRY 305,351 million.

The Bank's major placement categories consist of loans (TRY 203,464 million; 66.6% of assets), securities portfolio (TRY 48,903 million; 16% of assets) and liquid assets (TRY 43,726 million; 14.3% of assets) while the share of other placements stands at 3%.

The major increases as of year-end 2017 compared to the previous year were registered in Turkish lira loans (TRY 45,110 million).

The Bank's cash loans increased by 28.5% as of year-end 2017 while its loan-to-deposit ratio stood at 105.3%.

The Bank's non-performing loans amounted to TRY 6,107 million as of year-end 2017 and non-performing loans/total loans ratio stood at 2.93%.

Composition of Liabilities

The Bank's resources consist primarily of deposits (TRY 193,227 million; 63.3% of liabilities), non-deposit resources (TRY 65,705 million; 21.5% of liabilities) and shareholders' equity (TRY 25,377 million; 8.3% of liabilities) while the share of other liabilities stands at 6.9%.

As of 2017 year-end; significantly increasing figures compared to the previous period were: deposits increasing TRY 42,964 million, and loans increasing TRY 16,761 million.

Deposits are the Bank's most important funding source. Different types of deposits fared as follows in 2017: Foreign currency exchange deposit accounts, which comprise 31.2% of the total, rose by TRY 12,609 million; savings deposits, which comprise 26.1%, went up TRY 9,763 million; official agencies' deposits, which comprise 7.2%, increased TRY 4,184 million; commercial deposits, which comprise 19.7%, rose by TRY 12,256 million; bank's deposits, which comprise 9.9%, decreased TRY 3,680 million.

TRY accounts, with a share of 61.7%, constituted the majority of the Bank's deposits while foreign currency accounts made up the remaining 38.3% of deposits. The share of demand deposits in total deposits stands at 14.7%.

Composition of Profits

The Bank closed 2017 fiscal year with a net profit of TRY 3,725 million. The major income and expense items that constituted the profit for the period are discussed below.

Interest income from placements, the Bank's most important source of income, stood at TRY 23,094 million as of the end of the year.

Loans contributed TRY 18,960 million to interest income with a share of 82.1% while securities contributed TRY 3,703 million, with a share of 16%; interest income from loans increased by TRY 4,703 million.



The largest item comprising the Bank's interest expenses was interest paid to deposits with TRY 11,340 million and 74.1% share of the total. The interest paid to deposits, was the primary expense item for the Bank in 2017. Total interest expenses with the TRY 3,954 million categorized as other interest expense added up to TRY 15,293 million for the year.

The Bank's net interest income as of the end of the year was TRY 7,801 million.

Net fee and commission income surged by 47.4% on the previous year and reached TRY 2,027 million.

The Bank set aside provisions of TRY 1,469 million against its loans and other receivables for its activities in 2017.

Personnel expenses, which constitute a major portion of the other operating expenses of TRY 4,553 million, increased by 14.8% on the previous year and reached TRY 1,982 million.

As a result of its activities in 2017, the Bank earned pre-tax profit of TRY 4,710 million and, after provisioning TRY 984 million for taxes, a net profit of TRY 3,725 million. The Bank maintained its sustainable profitability in 2017.

Solvency

The widespread and strong deposit base which is the most important resource for the Bank acted as an efficient instrument for covering short-term debt. The existing customer base is the most important factor the Bank relies on for the procurement of the necessary resources. The Bank's core deposit rate is around 93%; this ratio makes a large contribution to the Bank's liquidity.

The 2017 year end capital adequacy ratio of the Bank was 14.2%, above the minimum legal ratio. The equity structure, which is strengthened with sustainable profitability and the well-planned dividend distribution policy of the Bank, is on a level that can compensate the increased value subject to credit risk.

Halkbank is a Turkish government debt securities market maker and with the help of its strong capital and financial structure, it has a special position in the sector with regard to borrowing and fund procurement.

With many years of banking experience, Halkbank has a respectable position both in Turkey and in international markets. The Bank's relations with nearly two thousand correspondent banks, presence abroad and extensive branch network across Turkey show the strength of its strong organizational structure in terms of fund procurement.

In 2017, Halkbank continued its efforts to increase the quality of its assets while diversifying its existing and alternative funding sources.

RISK MANAGEMENT POLICIES BY RISK TYPES **AND RISK MANAGEMENT INFORMATION**

The Bank developed its risk policies and implementation principles in accordance with the provisions of Article 36 of the Regulation on Internal Systems of Banks and Their Internal Capital Adequacy Evaluation Process published in the Official Gazette No. 29057 dated July 11, 2014.

Halkbank's risk policies aim to ensure that the Bank conducts its operations in accordance with the procedures and principles stipulated in the Banking Law and in line with its mission and goals of profitability and productivity while safeguarding the interests of the Bank's depositors and the shareholders to the maximum extent possible.

The "Risk Management Policies and Implementation Procedures" that became effective pursuant to Board of Directors Resolution defines the following:

- Risk appetite of the Bank,
- Authorization limits with regard to credit transactions,
- Sector-specific limits,
- Principles of risk analyses to be conducted in relation to the rating systems used in the Bank's lending process and the validation of these systems,
- Treasury operations stop-loss limits for capital markets positions and foreign currency positions, and limits for capital markets and money market transactions,
- Limits on the Bank's foreign exchange position and counterparty risk in transactions with correspondent banks,
- Limits on the Bank's liquidity and structural interest rate risk,
- Limits to contain the impact of interest rate shocks on the Bank's economic value,
- Limits on liquidity ratios pursued in accordance with the Liquidity Emergency Action Plan,

The Bank periodically checks compliance with these limits.

In addition, as per the "Operational Risk Management Policies and Implementation Procedures Directive" adopted pursuant to the Board of Directors resolution numbered 08-33 dated March 6, 2017, the Bank set levels of risk concerning potential losses that may materialize due to operational risks and began to monitor them periodically.

Detailed information on the Bank's risk management activities is available in Chapter Four of the Non-consolidated Independent Audit Report.



RATING NOTES

FITCH RATINGS

Foreign Currency Long Term	BB+
Outlook	Negative
Foreign Currency Short Term	B
Local Currency Long Term	BBB-
Outlook	Negative
Local Currency Short Term	F3
National Long Term	AAA (tur)
Foreign Currency Long Term Stock Rating	BB+
Support	3
Support Rating Floor	BB+
Viability Rating	bb+

MOODY'S

Baseline Credit Assessment (BCA)	b1
Long Term Deposit Rating Domestic Currency	Ba2
Short Term Deposit Rating Domestic Currency	Not-Prime
Long Term Deposit Rating Foreign Currency	Ba2
Short Term Deposit Rating Foreign Currency	Not-Prime
Long Term Rating Foreign Currency Bond	Ba2
Outlook	Negative

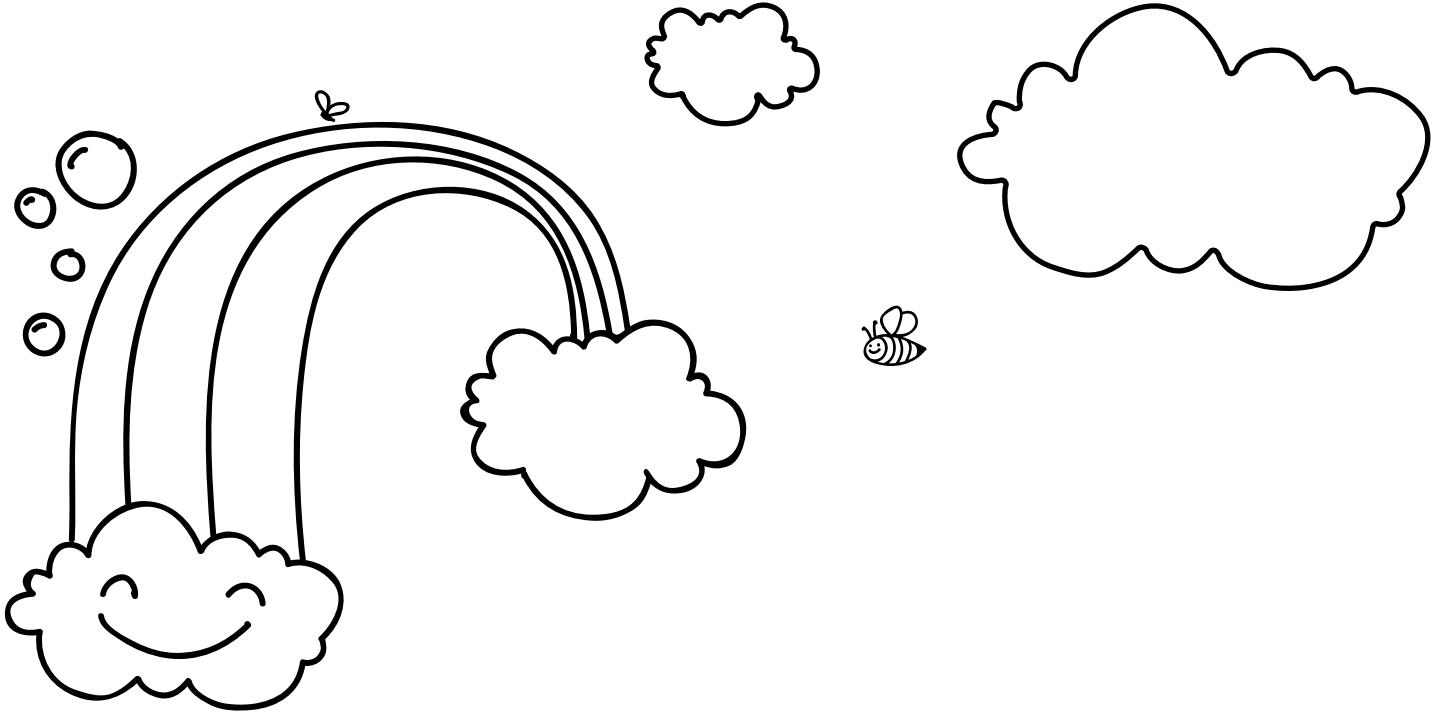
JCR EURASIA

Long Term International Foreign Currency	BBB-(Stable Outlook)
Long Term International Local Currency	BBB-(Stable Outlook)
Long Term National Local Rating	AAA(Trk)(Stable Outlook)
Short Term International Foreign Currency	A-3(Stable Outlook)
Short Term International Local Currency	A-3(Stable Outlook)
Short Term National Local Rating	A-1+ (Trk)(Stable Outlook)
Sponsored Support	1
Stand - Alone	A

FIVE-YEAR SUMMARY

FINANCIAL INFORMATION

ASSETS (TRY MILLION)	2013	2014	2015	2016	2017
Liquid Assets	21,825	21,560	25,838	31,660	43,726
Securities	28,419	26,741	27,908	33,216	48,903
Cash Loans	84,848	101,767	126,745	158,354	203,464
Subsidiaries, Affiliates and Jointly Controlled Subsidiaries	2,427	2,669	2,913	3,146	3,960
Fixed Assets	1,117	1,245	2,542	2,767	3,008
Other	1,308	1,441	1,782	2,297	2,290
Total Assets	139,944	155,423	187,729	231,441	305,351
LIABILITIES (TRY MILLION)	2013	2014	2015	2016	2017
Deposits	100,756	103,708	122,146	150,263	193,227
Money Markets	771	8,413	8,410	17,847	34,608
Borrowings	13,615	12,630	20,262	18,968	17,018
Funds	1,489	1,769	1,964	2,340	2,725
Marketable Securities Issued	4,165	6,172	8,905	12,434	11,355
Other	5,002	6,195	6,619	8,272	21,041
Shareholders' Equity	14,146	16,536	19,424	21,317	25,377
Net Period Profit/Loss	2,751	2,206	2,315	2,558	3,725
Total Liabilities	139,944	155,423	187,729	231,441	305,351



TÜRKİYE HALK BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017 WITH AUDITORS' REPORT THEREON

(CONVENIENCE TRANSLATION OF UNCONSOLIDATED FINANCIAL STATEMENTS
AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

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

To the Board of Directors of Türkiye Halk Bankası A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Türkiye Halk Bankası A.Ş. ("the Bank"), which comprise the balance sheet as at 31 December 2017, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, 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 Turkish Accounting Standards ("TAS") for the matters not legislated by the aforementioned regulations.

2) Basis for Opinion

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

We draw attention to the following:

As detailed in Section 6 Note 1, one of the Bank's former directors has been convicted for some of the charges in the first phase of the trial by the jury in the United States of America ("USA") of the violation of the USA sanctions involving Iran. The subsequent legal process is not yet completed but ongoing for the defendant director of the Bank such as appeal and other legal rights following the first phase of the trial.

The Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Bank. The Bank is also closely following this trial by hiring external legal counsel resident in the USA.

Separate from this trial, there is an uncertainty of any negative decisions by the USA authorities against the Bank affecting its financial position, if any. The Bank's management indicated that there are no enforcement or other actions against the Bank at this stage. No provision has been made in the accompanying financial statements related to this matter. Our opinion is not modified in respect of this matter.



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

Classification and impairment of loans and receivables

Impairment of loans and receivables to customer is a key area of judgement for the management. The Bank has the total loans and receivables amounting to TRY 208.243.749 thousands, which comprise 68% of the Bank's total assets in its unconsolidated financial statements and the total provision for impairment amounting to TRY 4.779.272 as at 31 December 2017.

There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of the BRSA Accounting and Financial Reporting Legislation. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment loans and receivables is considered as a key audit matter.

Related explanations relating to the impairment of loans and receivables are presented in Section 5 Note I.5.

How the matter was addressed in the audit

As part of our audit work, the following procedures were performed:

- We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Bank with respect to classification of loans and receivables and determination and calculation of impairments.
- We have performed loan review procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation.
- We have selected samples and tested whether collaterals were taken into consideration in specific provisioning calculations with market values multiplied with specified valuation ratios and were adequately classified to correct collateral group as specified in the respective legislation.
- We have mathematically tested the appropriateness of specific provision calculations made for non-performing loans in line with the relevant legislation.
- For the portfolio of loans subject to the general provision, we have examined the appropriateness of the general provisions established in line with the BRSA regulations and other pronouncements made by the BRSA.
- Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.



Key Audit Matter

Valuation of Pension Fund Obligations

Defined benefit pension plan that the Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı ile T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı ("Plan") which were established by the 20th provisional article of the Social Security Law numbered 506 ("Law").

As disclosed in the Section III note XVI 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 funds and the institutions that employ the funds' members will cover the non-transferable social rights and pension benefits provided under the Plan.

As of 31 December 2017, 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.

As described in Section V note II.9.f considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this a key audit matter.

How the matter was addressed in the audit

Our audit work included the following procedures:

- 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.
- It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.
- In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank's actuary.
- We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable.



Key Audit Matter

Information Technologies Audit

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 based scoping.

How the matter was addressed in the audit

Procedures within the context of our information technology audit work:

- We identified and tested the Banks' controls over information systems as part of our audit procedures.
- 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:
 - Manage security
 - Manage changes
 - Manage operations
- 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.
- We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.
- Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation.
- 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.
- Finally, we understood and tested the controls over database, network, application and operating system layers of applications.



5) Other Matters

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on 13 February 2017.

6) 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.

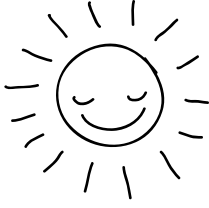
7) Auditor's Responsibilities for the Audit of the Financial Statements

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 No. 6102 ("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 2017 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

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

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

Additional Paragraph for English Translation

The effect of the differences between the accounting principles summarized in Section 3 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 2018

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

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

- **Section One** : GENERAL INFORMATION ABOUT THE BANK
- **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- **Section Five** : EXPLANATIONS AND NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- **Section Six** : OTHER EXPLANATIONS
- **Section Seven** : AUDITORS' REPORT

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2017 are prepared in thousand Turkish Lira and they have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Istanbul, 14 February 2018

R. Süleyman Özdil
Chairman

Sadık Tiltak
Vice Chairman,
Chairman of the Audit
Committee

Yahya Bayraktar
Board Member, Member
of the Audit Committee

Osman Arslan
Board Member,
General Manager

Yusuf Duran Ocak
Financial Management
and Planning Deputy
General Manager

Osman Bektaş
Financial Accounting
Department Head

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

Name/Title : Arman Acar / Director
Tel : 0216 503 57 59
Fax : 0212 340 09 90



SECTION ONE
General Information about the Bank

	Page No
I. Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including The Changes of These Articles	142
II. Capital Structure of the Bank, Shareholders That Retain Direct or Indirect Control and Management of the Bank, Solely or Together, Changes About These Issues During the Year and Disclosures About The Group	142
III. Explanations Regarding the Bank's Chairman and Board Members, Audit Committee Members, General Manager and Deputy General Managers and Their Shares Attributable to the Bank, if any	143
IV. Explanations Regarding the Persons and Institutions that Have Qualified Shares Attributable to the Bank	144
V. Explanations on the Bank's Functions and Lines of Activity	144
VI. 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	146
VII. The Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholder's Equity Between the Bank and Its Subsidiaries or the Reimbursement of Liabilities	146

SECTION TWO
Unconsolidated Financial Statements

I. Balance Sheet (Statement of Financial Position)	148
II. Statement of Off-Balance Sheet Items	150
III. Statement of Income	151
IV. Statement of Income and Expense Items Accounted under Shareholders' Equity	152
V. Statement of Changes in Shareholders' Equity	153
VI. Statement of Cash Flows	154
VII. Statement of Profit Distribution	155

SECTION THREE
Explanations on Accounting Policies

I. Explanations on Basis of Presentation	156
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	157
III. Explanations on Futures and Option Contracts and Derivative Instruments	158
IV. Explanations on Interest Income and Expenses	158
V. Explanations on Fee and Commission Income and Expenses	158
VI. Explanations on Financial Assets	159
VII. Explanations on Impairment of Financial Assets	161
VIII. Explanations on Offsetting Financial Instruments	162
IX. Explanations on Sales and Repurchase Agreements and Transactions on Securities Loaned	162
X. Explanations on Assets Held For Sale, Assets of Discontinued Operations and Related Liabilities	162
XI. Explanations on Goodwill and Other Intangible Assets	162
XII. Explanations on Property, Plant and Equipment	163
XIII. Explanations on Investment Properties	163
XIV. Explanations on Leasing Transactions	164
XV. Explanations on Provisions and Contingent Liabilities	164
XVI. Explanations on Employee Benefit Liabilities	164
XVII. Explanations on Taxation	165
XVIII. Additional Explanations on Borrowings	166
XIX. Explanations on Shares Issued	167
XX. Explanations on Bill Guarantees and Acceptances	167
XXI. Explanations on Government Incentives	167
XXII. Explanations on Segment Reporting	167
XXIII. Explanations on Other Matters	167

SECTION FOUR
Information Related to Financial Position and Risk Management of the Bank

I. Explanations on Capital	168
II. Explanations on Credit Risk	175
III. Explanations on Currency Risk	186
IV. Explanations on Interest Rate Risk	188
V. Explanations on Position Risk of Shares	192
VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio	193
VII. Explanations on Leverage Ratio	198
VIII. Explanations on Business Segmentation	199
IX. Explanations on Presentation of Financial Assets and Liabilities at Fair Value	202
X. Explanations Related To Transactions Made on Behalf of Others and Transactions Based on Trust	204
XI. Explanations on Risk Management and Risk Weighted Amounts	205
XXII. Explanations on Remuneration Policies	217

SECTION FIVE
Explanation and Notes Related to the Unconsolidated Financial Statements

I. Explanation and Notes Related to the Assets	219
II. Explanation and Notes Related to the Liabilities	239
III. Explanation and Notes Related to the Off-Balance Sheet Items	249
IV. Explanation and Notes Related to the Income Statement	252
V. Explanations and Notes Related to the Statement of Changes in Shareholders' Equity	256
VI. Explanations and Notes Related to the Cash Flow Statements	257
VII. Explanations and Notes Related to the Risk Group of the Bank	258
VIII. Explanations on the Banks' Domestic Branches, Agencies/Branches Abroad and Off-Shore Branches	260
IX. Explanation and Notes Related to the Subsequent Events	260

SECTION SIX
Other Explanations

I. Other Explanations on the Bank's Other Activities	261
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SECTION SEVEN
Independent Auditors' Report

I. Explanations on the Independent Auditor's Report	262
II. Explanations and Notes Prepared by the Independent Auditors	262

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK

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

Türkiye Halk Bankası Anonim Şirketi (the "Bank" or "Halkbank") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

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

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

As of 31 December 2017 the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2017	%	31 December 2016	%
Türkiye Varlık Fonu ^(1,2)	638.276	51,06	-	-
Prime Ministry				
Privatization Administration	-	-	638.276	51,06
Public shares ⁽²⁾	611.640	48,93	611.639	48,93
Other shareholders ⁽³⁾	84	0,01	85	0,01
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ The shares belonging to the T.C. Prime Ministry Privatization Administration were transferred to Türkiye Varlık Fonu on 10 March 2017 pursuant to the Decree of the Higher Council for Privatization No. 2017/1 dated 3 February 2017.

⁽²⁾ The shares of the Türkiye Varlık Fonu amounting to TRY 550 have been included in Public shares. With these shares, the total shares amounting TRY 638.826 held by Türkiye Varlık Fonu is 51,11% of the total shares.

⁽³⁾ TRY 82 of the shares included in the "Other Shareholders" group belong to shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized in their own accounts) while TRY 2 of which belong to shareholders whose shares are monitored under the shares not registered under the custody of the Central Securities Depository of Turkey due to the ongoing legal action.

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

III. EXPLANATIONS REGARDING THE BANK'S CHAIRMAN AND BOARD MEMBERS, AUDIT COMMITTEE MEMBERS, GENERAL MANAGER AND DEPUTY GENERAL MANAGERS AND THEIR SHARES ATTRIBUTABLE TO THE BANK, IF ANY ⁽¹⁾

Name	Title
R. Süleyman ÖZDİL	Chairman
Sadık TILTAK	Vice Chairman, Independent Board Member, Chairman of the Audit Committee
Osman ARSLAN	Board Member, General Manager
Yunus KARAN	Board Member
Cenap AŞÇI	Board Member
Yahya BAYRAKTAR	Independent Board Member, Member of the Audit Committee
Mehmet Nihat ÖMEROĞLU	Independent Board Member
Maksut SERİM	Board Member
Meltem TAYLAN AYDIN	Board Member
Faruk ÖZÇELİK	Member of the Supervisory Board
Yılmaz ÇOLAK	Member of the Supervisory Board
Selahattin SÜLEYMANOĞLU	Deputy General Manager, Human Resources and Support Management
Mehmet Akif AYDEMİR	Deputy General Manager, Loan Allocation and Management
Mehmet Sebahattin BULUT	Deputy General Manager, Loan Policies, Monitoring, and Legal Proceedings
Levend TORUSDAĞ	Deputy General Manager, SME and Artisans Banking
Ergin KAYA	Deputy General Manager, Banking Operations and Information Technologies
Hakan ERYILMAZ	Deputy General Manager, Treasury Management and International Banking
Mustafa ÇÖDEK	Deputy General Manager, Retail Banking
Yusuf Duran OCAK	Deputy General Manager, Financial Management and Planning
Hasan TUNCAY	Deputy General Manager, Corporate and Commercial Marketing
Metin KÖSTEK	Deputy General Manager, Internal Systems

⁽¹⁾ People mentioned above do not own any shares in the Bank's capital.

a) The professionals to the Bank's top management who have assigned to their position in 2017 are listed with titles and dates of assignment.

Name	Title	Assigned Date
Osman ARSLAN	Member of the Board of Directors, General Manager	8 June 2017
Mehmet Nihat ÖMEROĞLU	Board Member	8 June 2017
Maksut SERİM	Board Member	8 June 2017
Meltem TAYLAN AYDIN	Board Member	8 June 2017
Yılmaz ÇOLAK	Member of the Audit Committee	8 June 2017
Levend TORUSDAĞ	Deputy General Manager	4 August 2017
Ergin KAYA	Deputy General Manager	4 August 2017
Hakan ERYILMAZ	Deputy General Manager	4 August 2017
Mustafa ÇÖDEK	Deputy General Manager	4 August 2017
Yusuf Duran OCAK	Deputy General Manager	4 August 2017
Hasan TUNCAY	Deputy General Manager	4 August 2017
Metin KÖSTEK	Deputy General Manager	4 August 2017

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

b) The professionals from the Bank's top management who have left their position in 2017 are listed with titles and dates of leaving.

Name	Title	Date of Leaving
Mehmet Ali GÖKCE	Board Member	23 January 2017
Ali Fuat TAŞKESENLİOĞLU	Board Member, General Manager	8 June 2017
Ömer AÇIKGÖZ	Board Member	8 June 2017
Mehmet AYTEKİN	Board Member	8 June 2017
Zekeriya KAYA	Member of the Audit Committee	8 June 2017
Erdal ERDEM	Deputy General Manager	21 July 2017
Salim KÖSE	Deputy General Manager	21 July 2017
Ömer Faruk ŞENEL	Deputy General Manager	21 July 2017
Mustafa AYDIN	Deputy General Manager	21 July 2017
Murat OKTAY	Deputy General Manager	21 July 2017
Hasan ÜNAL	Deputy General Manager	21 July 2017

IV. EXPLANATIONS REGARDING THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

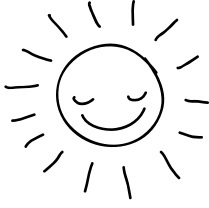
Except for Türkiye Varlık Fonu, no person or institute has any qualified shares attributable to the Bank.

V. EXPLANATIONS ON THE BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General information about the Bank:

Türkiye Halk Bankası Anonim Şirketi was established in Turkey in accordance with the Law No: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

e) The Bank's service activities and operating areas: The Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 31 December 2017, the Bank operates with a total of 969 branches consisting of 963 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 29 satellite branches. The Bank has also 3 representative office that are 1 in England, 1 in Singapore and 1 in Iran.

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

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

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

Demir-Halkbank NV ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Turk P and I Sigorta A.Ş which are qualified as investments in associates, are included in the financial statements based on equity method of accounting.

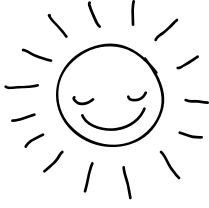
There is no investment in shares of banks and financial institutions, with shareholding of 10% or more than 10% as deducted from capital.

Since all banks has the same equal shareholding, Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the financial statements and thus, the Bank has no control over these entities.

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

Immediate transfer of the equity between the Bank and its subsidiaries is not in question. Dividend distribution from equity is made according to the related regulations.

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off-Balance Sheet Items
- III. Statement of Income
- IV. Statement of Income and Expense Items Accounted under Shareholders' Equity
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows
- VII. Statement of Profit Distribution

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2017

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS	Note	Audited Current period 31 December 2017			Audited Prior period 31 December 2016		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	12.917.312	23.455.727	36.373.039	3.534.232	26.464.928	29.999.160
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	10.085.889	362.017	10.447.906	70.105	359.993	430.098
2.1 Trading financial assets		10.085.889	362.017	10.447.906	70.105	359.993	430.098
2.1.1 Public sector debt securities		10.075.407	-	10.075.407	62.177	-	62.177
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Financial assets held for trading		118	361.803	361.921	4	359.807	359.811
2.1.4 Other marketable securities		10.364	214	10.578	7.924	186	8.110
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. BANKS	(3)	580.518	5.513.422	6.093.940	196.308	1.464.722	1.661.030
IV. MONEY MARKET PLACEMENTS		1.258.647	-	1.258.647	-	-	-
4.1 Interbank money market placements		1.258.647	-	1.258.647	-	-	-
4.2 Istanbul Stock Exchange Money Market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	11.474.374	5.615.175	17.089.549	10.770.662	4.219.265	14.989.927
5.1 Share certificates		71.715	52.091	123.806	66.434	34.160	100.594
5.2 Public sector debt securities		11.402.659	5.563.084	16.965.743	10.704.228	4.185.105	14.889.333
5.3 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(5)	139.676.930	63.787.547	203.464.477	103.502.394	54.851.939	158.354.333
6.1 Loans and receivables		138.349.605	63.787.547	202.137.152	102.326.357	54.851.939	157.178.296
6.1.1 Loans extended to risk group of the Bank		50.196	916.965	967.161	250.131	828.283	1.078.414
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		138.299.409	62.870.582	201.169.991	102.076.226	54.023.656	156.099.882
6.2 Loans under follow-up		6.106.597	-	6.106.597	5.140.082	-	5.140.082
6.3 Specific provisions (-)		4.779.272	-	4.779.272	3.964.045	-	3.964.045
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	19.214.233	2.512.936	21.727.169	15.823.514	2.332.668	18.156.182
8.1 Public sector debt securities		19.214.233	2.512.936	21.727.169	15.823.514	2.332.668	18.156.182
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	19.083	313.709	332.792	19,083	249.574	268.657
9.1 Accounted under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		19.083	313.709	332.792	19,083	249.574	268.657
9.2.1 Financial investments		12.763	313.709	326.472	12.763	249.574	262.337
9.2.2 Non-financial investments		6.320	-	6.320	6.320	-	6.320
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	3,089.737	536.971	3,626.708	2,514.639	363.185	2,877.824
10.1 Unconsolidated financial subsidiaries		3,037.559	536.971	3,574.530	2,473.396	363.185	2,836.581
10.2 Unconsolidated non-financial subsidiaries		52.178	-	52.178	41.243	-	41.243
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1 Accounted under equity method		-	-	-	-	-	-
11.2 Unconsolidated joint ventures		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-	-	-	-
13.1 Fair value risk hedging		-	-	-	-	-	-
13.2 Cash flow risk hedging		-	-	-	-	-	-
13.3 Net foreign investment risk hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	2,535.687	92	2,535.779	2,313.905	102	2,314.007
XV. INTANGIBLE ASSETS (Net)	(13)	113.685	-	113.685	88.593	-	88.593
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		113.685	-	113.685	88.593	-	88.593
XVI. INVESTMENT PROPERTIES (Net)	(14)	358.574	-	358.574	363.321	-	363.321
XVII. TAX ASSET	(15)	-	-	-	-	-	-
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		-	-	-	-	-	-
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	-	-	-	740	-	740
18.1 Held for sale purpose		-	-	-	740	-	740
18.2 Held from discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	1,698.762	229.621	1,928.383	1,517.081	419.865	1,936.946
TOTAL ASSETS		203.023.431	102.327.217	305.350.648	140.714.577	90.726.241	231.440.818

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



TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET

AS OF 31 DECEMBER 2017

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Note	Audited Current period 31 December 2017			Audited Prior period 31 December 2016		
		TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	(1)	119.197.840	74.029.229	193.227.069	88.217.130	62.045.709	150.262.839
1.1 Deposits Held by the Risk Group of the Bank		2.659.529	197.697	2.857.226	1.676.769	56.764	1.733.533
1.2 Other		116.538.311	73.831.532	190.369.843	86.540.361	61.988.945	148.529.306
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	146	150.376	150.522	59	211.789	211.848
III. FUNDS BORROWED	(3)	465.026	16.553.092	17.018.118	440.955	18.527.149	18.968.104
IV. MONEY MARKET BALANCES		29.220.222	5.387.762	34.607.984	16.473.192	1.373.871	17.847.063
4.1 Interbank money market borrowings		29.030.813	1.247.014	30.277.827	7.003.306	-	7.003.306
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds from repurchase agreements		189.409	4.140.748	4.330.157	9.469.886	1.373.871	10.843.757
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	2.713.759	8.640.905	11.354.664	1.749.034	10.684.708	12.433.742
5.1 Treasury bills		2.713.759	-	2.713.759	1.749.034	-	1.749.034
5.2 Asset-backed securities		-	-	-	-	-	-
5.3 Bonds		-	8.640.905	8.640.905	-	10.684.708	10.684.708
VI. FUNDS	(5)	2.724.634	-	2.724.634	2.339.808	-	2.339.808
6.1 Borrower Funds		860	-	860	36.600	-	36.600
6.2 Other		2.723.774	-	2.723.774	2.303.208	-	2.303.208
VII. SUNDRY CREDITORS		3.443.523	113.823	3.557.346	2.621.256	79.420	2.700.676
VIII. OTHER LIABILITIES	(6)	11.206.526	474.486	11.681.012	1.289.999	401.861	1.691.860
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES	(7)	-	-	-	99	-	99
10.1 Finance lease payables		-	-	-	123	-	123
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	24	-	24
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-	-	-	-
11.1 Fair value risk hedging		-	-	-	-	-	-
11.2 Cash flow risk hedging		-	-	-	-	-	-
11.3 Net foreign investment risk hedging		-	-	-	-	-	-
XII. PROVISIONS	(9)	3.443.318	5.642	3.448.960	3.046.236	5.286	3.051.522
12.1 General loan provisions		2.288.701	-	2.288.701	2.027.964	-	2.027.964
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		836.092	-	836.092	713.732	-	713.732
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		318.525	5.642	324.167	304.540	5.286	309.826
XIII. TAX LIABILITY	(10)	1.199.173	42	1,199,215	616.298	13	616.311
13.1 Current tax liability		628.765	42	628.807	329.626	13	329.639
13.2 Deferred tax liability		570.408	-	570.408	286.672	-	286.672
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Held from discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED CAPITAL	(12)	1,004,385	-	1,004,385	-	-	-
XVI. SHAREHOLDERS' EQUITY	(13)	25,317,394	59,345	25,376,739	21,541,122	(224,176)	21,316,946
16.1 Paid-in capital		1,250,000	-	1,250,000	1,250,000	-	1,250,000
16.2 Capital reserves		3,405,825	59,345	3,465,170	3,099,188	(224,176)	2,875,012
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities revaluation fund		966,184	59,345	1,025,529	706,929	(224,176)	482,753
16.2.4 Tangible assets revaluation reserves		1,273,315	-	1,273,315	1,284,522	-	1,284,522
16.2.5 Intangible assets revaluation reserves		-	-	-	-	-	-
16.2.6 Revaluation reserves of real estate for investment purpose		-	-	-	-	-	-
16.2.7 Bonus shares of subsidiaries, associates and joint ventures		8,711	-	8,711	8,711	-	8,711
16.2.8 Hedging Funds (effective portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other capital reserves		1,157,615	-	1,157,615	1,099,026	-	1,099,026
16.3 Profit reserves		16,936,107	-	16,936,107	14,633,669	-	14,633,669
16.3.1 Legal reserves		1,645,649	-	1,645,649	1,482,358	-	1,482,358
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		15,243,277	-	15,243,277	13,104,130	-	13,104,130
16.3.4 Other profit reserves		47,181	-	47,181	47,181	-	47,181
16.4 Profit/Loss		3,725,462	-	3,725,462	2,558,265	-	2,558,265
16.4.1 Prior years income/loss		-	-	-	-	-	-
16.4.2 Period profit/loss		3,725,462	-	3,725,462	2,558,265	-	2,558,265
TOTAL LIABILITIES		199,935,946	105,414,702	305,350,648	138,335,188	93,105,630	231,440,818

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

TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

AS OF 31 DECEMBER 2017

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

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

OFF BALANCE SHEET	Note	Audited Current period 31 December 2017			Audited Prior period 31 December 2016		
		TRY	FC	Total	TRY	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		55.925.500	57.445.133	113.370.633	45.771.117	50.441.206	96.212.323
I. GUARANTEES AND SURETYSHIPS	(1)	28.221.975	30.312.673	58.534.648	21.073.620	26.687.208	47.760.828
1.1 Letters of guarantee		27.015.807	22.385.059	49.400.866	20.268.441	19.699.090	39.967.531
1.1.1 Guarantees subject to public procurement law		1.522.672	10.045.779	11.568.451	1.049.993	11.366.716	12.416.709
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		25.493.135	12.339.280	37.832.415	19.218.448	8.332.374	27.550.822
1.2 Bank loans		16.829	3.676.678	3.693.507	12.876	2.812.590	2.825.466
1.2.1 Import acceptances		-	226.526	226.526	-	320.953	320.953
1.2.2 Other bank acceptances		16.829	3.450.152	3.466.981	12.876	2.491.637	2.504.513
1.3 Letters of credit		47.204	4.086.827	4.134.031	18.091	3.993.217	4.011.308
1.3.1 Documentary letters of credit		47.204	4.086.827	4.134.031	18.091	3.993.217	4.011.308
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed prefinancings		-	-	-	-	-	-
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		1.142.135	164.109	1.306.244	774.212	182.311	956.523
1.9 Other surety ships		-	-	-	-	-	-
II. COMMITMENTS	(1)	22.879.077	1.116.617	23.995.694	22.842.226	674.455	23.516.681
2.1 Irrevocable commitments		22.879.077	1.116.617	23.995.694	22.842.226	674.455	23.516.681
2.1.1 Forward asset purchase commitments		248.484	661.967	910.451	112.735	304.715	417.450
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		4.191.402	454.650	4.646.052	3.182.164	369.740	3.551.904
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for cheques		3.269.281	-	3.269.281	5.805.008	-	5.805.008
2.1.8 Tax and fund liabilities from export commitments		38.072	-	38.072	28.864	-	28.864
2.1.9 Commitments for credit card expenditure limits		11.562.109	-	11.562.109	10.794.813	-	10.794.813
2.1.10 Commitments for credit cards and banking services promotions		32.736	-	32.736	44.328	-	44.328
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		3.536.993	-	3.536.993	2.874.314	-	2.874.314
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		4.824.448	26.015.843	30.840.291	1.855.271	23.079.543	24.934.814
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		4.824.448	26.015.843	30.840.291	1.855.271	23.079.543	24.934.814
3.2.1 Forward foreign currency buy/sell transactions		2.711.564	6.375.770	9.087.334	1.162.609	5.842.371	7.004.980
3.2.1.1 Forward foreign currency transactions-buy		1.360.216	4.499.292	5.859.508	564.492	3.958.120	4.522.612
3.2.1.2 Forward foreign currency transactions-sell		1.351.348	1.876.478	3.227.826	598.117	1.884.251	2.482.368
3.2.2 Currency and interest rate swaps		1.322.806	15.819.312	17.142.118	433.093	14.634.799	15.067.892
3.2.2.1 Currency swap-buy		387.590	2.821.721	3.209.311	-	2.707.908	2.707.908
3.2.2.2 Currency swap-sell		935.216	2.110.829	3.046.045	433.093	2.182.361	2.615.454
3.2.2.3 Interest rate swap-buy		-	5.443.381	5.443.381	-	4.872.265	4.872.265
3.2.2.4 Interest rate swap-sell		-	5.443.381	5.443.381	-	4.872.265	4.872.265
3.2.3 Currency, interest rate and marketable securities options		790.078	1.090.343	1.880.421	259.569	420.684	680.253
3.2.3.1 Currency call options		394.932	545.279	940.211	129.783	210.341	340.124
3.2.3.2 Currency put options		395.146	545.064	940.210	129.786	210.343	340.129
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	2.730.418	2.730.418	-	2.181.689	2.181.689
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		832.644.477	205.106.195	1.037.750.672	660.197.757	154.850.365	815.048.122
IV. CUSTODIES		392.094.904	29.257.887	421.352.791	342.844.925	23.694.435	366.539.360
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		175.762.416	518.467	176.280.883	166.136.992	728.810	166.865.802
4.3 Cheques in collection process		14.977.312	22.698.848	37.676.160	12.428.736	17.253.652	29.682.388
4.4 Commercial notes in collection process		193.731.159	490.671	194.221.830	137.515.100	517.259	138.032.359
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		4.135.360	127.221	4.262.581	3.485.883	98.721	3.584.604
4.8 Custodians		3.488.657	5.422.680	8.911.337	23.278.214	5.095.993	28.374.207
V. PLEDGED ASSETS		440.549.573	175.848.308	616.397.881	317.352.832	131.155.930	448.508.762
5.1 Marketable securities		4.362.027	526.294	4.888.321	4.037.694	473.880	4.511.574
5.2 Collateral notes		7.255.638	812.632	8.068.270	7.292.482	820.012	8.112.494
5.3 Commodity		25.813	-	25.813	-	-	25.813
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		324.019.382	148.254.846	472.274.228	259.321.832	116.459.706	375.781.538
5.6 Other pledged assets		67.073.372	23.900.616	90.973.988	42.614.826	12.035.647	54.650.473
5.7 Pledges		37.813.341	2.353.920	40.167.261	4.060.185	1.366.685	5.426.870
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		888.569.977	262.551.328	1.151.121.305	705.968.874	205.291.571	911.260.445

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



TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME

AS OF 31 DECEMBER 2017

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

III.STATEMENT OF INCOME

INCOME AND EXPENSES	Note	Audited Current period 1 January- 31 December 2017	Audited Prior period 1 January- 31 December 2016
I. INTEREST INCOME	(1)	23.093.994	16.953.999
1.1 Interest on loans		18.959.501	14.256.133
1.2 Interest received from reserve deposits		131.500	56.437
1.3 Interest received from banks		227.093	92.630
1.4 Interest received from money market placements		56.316	404
1.5 Interest income on marketable securities		3.702.972	2.538.510
1.5.1 Financial assets held for trading		1.114	5.230
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Financial assets available-for-sale		1.541.940	1.055.987
1.5.4 Investments held-to-maturity		2.159.918	1.477.293
1.6 Finance lease income		-	-
1.7 Other interest income		16.612	9.885
II. INTEREST EXPENSE	(2)	15.293.393	9.997.281
2.1 Interest on deposits		11.339.797	8.180.926
2.2 Interest on borrowings		380.803	369.852
2.3 Interest on money market borrowings		2.667.803	776.209
2.4 Interest on bonds issued		789.909	582.467
2.5 Other interest expense		115.081	87.827
III. NET INTEREST INCOME [I – II]		7.800.601	6.956.718
IV. NET FEES AND COMMISSIONS INCOME		2.027.308	1.375.348
4.1 Fees and commissions income		2.484.914	1.762.862
4.1.1 Non-cash loans		401.146	295.898
4.1.2 Other		2.083.768	1.466.964
4.2 Fees and commissions expenses		457.606	387.514
4.2.1 Non-cash loans		44	40
4.2.2 Other		457.562	387.474
V. DIVIDEND INCOME	(3)	267.214	267.273
VI. NET TRADING PROFIT (NET)	(4)	35.869	149.746
6.1 Profit/loss from capital market operations		33.120	19.237
6.2 Profit/loss from financial derivative transactions		(198.722)	16.624
6.3 Foreign exchange gains/losses		201.471	113.885
VII. OTHER OPERATING INCOME	(5)	600.635	573.117
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		10.731.627	9.322.202
IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	1.469.327	2.106.323
X. OTHER OPERATING EXPENSES(-)	(7)	4.552.718	3.864.329
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		4.709.582	3.351.550
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII. PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	4.709.582	3.351.550
XVI. TAX INCOME PROVISION (+)	(9)	(984.120)	(793.285)
16.1 Current tax provision		(749.669)	(553.481)
16.2 Deferred tax provision		(234.451)	(239.804)
XVII. NET OPERATING INCOME AFTER TAX (XV+XVI)	(10)	3.725.462	2.558.265
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Property and equipment income held for sale		-	-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3 Other income from terminated operations		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Property and equipment expense held for sale		-	-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3 Other expenses from discontinued operations		-	-
XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (+)		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX+XXI)		-	-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(11)	3.725.462	2.558.265
Earnings/losses per share (Full TRY)		2,98037	2,04661

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

TÜRKİYE HALK BANKASI A.Ş.**UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS****ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2017**

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

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	Audited Current period 1 January- 31 December 2017	Audited Prior period 1 January- 31 December 2016
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	520.512	(64.497)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	62.666	164.303
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	67.886	(123.432)
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	(11.621)	21.620
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(49.285)	22.396
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	590.158	20.390
XI. PROFIT/LOSS	3.725.462	2.558.265
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	33.120	21.097
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-	-
11.3 Transfer of hedge of net investments in foreign operations to income statement	-	-
11.4 Other	3.692.342	2.537.168
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	4.315.620	2.578.655

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



TÜRKİYE HALK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2017

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Note	Paid in capital	Effect of inflation adjustments on paid-in capital	Share cancellation premium	Share certificate cancellation premium	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net income/(loss)	Prior period net income/(loss)	Valuation changes in marketable securities	Revaluation changes in property and equipment and intangible assets	Bonus shares from hedging funds	Value change in pro. and equip. held for sale purp./ shareholders' equity
	1. January 2016 – 31 December 2016	1.250.000	1.220.451	-	-	1.335.865	-	11.166.841	31.892	2.315.313	966.835	1.128.435	-	8.711	19.424.343
	II. Changes within the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	II. Increase/decrease generated by merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	III. Valuation changes in marketable securities	-	-	-	-	-	-	-	-	-	-	(484.082)	-	-	(484.082)
	IV. Hedging funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	4.1. Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	4.2. Hedges for investment made in foreign countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	V. Revaluation changes of property and equipment	-	-	-	-	-	-	-	-	-	-	-	156.087	-	156.087
	VI. Revaluation changes of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	VII. Changes in investments in subsidiaries and joint ventures (business partners)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	VIII. Foreign exchange differences	-	-	-	-	-	-	-	(123.432)	-	-	-	-	-	(123.432)
	IX. Changes after disposal of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	X. Changes after reclassification of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XII. Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12.1. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12.2. From internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XIII. Issuance of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XV. Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XVI. Other	-	-	-	-	-	-	-	(9.297)	-	-	-	-	-	(9.297)
	XVII. Net profit or losses	-	-	-	-	-	-	-	-	3.725.462	-	-	-	-	3.725.462
	XVIII. Profit distribution	-	-	-	-	163.291	-	2.139.147	-	(2.558.265)	-	-	-	-	(255.827)
	18.1. Dividends distributed	-	-	-	-	163.291	-	2.139.147	-	(2.558.265)	-	-	-	-	(255.827)
	18.2. Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	18.3. Other	-	-	-	-	-	-	-	-	2.558.265	-	-	-	-	2.558.265
	Closing balance	1.250.000	1.220.451	-	-	1.482.588	-	13.104.130	(74.244)	2.558.265	482.753	1.284.522	-	8.711	21.316.946
	1. January 2017 – 31 December 2017	1.250.000	1.220.451	-	-	1.482.588	-	13.104.130	(74.244)	2.558.265	482.753	1.284.522	-	8.711	21.316.946
	II. Changes within the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	II. Increase or decrease generated by merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	III. Valuation changes in marketable securities	-	-	-	-	-	-	-	-	-	-	542.776	-	-	542.776
	IV. Hedging Funds (effective portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	4.1. Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	4.2. Hedges for investments made in foreign countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	V. Revaluation changes of property and equipment	-	-	-	-	-	-	-	-	-	-	(11.207)	-	-	(11.207)
	VI. Revaluation changes of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-	-	-	-	67.886	-	-	-	-	-	67.886
	VIII. Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	IX. Changes after disposal of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	X. Changes after reclassification of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XI. Effect of changes in investments and associates to bank's shareholders equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XII. Increase in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12.1. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12.2. From internal resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XIII. Issuance of share certificates at end of period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XV. Adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XVI. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	XVII. Net profit or losses	-	-	-	-	-	-	-	-	3.725.462	-	-	-	-	3.725.462
	XVIII. Profit distribution	-	-	-	-	163.291	-	2.139.147	-	(2.558.265)	-	-	-	-	(255.827)
	18.1. Dividends distributed	-	-	-	-	163.291	-	2.139.147	-	(2.558.265)	-	-	-	-	(255.827)
	18.2. Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	18.3. Other	-	-	-	-	-	-	-	-	2.558.265	-	-	-	-	2.558.265
	Closing balance	1.250.000	1.220.451	-	-	1.645.649	-	15.243.277	(15.655)	3.725.462	1.025.529	1.273.315	-	8.711	25.376.739

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

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

VI. STATEMENT OF CASH FLOWS

	Note	Audited Current period 1 January- 31 December 2017	Audited Prior period 1 January- 31 December 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1		5.020.676	1.481.155
1.1.1		23.076.334	15.744.507
1.1.2		(14.287.590)	(9.478.192)
1.1.3		34.804	95.713
1.1.4		2.490.248	1.762.862
1.1.5		294.785	377.033
1.1.6		699.867	459.106
1.1.7		(2.022.875)	(1.812.412)
1.1.8		(373.626)	(411.428)
1.1.9	(1)	(4.891.271)	(5.256.034)
1.2		13.084.768	5.523.547
1.2.1		(15.210)	(48.369)
1.2.2		-	-
1.2.3		12.245	(16.332)
1.2.4		(45.125.763)	(31.101.645)
1.2.5		580.813	(530.016)
1.2.6		(3.637.720)	8.161.539
1.2.7		45.584.908	19.788.248
1.2.8		(1.947.164)	(1.293.247)
1.2.9		-	-
1.2.10	(1)	17.632.659	10.563.369
I.		18.105.444	7.004.702
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II.		(5.993.692)	(5.893.147)
2.1		(14.994)	-
2.2		-	-
2.3		(434.998)	(229.977)
2.4		201.562	51.362
2.5		(8.881.650)	(6.168.135)
2.6		7.477.165	1.775.796
2.7		(4.655.675)	(2.617.381)
2.8		346.978	1.309.290
2.9		(32.080)	(14.102)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.		(286.955)	2.998.996
3.1		8.174.710	10.281.519
3.2		(8.205.739)	(7.050.000)
3.3		-	-
3.4		(255.827)	(231.531)
3.5		(99)	(87)
3.6		-	(905)
IV.	(1)	908.274	1.403.627
V.		12.733.071	5.514.178
VI.	(4)	14.388.793	8.874.615
VII.	(5)	27.121.864	14.388.793

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2017

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

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited Current Period 31 December 2017 ⁽¹⁾	Audited Prior Period 31 December 2016
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1. Current Period Profit	4.709.582	3.351.550
1.2. Taxes and Legal Duties Payables (-)	(984.120)	(793.285)
1.2.1. Corporate Tax (Income Tax)	(749.669)	(553.481)
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	(234.451)	(239.804)
A. Net Profit For The Period (1.1-1.2)	3.725.462	2.558.265
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	127.913
1.5. Other Statutory Reserves (-)	-	-
B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]	-	2.430.352
1.6. First Dividend to shareholders (-)	-	62.500
1.6.1. To Owners of Ordinary Shares	-	62.500
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Redeemed Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. Dividends to personnel (-)	-	-
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	193.327
1.9.1. To Owners of Ordinary Shares	-	193.327
1.9.2. To Owners of Privileged Shares	-	-
1.9.3. To Owners of Redeemed Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	35.378
1.11. Status Reserves (-)	-	-
1.12. Extraordinary Reserves	-	2.139.147
1.13. Other Reserves	-	-
1.14. Special Funds	-	-
II. Distribution of Reserves		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	255.827
2.3.1. To Owners of Ordinary Shares	-	255.827
2.3.2. To Owners of Privileged Shares	-	-
2.3.3. To Owners of Redeemed Shares	-	-
2.3.4. To Profit Sharing Bonds	-	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.4. Dividends to Personnel (-)	-	160.451(2)
2.5. Dividends to Board of Directors (-)	-	-
III. Earnings per Share		
3.1. To Owners of Ordinary Shares	2.9804	2.0466
3.2. To Owners of Ordinary Shares (%)	298,04%	204,7%
3.3. To Owners of Privileged Shares	-	-
3.4. To Owners of Privileged Shares (%)	-	-
IV. Dividend per Share		
4.1. To Owners of Ordinary Shares	-	0,205
4.2. To Owners of Ordinary Shares (%)	-	20,47%
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

⁽¹⁾Board of Directors meeting was not held as of 31 December 2017 financial reporting date.

⁽²⁾Dividends to personnel which added to 2016 net profit as a provision not sentenced in profit distribution, only shown in the table for information.

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

The 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 and circulars and pronouncements published by the BRSA and Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments at fair value through profit or loss, financial assets available for sale, real estates and investments in affiliates valued at equity basis of accounting.

Accounting policies and accounting estimates on which the accompanying financial statements based are in compliance with "The Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulation" and other regulations, circulars and pronouncements published by the BRSA and with Turkish Accounting Standards issued by Public Oversight Agency for the matters not regulated by the aforementioned legislations and have been applied consistently by the Bank as in the financial statements prepared for the year ended 31 December 2016.

Additional paragraph for convenience translation to English

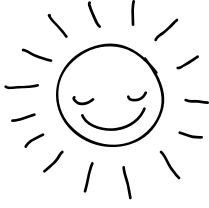
The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards ("IFRS"), may have significant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

Disclosures of TFRS 9 Financial Instruments:

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. TFRS 9 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments. All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

The Bank will apply the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods.

The combined application of the contractual cash flow characteristics and business models as at 1 January 2018 is expected to result in no major difference in the classification of financial assets when compared to the classification under TAS 39.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Classification and measurement of financial assets:

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent "solely payments of principal and interest (SPPI)".

Upon initial recognition each financial asset will be classified as either fair value through profit or loss ("FVTPL"), amortized cost or fair value through other comprehensive income ("FVOCI"). As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

Impairment of financial assets:

As of 1 January 2018, the Bank will recognize 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. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Part VII-c of Explanation on Accounting Policies will be changed by applying the expected credit loss model under TFRS 9. 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. These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

It is not anticipated a significant impact on the total equity as a result of the impairment calculation based expected credit loss model in accordance with TFRS 9. The impact of implementation for this standard is based on the assessments made so far. As of the transition date, it is still ongoing the revisions on the accounting policies, relevant processes and internal controls. Accordingly, there might be changes in the anticipated impact of TFRS 9 on the financial statements until announcement of the first time adoption financial statements including the opening balance sheet as of 1 January 2018. Besides, the Bank will calculate deferred tax on the expected credit losses calculated on stage 1 and 2 loans and the impact regarding calculated deferred tax asset will be accounted for under equity during transition.

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

a) The Bank's strategy on financial instruments:

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

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

b) The Bank's explanations on foreign currency transactions:

In the statutory records of the 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 settlements of foreign currency transactions are reflected to the income statement.

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

Assets and liabilities of the foreign branches of the Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by at exchange rates at the dates of the transactions.

The Bank started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Halkbank A.D. Beograd (subsidiary), Halk Banka A.D., Skopje (subsidiary), Demir-Halkbank NV (associate), foreign investments that are recognized under fair value accounting as hedged item, in compliance with "TAS 39 Financial Instruments: Recognition and Measurement". Accordingly, the effective portion of the foreign exchange differences is recorded under income statement in the current period.

III. EXPLANATIONS ON FUTURES AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

Derivative transactions of the Bank consist of foreign currency and interest rate swaps, options and forwards. The bank uses derivatives to avoid economical risks and account for as trading under Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39) classification.

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 held for trading" or "derivative financial liabilities held for trading", respectively depending on the fair values being positive or negative. Fair value changes for trading derivatives 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 bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic's credit risk. As of 31 December 2017, the bank has credit default swap transaction amounting to USD 200 million with 5 year maturity. In this transactions the Bank sells protection.

IV. 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 TAS 39 "Financial Instruments: Recognition and Measurement".

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.

V. 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.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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.

VI. 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 Bank, if the Bank is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Bank. 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 Bank 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.

The financial instruments and their valuations methods based on their classification on the financial statements are set out below.

1. Cash and banks

Cash and bank balances in foreign currencies are valued by using the Bank'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.

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

Financial Assets Held for Trading are presented in the balance sheet with their fair values and are measured at fair values after the initial recognition. All gains and losses arising from valuations of trading financial assets are reflected in the income statement. In accordance with descriptions of the uniform chart of accounts, favorable difference between acquisition cost of financial asset and its discounted value are recognized in "Interest Income", in the case of fair value of asset is above its discounted value, favorable difference between them are recognized in "Capital Market Transactions Profits" account, in the case of fair value is below discounted value, unfavorable difference between them are recognized in "Capital Market Transactions Losses" account and the dividends presented under dividend income. In the case of financial asset is sold off before its maturity, consisted gains or losses are accounted within the same principals.

2.2. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not acquired for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

The Bank has no financial assets at fair value through profit and loss as of 31 December 2017 and 31 December 2016.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

3. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their amortized cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the Bank as investments held to maturity; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

4. Financial assets available for sale

Financial assets available for sale represent non-derivative financial assets other than bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized cost is recognized through income statement by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and "amortized cost" using the internal rate of return is regarded as the fair value. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or impairment of those assets. Fair value differences accounted for under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when proceeds are collected.

5. 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.

Non-performing loans are classified in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No: 26333 dated 1 November 2006 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are recognized under the "Other Operating Income" account.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

6. Associates and subsidiaries:

As of 1 January 2012, the Bank changed its accounting policy of Turkish Lira denominated subsidiaries, and as of 18 June 2015 the Bank changed its accounting policy of foreign currency denominated subsidiaries and associates, and started to measure related subsidiaries and associates with their fair values. Foreign currency denominated associates and subsidiaries are converted into TRY by using the exchange rates at the date of which the fair value is determined. Fair values of the subsidiaries, whose shares are unquoted on an active market (stock exchange) are determined with the valuation reports that are prepared by an independent valuation company and fair values of the subsidiaries, whose shares are quoted on an active market (stock exchange) are determined by taking into account values at stock exchange, and valuation differences are added to the subsidiaries values and correspondingly recorded in the "Marketable securities revaluation fund" under the shareholders' equity.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Bank reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank determines the related impairment amount. A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present values of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair values of the "financial assets available for sale" of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

For loans and receivables; the Bank's management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions ("Communiqué")" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not book provisions for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the respective coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount excluding the surety type of collaterals defined in the Article 9 of the related legislation. Unindemnified and not reimbursed non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communiqué. The Bank sets provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. Collections made related to those loans are offset against the principal, and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

Bank provides general allowances for loan and other receivables in accordance with the Provisioning Regulation. The allowances are recorded in income statement of the related period. Provisions made during the period are recorded under "provision for losses on loans and other receivables". Provisions booked in the prior periods and released in the current year are recorded under "other operating income".

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

VIII. 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.

IX. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under "Available for Sale Financial Assets" or "Held to Maturity Investments" in the Bank's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds from Repurchase Transactions" 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 Reverse Repo Transactions" 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.

X. 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 a bank 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.

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

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 3 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except buildings that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property, plant 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, plant 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 Bank 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 "Tangible assets revaluation reserves" under the shareholders' equity.

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

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

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

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

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

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

Classification of Investment Properties:

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

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

XIII. EXPLANATIONS ON INVESTMENT PROPERTIES

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

Investment properties in the attached unconsolidated financial statements that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant 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, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

XIV. 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, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Bank does not participate in the financial leasing transactions as a "lessor".

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

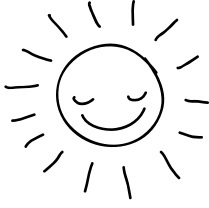
In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of The Bank's management 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 Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

XVI. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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 2017 no technical deficit has been reported.

XVII. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year.

The corporate tax rate which has been applied at the rate of 20% in accordance with the Article 32 – paragraph 1 of the Corporate Tax Law No: 5520, was set as 22% for the tax bases of the years 2018, 2019, and 2020 (applicable as of the beginning of the accounting periods in the related year for institutions designated a special accounting period) as per the provisional article 10 incorporated by the Article 91 of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down up to 20%.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (31 December 2016: 20%).

Calculated corporate tax as of 31 December 2016 has been paid in February 2017 thereby setting off calculated advanced taxes in previous periods. Moreover, accrued advance tax for 1 January-31 March 2017 period is paid in May 2017 and accrued advance tax for 1 January-30 September 2017 period is paid in November 2017. Furthermore, accrued advance tax for 1 January- 31 December 2017 period will also be paid in February 2018.

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.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

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

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

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

Bahrain

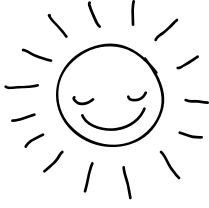
Banks in Bahrain are not subject to tax according to the regulations of the country.

XVIII. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Bank 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.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

XIX. EXPLANATIONS ON SHARES ISSUE

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

The 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.

XX. 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.

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXII. EXPLANATIONS ON SEGMENT REPORTING

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

The information of the Bank's business segments is explained in section four, disclosure numbered VIII.

XXIII. EXPLANATIONS ON OTHER MATTERS

None.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

I. EXPLANATIONS ON CAPITAL

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 December 2017, the Bank's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 14,18% (31 December 2016: 13,08%), the equity is calculated as TRY 28.481.912 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2016: TRY 23.013.281).

(1) Information on Components of Capital:

Current Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	16.883.534	
Other Comprehensive Income according to TAS	2.288.581	
Profit	3.725.462	
Current Period Profit	3.725.462	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.711	
Common Equity Tier 1 Capital Before Deductions	25.376.739	
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 (-)	-	
Leasehold Improvements on Operational Leases (-)	55.786	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	90.948	113.685
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals(-)	-	
Total Deductions from Common Equity Tier I Capital	146.734	
Total Common Equity Tier I Capital	25.230.005	



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Current Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
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	22.737	
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 (-)	22.737	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	25.207.268	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.000.000	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.288.701	
Tier II Capital Before Deductions	3.288.701	
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 (-)	-	
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	3.288.701	
Total Equity (Total Tier I and Tier II Capital)	28.495.969	
Deductions from Total Capital	28.481.912	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10	
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 (-)	14.047	

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Current Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
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	28.481.912	
Total Risk Weighted Assets	200.865.817	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	12,56	
Tier I Capital Ratio (%)	12,55	
Capital Adequacy Ratio (%)	14,18	
BUFFERS		
Bank-specific total CET1 Capital Ratio	6,262	
Capital Conservation Buffer Ratio (%)	1,25	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,012	
Systemic Bank Buffer Ratio (%)	0,500	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	6,180	
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	57.414	
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	326.472	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	230.261	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.288.701	
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	2.288.701	
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 January 2018 - 1 January 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 A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	14.513.209	
Other Comprehensive Income according to TAS	1.766.310	
Profit	2.558.265	
Current Period Profit	2.558.265	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.711	
Common Equity Tier 1 Capital Before Deductions	21.316.946	
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	-	
Leasehold Improvements on Operational Leases	66.671	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	53.156	88.593
Net Deferred Tax Asset/Liability	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	
Mortgage Servicing Rights not deducted	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions from Common Equity Tier I Capital	119.827	
Total Common Equity Tier I Capital	21.197.119	

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Items to be Deducted from Tier I Capital during the Transition Period	35.437	
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 (-)	35.437	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	21.161.682	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.027.964	
Total Deductions from Tier II Capital	2.027.964	
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 (-)	-	
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 (-)	-	
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	2.027.964	
Total Capital (Total Tier I and Tier II Capital)	23.189.646	
Total Tier I Capital and Tier II Capital (Total Equity)	23.013.281	
Loans Granted against the Articles 50 and 51 of the Banking Law	10	
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	157.617	
Other items to be Defined by the BRSA	18.738	



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	23.013.281	
Total Risk Weighted Assets	175.986.593	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	12,04	
Tier I Capital Ratio (%)	12,02	
Capital Adequacy Ratio (%)	13,08	
BUFFERS		
Bank-specific total CET1 Capital Ratio	5,133	
Capital Conservation Buffer Ratio (%)	0,625	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,258	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,077	
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	47.469	
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	262.338	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	184.112	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.027.964	
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	2.027.964	
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 January 2018-1 January 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 transition provisions in accordance with the temporary.

TÜRKİYE HALK BANKASI A.Ş.

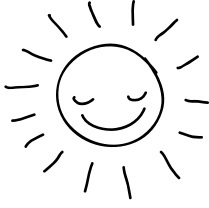
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(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 general provision. On the other hand, in the calculation of the Total Capital, development costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities and other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

(3) Details on Subordinated Liabilities:

Details on Subordinated Liabilities:	
Issuer	T. Halk Bankası A.Ş.
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHALE2716
Governing Law(s) of the instrument	BRSA and CMB Legislation
Regulatory treatment	
Transitional Basel III rules	No
Eligible at unconsolidated / consolidated	Consolidated - Consolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000
Par value of instrument	1.000
Accounting classification	346.011
Original date of issuance	20.10.2017
Perpetual or dated	Dated
Original maturity date	20.10.2017
Issuer call subject to prior supervisory approval	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
Coupon rate and any related index	Government Debt Security for 5 years +350 base points
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	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, 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)	-
In compliance with article number 7 and 8 of "Own fund regulation"	The instrument is in compliance with article number 8.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

II. EXPLANATIONS ON CREDIT RISK

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

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

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

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

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

As prescribed in the Communiqué on "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Bank receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees obtained are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

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

The Bank's largest 100 and 200 cash loan customers compose 24,64% and 29,89% of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 44,59% and 54,82% of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 24,65% and 31,07% of the total "on and off balance sheet" assets, respectively.

General loan loss provision related to the credit risk incurred by the Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 2.288.701 (31 December 2016: TRY 2.027.964).

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Exposure Categories:	Current Period Credit Risk Amount⁽¹⁾	Average Risk Amount	Prior Period Risk Amount⁽¹⁾	Average Risk Amount
Conditional and unconditional exposures to central governments or central banks	86.128.537	74.553.425	67.933.081	52.866.902
Conditional and unconditional exposures to regional governments or local authorities	3.067.537	2.472.655	1.913.131	1.385.766
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1.660.743	1.314.454	740.264	709.610
Conditional and unconditional exposures to multilateral development banks	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	13.295.959	9.110.769	4.883.011	5.004.910
Conditional and unconditional exposures to corporates	94.973.265	88.195.684	80.747.981	73.757.772
Conditional and unconditional retail exposures	59.439.102	56.509.792	52.895.456	52.150.462
Conditional and unconditional exposures secured by real estate property	56.677.261	51.374.430	44.811.431	35.039.188
Past due items	1.358.160	1.372.749	1.180.302	1.061.419
Items in regulatory high-risk categories	57.408	123.794	50.578	1.242.936
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Other items	13.350.572	12.865.666	11.164.941	10.492.226

⁽¹⁾ Includes the risk amounts after credit conversions.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Profile of significant exposures in major regions:

Current Period	Risk Classifications ⁽¹⁾										Total
	Conditional and unconditional exposures to central banks or governments or local authorities	Conditional and unconditional exposures to regional governments and non-commercial undertakings	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Other	
1. Domestic	86.128.536	3.067.537	1.660.717	11.713.806	93.119.804	59.328.390	56.346.989	1.331.207	57.408	13.350.572	326.104.966
2. European Union (EU) Countries ⁽²⁾	-	-	26	873.503	453.621	107.758	268.877	26.953	-	-	1.730.738
3. OECD Countries	-	-	-	77.510	-	263	315	-	-	-	78.088
4. Off-Shore Banking Regions	-	-	-	509	-	13	-	-	-	-	522
5. USA, Canada	-	-	-	280.681	301.431	84	360	-	-	-	582.556
6. Other Countries	1	-	-	349.950	1.098.409	2.594	60.720	-	-	-	1.511.674
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-
Total	86.128.537	3.067.537	1.660.743	13.295.959	94.973.265	59.439.102	56.677.261	1.358.160	57.408	13.350.572	330.008.544
Prior Period											
1. Domestic	67.933.072	1.913.131	740.208	4.829.439	78.822.896	52.793.475	44.594.415	1.162.519	50.578	11.164.941	264.004.674
2. European Union (EU) Countries ⁽²⁾	-	-	56	20.095	407.887	100.032	213.895	17.783	-	-	759.748
3. OECD Countries	-	-	-	8.897	-	128	171	-	-	-	9.196
4. Off-Shore Banking Regions	-	-	-	-	-	23	-	-	-	-	23
5. USA, Canada	-	-	-	2.850	215.163	93	346	-	-	-	218.452
6. Other Countries	9	-	-	21.730	1.302.035	1.705	2.604	-	-	-	1.328.083
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-
Total	67.933.081	1.913.131	740.264	4.883.011	80.747.981	52.895.456	44.811.431	1.180.302	50.578	11.164.941	266.320.176

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Current Period	Risk Classifications ⁽¹⁾											
	Conditional and unconditional exposures to central banks	Conditional and unconditional exposures to governments or local authorities	Conditional and unconditional exposures to regional governments	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail	Conditional and unconditional exposures secured by real estate property	Receivables in regulatory high-risk categories	Other	FC	Total
Agriculture	1	5	15	-	299,709	602,961	128,357	22,249	-	845,792	207,505	1,053,297
Farming and Stockbreeding	1	3	15	-	193,381	568,785	117,087	20,722	-	802,395	97,599	899,994
Forestry	-	2	-	-	1,495	3,631	382	9	-	5,519	-	5,519
Fishery	-	-	-	-	104,833	30,545	10,888	1,518	-	37,878	109,906	147,784
Manufacturing	764,116	64,451	1,268,425	-	39,437,582	12,467,925	15,999,010	864,565	-	36,517,012	34,349,062	70,866,074
Mining and Quarrying	-	-	594,772	-	1,031,727	189,255	181,561	14,881	-	481,153	1,521,043	2,002,196
Production	764,116	64,424	664,185	-	29,534,439	12,223,161	14,491,175	849,684	-	33,247,484	25,343,700	58,591,184
Electricity, Gas and Water	-	27	19,468	-	8,871,416	55,509	1,326,274	-	-	2,788,375	7,484,319	10,272,694
Construction Services	38	2	129	-	12,524,230	2,281,229	1,704,562	102,108	-	9,632,280	6,980,018	16,612,298
Wholesale and Retail Trade	176	9,272	29,098	-	12,229,783	19,555,936	7,612,784	178,115	-	34,278,185	5,334,979	39,613,164
Accommodation and Dining	3	128	1,667	-	5,919,529	966,905	4,383,485	66,611	-	2,221,762	9,116,566	11,338,328
Transportation and Telecom.	-	13,300	140,168	-	5,950,765	7,606,182	788,214	19,810	-	8,555,325	5,963,114	14,518,439
Financial Institutions	-	-	3,766	-	13,283,282	2,636,399	49,404	716,879	-	3,975,305	6,841,632	20,665,035
Real Estate and Rental Services	5	-	-	-	3,069,247	431,195	1,567,184	77,616	-	1,314,830	3,830,417	5,145,247
Professional Services	2	1	5	-	13	742,627	132,057	1,666	-	875,950	421	876,371
Educational Services	194	176	23,692	-	11,09,839	166,992	289,869	31,32	-	880,827	713,067	1,593,894
Health and Social Services	73,602	11	26,979	-	1,409,785	239,112	606,359	22,288	-	963,863	1,414,273	2,378,136
Other	85,290,400	2,980,191	166,799	12,677	10,386,394	14,330,634	22,748,501	-	57,408	9,375,267	49,862,531	145,348,261
Total	86,128,537	3,067,537	1,660,743	13,295,959	94,973,265	59,439,102	56,677,261	1,358,160	57,408	13,350,572	131,593,356	330,008,544

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Risk Classifications ⁽¹⁾										Total		
	Conditional and unconditional exposures to central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and commercial undertakings	Conditional and unconditional exposures to banks and non-brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables in regulatory high-risk categories	Other		TRY	FC
Agriculture	11	14	100	-	226.322	492.775	87.239	22.861	-	-	649.526	179.796	829.322
Farming and Stockbreeding	11	14	70	-	158.192	462.215	79.513	21.648	-	-	609.751	111.912	721.663
Forestry	-	-	5	-	3	4.896	131	8	-	-	5.043	-	5.043
Fishery	-	-	25	-	68.127	25.664	7.595	1.205	-	-	34.732	67.884	102.616
Manufacturing	48	55	361.455	-	33.722.108	8.252.361	12.851.077	706.423	-	-	25.034.071	30.859.456	55.893.527
Mining and Quarrying	-	-	139.590	-	904.043	131.809	167.579	17.364	-	-	401.881	958.504	1.360.385
Production	48	28	107.988	-	25.293.195	8.085.433	11.787.102	689.059	-	-	22.812.293	23.150.560	45.982.853
Electricity, Gas and Water	-	27	113.877	-	7.524.870	35.119	896.396	-	-	-	1.819.897	6.750.392	8.570.289
Construction	13	16	128	-	8.964.203	1.582.337	1.441.797	89.103	-	-	6.392.270	5.685.327	12.077.597
Services	70.029	18.029	288.616	4.859.848	26.020.112	22.420.308	13.033.551	361.915	-	3.162.297	45.855.669	24.379.636	70.235.305
Wholesale and Retail Trade	17	694	102.093	-	9.108.908	14.214.515	6.376.754	192.411	-	-	25.046.631	49.48.761	29.995.392
Accommodation and Dining	-	47	13	-	3.813.020	664.916	3.654.415	49.179	-	-	1.580.599	6.600.991	8.181.590
Transportation and Telecom.	-	17.250	172.320	-	6.866.000	6.280.731	621.188	17.046	-	-	6.973.900	7.000.635	13.974.535
Financial Institutions	-	-	1.189	4.859.848	3.109.024	41.112	582.349	-	-	3.162.297	9.520.833	2.234.986	11.755.819
Real Estate and Rental Services	5	-	-	-	1.926.101	307.168	889.365	73.446	-	-	858.436	2.337.649	3.196.085
Professional Services	4	6	17	-	13	701.233	133.298	1.763	-	-	836.149	185	836.334
Educational Services	25.513	-	238	-	661.703	81.572	244.921	2.372	-	-	437.721	578.598	1.016.319
Health and Social Services	44.490	32	12.746	-	535.343	129.661	531.261	25.698	-	-	601.400	677.831	1.279.231
Other	67.862.980	1.895.017	89.965	23.163	11.815.236	20.147.075	17.397.767	-	50.578	8.002.644	82.071.524	45.212.901	127.284.425
Total	67.933.081	1.913.131	740.264	4.885.011	80.747.981	52.895.456	44.811.431	1.180.302	50.578	11.164.941	160.003.060	106.317.116	266.320.176

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	1.091.102	497.875	1.200.790	2.978.033	80.360.737
2. Conditional and unconditional exposures to regional governments or local authorities	49.076	17.414	74.007	165.432	2.761.608
3 Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	724.790	5.371	7.920	109.237	813.425
4. Conditional and unconditional exposures to banks and brokerage houses	13.170.404	40.541	23.680	55.776	5.558
Conditional and unconditional exposures to corporates	11.517.149	6.240.853	10.240.925	17.142.783	69.101.544
6 Conditional and unconditional retail exposures	4.852.353	2.037.050	3.767.932	10.710.005	75.536.442
7. Past due items	1.358.160	-	-	-	-
8. Other Items	-	-	-	-	13.350.572
Total	32.763.034	8.839.104	15.315.254	31.161.266	241.929.886

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

^(**) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

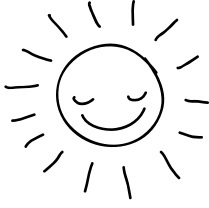
Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month
1. Conditional and unconditional exposures to central governments or central banks	144.199	25.973	362.850	793.113	66.606.946
2. Conditional and unconditional exposures to regional governments or local authorities	31.431	351	9.775	45.171	1.826.403
3 Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	380.050	164.820	8.018	181.319	6.057
4. Conditional and unconditional exposures to banks and brokerage houses	4.770.949	19.102	52.609	32.051	8.300
5. Conditional and unconditional exposures to corporates	11.917.965	4.935.918	8.529.750	14.079.641	57.424.087
6 Conditional and unconditional retail exposures	4.711.808	2.296.235	4.616.873	11.210.485	58.782.684
7. Past due items	1.180.302	-	-	-	-
8. Other Items	-	-	-	-	11.164.941
Total	23.136.704	7.442.399	13.579.875	26.341.780	195.819.418

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

^(**) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

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

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

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

In the 26th Article of the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies, IIRA grades are used in the below table of maturity in determining the credit quality level of the country grades, central government and central banks receivables. In the case of other risk classes included in the table, Fitch Ratings notes are taken into account if the rated party is a foreign resident, the supervisor of the relevant country has equivalent regulation and supervision structure, authorized in the country notes.

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

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

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Credit Quality Grade and Rating Matching Table								
Credit Quality Grade	IIIRA		Fitch					
	Rating	Exposures to Central Governments or Central Banks	Exposures to administrative bodies and other non-commercial undertakings			Exposures to Banks and Brokerage Houses		
			Rating	Institutions and Organizations listed in the sections (I), (II), (III) and (IV) of Annex 5018 Public Financial Management and Control Law	Other Public Institutions and organizations	Exposures with Original Maturities Less Than 90 Days	Exposures with Original Maturities More Than 90 Days	Exposures to Corporates
1	AAA	0%	AAA	0%	20%	20%	20%	20%
	AA+		AA+					
	AA		AA					
	AA-		AA-					
2	A+	20%	A+	20%	50%	20%	50%	50%
	A		A					
	A-		A-					
3	BBB+	50%	BBB+	50%	100%	20%	50%	100%
	BBB		BBB					
	BBB-		BBB-					
4	BB+	100%	BB+	100%	100%	50%	100%	100%
	BB		BB					
	BB-		BB-					
5	B+	100%	B+	100%	100%	50%	100%	150%
	B		B					
	B-		B-					
6	CCC+	150%	CCC+	150%	150%	150%	150%	150%
	CCC		CCC					
	CC		CC					
	C		C					
	D		D					

Receivables from consolidated private sector:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
TURKEY	166.052.909	52.943	166.105.852
VIRGIN ISLAND(US)	950.316	-	950.316
CYPRUS	398.271	186	398.457
IRAN	228.463	-	228.463
SWEDEN	94.723	-	94.723
MACEDONIA	66.413	-	66.413
OTHERS ^(*)	16.743	31.834	48.577

* Risk-Weighted Assets TRY 5 Million (Full TRY) are grouped under OTHER headings.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Exposures by risk weights:

Current Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
1. Exposures before Credit Risk Mitigation	59.160.032	-	6.658.515	-	22.403.963	106.189.360	135.212.794	57.408	-	326.472	183.528
2. Exposures after Credit Risk Mitigation	78.862.370	19	7.780.790	34.321.095	47.898.809	57.378.496	103.383.085	57.408	-	326.472	183.528

Prior Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
1. Exposures before Credit Risk Mitigation	37.961.056	-	3.747.018	-	37.382.701	82.321.685	104.594.800	50.578	-	262.338	331.629
2. Exposures after Credit Risk Mitigation	42.337.365	832.839	4.097.104	25.585.260	56.314.661	51.380.287	85.459.744	50.578	-	262.338	331.629

Information by major sectors and type of counterparties:

Current Period

Major Sectors /Counterparties	Credits			
	Impaired Credits ⁽¹⁾	Past Due Credits ⁽²⁾	Value Adjustments	Provisions
Agriculture	92.544	11.286	226	75.414
<i>Farming and Stockbreeding</i>	83.166	10.576	212	67.562
<i>Forestry</i>	8.904	-	-	7.387
<i>Fishery</i>	474	710	14	465
Manufacturing	2.667.533	767.383	15.348	1.964.567
<i>Mining and Quarrying</i>	130.187	11.944	239	115.307
<i>Production</i>	2.536.388	376.176	7.524	1.848.302
<i>Electricity, Gas and Water</i>	958	379.263	7.585	958
Construction	1.132.829	101.161	2.023	986.511
Services	2.166.082	1.147.079	22.942	1.720.493
<i>Wholesale and Retail Trade</i>	1.305.353	700.327	14.007	933.779
<i>Accommodation and Dining</i>	144.007	69.559	1.391	118.590
<i>Transportation and Telecommunication</i>	91.226	169.100	3.382	58.400
<i>Financial Institutions</i>	11.834	941	19	10.740
<i>Real Estate and Rental Services</i>	537.563	163.078	3.262	532.337
<i>Professional Services</i>	-	26.058	521	-
<i>Educational Services</i>	6.885	6.614	132	3.752
<i>Health and Social Services</i>	69.214	11.402	228	62.895
Other	47.609	301.044	6.021	32.287
Total	6.106.597	2.327.953	46.560	4.779.272

⁽¹⁾ Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

⁽²⁾ Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Prior Period	Credits			
	Impaired Credits (1)	Past Due Credits (2)	Value Adjustments	Provisions
Major Sectors /Counterparties				
Agriculture	95.323	14.055	273	72.418
<i>Farming and Stockbreeding</i>	86.543	11.087	214	64.851
<i>Forestry</i>	472	-	-	464
<i>Fishery</i>	8.308	2.968	59	7.103
Manufacturing	2.393.501	569.819	11.347	1.615.485
<i>Mining and Quarrying</i>	133.994	12.674	253	116.630
<i>Production</i>	2.256.485	556.663	11.084	1.497.335
<i>Electricity, Gas and Water</i>	3.022	482	10	1.520
Construction	456.166	118.552	2.355	360.921
Services	1.417.051	911.304	17.956	1.051.164
<i>Wholesale and Retail Trade</i>	982.054	537.187	10.581	790.762
<i>Accommodation and Dining</i>	148.152	84.693	1.599	98.223
<i>Transportation and Telecommunication</i>	64.355	130.222	2.593	42.969
<i>Financial Institutions</i>	11.043	959	19	11.043
<i>Real Estate and Rental Services</i>	123.450	121.216	2.424	50.005
<i>Professional Services</i>	9.808	19.805	396	8.045
<i>Educational Services</i>	5.985	12.617	252	3.611
<i>Health and Social Services</i>	72.204	4.605	92	46.506
Other	958.471	213.800	6.242	955.400
Total	5.320.512	1.827.530	38.173	4.055.388

⁽¹⁾ Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

⁽²⁾ Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

Movements in value adjustments and provisions:

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Specific Provisions	3.964.045	1.120.888	305.661	-	4.779.272
2. General Provisions	2.027.964	260.737	-	-	2.288.701
Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1. Specific Provisions	3.027.885	1.133.276	196.084	(1.032)	3.964.045
2. General Provisions	1.123.838	904.401	275	-	2.027.964

The table below shows the maximum risk exposure to credit risk for the components of the financial statements.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Gross Maximum Exposure	Current Period	Prior Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	36.373.039	29.999.160
Due from banks	6.093.940	1.661.030
Money Market Receivables	1.258.647	-
Financial Assets at Fair Value through profit or loss ⁽¹⁾	447.477	430.098
Financial Assets Available for Sale	16.965.743	14.889.333
Held to maturity Investments	21.727.169	18.156.182
Loans	203.464.477	158.354.333
Total	286.330.492	223.490.136
Contingent Liabilities	58.534.648	47.760.828
Commitments	23.995.694	23.516.681
Total	82.530.342	71.277.509
Total Credit Risk Exposure	368.860.834	294.767.645

⁽¹⁾ As of 31 December 2017, TRY 10.000.429 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Overdue and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets available for sale and held to maturity investments.

The net value and type of collaterals of the loans amounting TRY 5.029.505 followed under loans and other receivables under close monitoring section is below (31 December 2016: TRY 4.533.721)

Collateral Types ^{(1),(2)}	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Real estate mortgage	3.067.736	3.257.898
Salary pledge, vehicle pledge and pledge of commercial undertaking	120.324	89.968
Financial collaterals (cash, securities pledge, etc.)	-	8
Cheque / bills	11.068	38.123
Surities	808.030	881.283
Other	1.022.347	266.441
Total	5.029.505	4.533.721

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

⁽²⁾ Income accruals amounting to TRY 37.208 (31 December 2016: TRY 61.896) are not included in the table.

The net value and type of collaterals belongs to loans amounted TRY 6.106.597 followed under non-performing loans section is below (31 December 2016: TRY 5.140.082):

Collateral Types	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Cash	271	298
Mortgage	1.582.949	1.235.609
Pledge	222.408	211.957
Cheque / bills	1.954	5.519
Surities	1.662.084	1.500.317
Other ⁽¹⁾	2.636.931	2.186.382
Total	6.106.597	5.140.082

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

III. EXPLANATIONS ON CURRENCY RISK

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

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the foreign currency position risk of the Bank is measured by "standard method" and is calculated daily and is reported monthly. Also Value at Risk (VAR) based values and limits are reported to the Executives on a daily basis by using internal model methods. The currency risk has been closely followed. The Bank makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Bank as at financial statement date and the previous 5 working days in full TRY are as follows:

	22.12.2017	25.12.2017	26.12.2017	27.12.2017	28.12.2017	29.12.2017
USD	3,7900000	3,7800000	3,7900000	3,7900000	3,7500000	3,7900000
CHF	3,8198000	3,8182000	3,8249000	3,8283000	3,8239000	3,8766000
GBP	5,0623000	5,0472000	5,0568000	5,0767000	5,0345000	5,1168000
JPY	0,0333802	0,0333230	0,0334126	0,0334082	0,0331918	0,0336338
EUR	4,4904000	4,4891000	4,4991000	4,5114000	4,4801000	4,5465000

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

	Monthly average
USD	3,8142857
CHF	3,8547333
GBP	5,1035238
JPY	0,0337186
EUR	4,5142952



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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	3.750.640	14.990.125	4.714.962	23.455.727
Banks	1.236.532	4.086.353	190.537	5.513.422
Financial assets at fair value through profit and loss ⁽³⁾	39.478	315.253	7.286	362.017
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	418.993	5.196.182	-	5.615.175
Loans ⁽²⁾	34.598.950	30.661.810	597.783	65.858.543
Subsidiaries, associates and entities under common control ⁽⁵⁾	313.709	-	536.971	850.680
Held-to-maturity investments	-	2.512.936	-	2.512.936
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	92	92
Intangible assets	-	-	-	-
Other assets ⁽³⁾	30.792	198.582	64	229.438
Total assets	40.389.094	57.961.241	6.047.695	104.398.030
Liabilities				
Bank deposits	5.926.654	4.900.740	1.065.704	11.893.098
Foreign currency deposits	28.075.516	31.653.792	2.406.823	62.136.131
Money market balances	-	5.387.762	-	5.387.762
Funds provided from other financial institutions	6.701.963	9.839.693	11.436	16.553.092
Bonds issued	-	8.640.905	-	8.640.905
Sundry creditors	55.135	58.540	148	113.823
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	310.680	263.411	56.455	630.546
Total liabilities	41.069.948	60.744.843	3.540.566	105.355.357
Net balance sheet position	(680.854)	(2.783.602)	2.507.129	(957.327)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	249.023	2.546.085	(2.001.930)	793.178
Financial derivative assets ⁽⁴⁾	1.071.425	5.978.381	1.242.307	8.292.113
Financial derivative liabilities ⁽⁴⁾	822.402	3.432.296	3.244.237	7.498.935
Non-cash loans ⁽¹⁾	12.468.340	16.381.903	1.462.430	30.312.673
Prior period				
Total assets	33.044.264	54.756.874	4.795.083	92.596.221
Total liabilities	33.250.733	56.697.058	3.364.550	93.312.341
Net balance sheet position	(206.469)	(1.940.184)	1.430.533	(716.120)
Net off-balance sheet position				
Financial derivative assets	(135.412)	1.925.895	(1.140.873)	649.610
Financial derivative assets	1.387.874	4.185.717	1.571.078	7.144.669
Financial derivative liabilities	(1.523.286)	(2.259.822)	(2.711.951)	(6.495.059)
Non-cash loans ⁽¹⁾	8.757.283	16.447.030	1.482.895	26.687.208

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

⁽²⁾ Includes TRY 2.070.996 of foreign currency indexed loans and their accruals.

⁽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", prepaid expenses (TRY 183) in assets; and shareholders' equity (TRY 59.345) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 24.982. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.705.436. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

⁽⁵⁾ Other foreign currency subsidiaries Halkbank A.D. Beograd (TRY 156.822) and Halk Banka A.D., Skopje (TRY 380.149), and EUR foreign currency associate Demir-Halk Bank NV (TRY 313.709) are included.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

IV. EXPLANATIONS ON INTEREST RATE RISK

Interest rate sensitivity of assets, liabilities and off-balance sheet items are measured by the Bank. The Bank's interest rate risk is calculated using the general and specific interest rate risk tables in the standard method including the assets and liabilities and is considered as a part of the general market risk in the calculation of the Capital Adequacy Standard Ratio.

The priority of the Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context is calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budgeting process of the Bank. The effects of the fluctuations in the market interest rates on the financial position and on the cash flows are minimized by revising budget targets. The Bank's funding costs of TRY and foreign exchange deposits, repurchase agreements are determined by the Treasury Vice Presidency as per the authority extended by the Board of Directors.

The Bank does not allow or limits interest rate mismatch and therefore, significant interest rate risk exposures is not expected.

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-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	26.154.546	-	-	-	-	10.218.493	36.373.039
Banks and financial institutions	5.050.173	-	4.000	-	-	1.039.767	6.093.940
Financial assets at fair value through profit and loss	70.107	1.503	13.667	253	27	10.362.349	10.447.906
Money market placements	1.255.978	-	-	-	-	2.669	1.258.647
Financial assets available-for-sale	220.218	3.279.889	1.744.195	4.311.486	7.409.955	123.806	17.089.549
Loans	91.735.652	22.798.262	46.177.314	30.756.615	7.754.680	2.914.629	202.137.152
Held-to-maturity investments	255.657	8.649.762	1.495.694	4.442.939	6.883.117	-	21.727.169
Other assets ⁽⁴⁾	4.376	3.314	10.234	34.334	4.657	10.166.331	10.223.246
Total assets	124.746.707	34.732.730	49.445.104	39.545.627	22.052.436	34.828.044	305.350.648
Liabilities							
Bank deposits	13.009.651	2.077.415	198.569	-	-	3.865.737	19.151.372
Other deposits	98.453.291	36.086.448	13.653.224	282.997	2.565	25.597.172	174.075.697
Money market balances	33.517.186	1.046.179	-	-	-	44.619	34.607.984
Sundry creditors	1.668.238	-	-	-	-	1.889.108	3.557.346
Bonds issued	674.164	1.940.081	99.514	8.510.538	-	130.367	11.354.664
Funds provided from other financial institutions ⁽³⁾	735.425	5.585.548	7.336.160	2.147.154	1.087.198	126.633	17.018.118
Other liabilities ^{(1),(2)}	1.325.846	2.398.788	10.000.429	-	-	31.860.404	45.585.467
Total liabilities	149.383.801	49.134.459	31.287.896	10.940.689	1.089.763	63.514.040	305.350.648
Balance sheet long position	-	-	18.157.208	28.604.938	20.962.673	-	67.724.819
Balance sheet short position	(24.637.094)	(14.401.729)	-	-	-	(28.685.996)	(67.724.819)
Off-balance sheet long position	379.000	568.500	2.919.781	819.361	1.902.329	8.888.422	15.477.393
Off-balance sheet short position	-	(568.500)	(2.532.191)	(1.424.801)	(1.902.329)	(8.935.077)	(15.362.898)
Total position	(24.258.094)	(14.401.729)	18.544.798	27.999.498	20.962.673	(28.732.651)	114.495

⁽¹⁾ TRY 570.408 of deferred tax liability is disclosed under the non-bearing interest column in other assets.

⁽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⁾ TRY 1.327.325 of net non-performing loans is disclosed under the non-bearing interest column in other assets.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	20.210.851	-	-	-	-	9.788.309	29.999.160
Banks and financial institutions	783.753	-	16.343	-	-	860.934	1.661.030
Financial assets at fair value through profit and loss	59.998	1.450	8.522	210	107	359.811	430.098
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	667.993	2.980.838	2.444.922	3.296.251	5.499.329	100.594	14.989.927
Loans	58.545.736	20.841.578	41.619.172	28.620.319	6.078.569	1.472.922	157.178.296
Held-to-maturity investments	377.666	7.562.529	1.871.686	2.505.389	5.838.912	-	18.156.182
Other assets ⁽⁴⁾	5.146.230	4.279	13.298	44.913	11.469	3.805.936	9.026.125
Total assets	85.792.227	31.390.674	45.973.943	34.467.082	17.428.386	16.388.506	231.440.818
Liabilities							
Bank deposits	12.210.406	2.377.790	380.301	-	-	7.862.967	22.831.464
Other deposits	72.619.489	24.588.520	8.930.408	281.954	2.822	21.008.182	127.431.375
Money market balances	16.652.570	303.429	891.064	-	-	-	17.847.063
Sundry creditors	1.201.703	81.016	345.373	839.184	29	233.371	2.700.676
Bonds issued	198.378	813.673	3.546.319	7.875.372	-	-	12.433.742
Funds provided from other financial institutions ⁽³⁾	3.288.720	4.838.730	8.097.168	1.777.589	965.360	537	18.968.104
Other liabilities ⁽¹⁾⁽²⁾	212.335	2.031.637	35.160	-	-	26.949.262	29.228.394
Total liabilities	106.383.601	35.034.795	22.225.793	10.774.099	968.211	56.054.319	231.440.818
Balance sheet long position	-	-	23.748.150	23.692.983	16.460.175	-	63.901.308
Balance sheet short position	(20.231.563)	(3.644.121)	-	-	-	(40.025.624)	(63.901.308)
Off-balance sheet long position	351.000	287.040	2.324.592	712.029	1.724.104	-	5.398.765
Off-balance sheet short position	-	(111.540)	(2.324.592)	(1.141.329)	(1.724.104)	-	(5.301.565)
Total position	(19.880.563)	(3.468.621)	23.748.150	23.263.683	16.460.175	(40.025.624)	97.200

⁽¹⁾ TRY 286.672 of deferred tax liability is disclosed under the non-bearing interest column in other assets.

⁽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⁾ TRY 1.176.037 of net non-performing loans is disclosed under the non-bearing interest column in other assets.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

2. Average interest rates applied to financial instruments:

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	1,25	-	4,00
Due from other banks and financial institutions ⁽¹⁾	0,08	1,41	-	13,25
Financial assets at fair value through profit and loss	1,10	1,86	-	9,17
Money market placements	-	-	-	12,75
Available-for-sale financial assets	4,65	5,46	-	15,15
Loans ⁽²⁾	4,79	6,42	0,84	13,12
Held-to-maturity investments	-	5,89	-	18,35
Liabilities				
Bank deposits	1,68	4,24	0,10	10,67
Other deposits ⁽⁴⁾	1,71	3,50	0,25	12,02
Money market borrowings	-	2,43	-	12,74
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	12,95
Funds provided from other financial institutions	0,83	2,97	0,84	6,95
Prior Period				
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT	-	0,49	-	3,30
Due from other banks and financial institutions	0,03	1,34	-	9,63
Financial assets at fair value through profit and loss	-	-	-	9,56
Money market placements	-	-	-	-
Available-for-sale financial assets	5,08	5,46	-	11,61
Loans	4,40	5,59	-	12,80
Held-to-maturity investments	-	5,89	-	14,03
Liabilities				
Bank deposits	0,44	3,17	-	7,82
Other deposits	1,37	3,09	0,25	9,46
Money market borrowings	-	1,84	-	7,52
Sundry creditors	-	-	-	4,75
Bonds issued	-	4,61	-	9,35
Funds provided from other financial institutions	0,66	2,37	-	7,55

⁽¹⁾ Interest rates are calculated using weighted average method for money placement amounts as of balance sheet date.⁽²⁾ Interest rates for loans given as of balance sheet date are calculated using weighted average method for client's base.⁽³⁾ Declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2017.⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 31 December 2017.⁽⁵⁾ As of balance sheet date, required reserve ratio of the CBRT.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Standard interest rate shock methods are being used in respect of measuring the risk arising from re-pricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

The interest rate risk of the banking book items is calculated by taking into account the worst ratio for the Bank among the calculated ratios by dividing the total of the differences in terms of maturities and currencies with the shareholders' equity. The mentioned difference is the difference between the net position amounts which are derived from the cash flows of the on-balance and off-balance sheet positions included in the interest sensitive banking book items discounted by the ratios derived from the application of positive and negative shocks, and the net position amounts which are discounted by the ratios without applying the shocks. The maximum limit regarding the economic value change is 20% of shareholders' equity.

While maturity distribution of the related cash flows, remaining maturities are taken into account for fixed rate instruments and re-pricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

In defining the maturity of demand deposits, average durations which are calculated by statistical analysis are being used.

Current Period

Currency	Applied Shock (+/- x basis point)	Gains/Losses	Gains/Shareholders' Equity –Losses/ Shareholders' Equities
1 TRY	500	(4.233.277)	(14,86%)
	(400)	4.242.774	14,89%
2 EUR	200	508.529	1,78%
	(200)	(410.052)	(1,44%)
3 USD	200	(652.368)	(2,29%)
	(200)	1.060.994	3,72%
Total (For negative shocks)		4.893.716	17,17%
Total (For positive shocks)		(4.377.116)	(15,37%)

Prior Period

Currency	Applied Shock (+/- x basis point)	Gains/Losses	Gains/Shareholders' Equity –Losses/ Shareholders' Equities
1 TRY	500	(3.295.737)	(14,32%)
	(400)	3.353.847	14,57%
2 EUR	200	510.345	2,22%
	(200)	(553.459)	(2,40%)
3 USD	200	(86.661)	(0,38%)
	(200)	301.068	1,31%
Total (For negative shocks)		3.101.456	13,48%
Total (For positive shocks)		(2.872.053)	(12,48%)

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

V. EXPLANATIONS ON POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Carrying Value	Comparison		Capital Requirements
		Fair Value Change	Market Value	
Investment in Shares-Grade A	566.572	566.572	566.572	45.326
Quoted Securities ⁽¹⁾	566.572	566.572	566.572	45.326
Investment in Shares-Grade B	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares-Grade C	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares- Grade D ⁽²⁾	426.657	426.657	-	34.133
Other	2.982.075	2.966.271	-	273.873

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

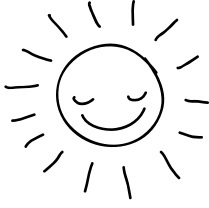
⁽²⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

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

Portfolio	Revaluated appreciation in the fair value			Unrealized gains and losses		
	Realized gains (losses) in the current period	Total	Included To Supplementary Capital	Total	Included To total Core Capital	Included to Supplementary Capital
1. Private equity investments	-	-	-	-	-	-
2. Share certificates quoted on a stock exchange ^{(1) (2)}	-	263.266	263.266	-	-	-
3. Other share certificates	-	1.397.393	1.397.393	-	-	-
Total	-	1.660.659	1.660.659	-	-	-

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT 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.

To detect liquidity risk, Bank Liquidity Emergency Action Plan (LEAP) has been formed. Cash flow analysis methods include commission totals and tax totals, besides initial capital interest totals. The sections that are in the balance sheet are monitored by Risk Management Department Head and include the days until maturity which are canalized to the maturity bands that are predetermined; the liquidity availability are then detected and liquidity analysis performed. Thus, quantification of liquidity risk is established.

The Bank's purpose is to have the level of liquidity to meet its obligations and commitments, which are due under the Bank liquidity planning program and aim to reach a reasonable cost with necessary liquidity. The liquidity gap analysis on the maturity remained day basis and projected ratios stated in "Liquidity Emergency Action Plan (LEAP)" are followed within the scope of liquidity risk measurement under this purpose. The Bank's liquidity risk are digitized by daily follow-ups with first and second degree warnings for determined ratios relating to balance-sheet, liquidity deficit in all maturity gap and the Bank's position against such ratios.

The upper limits of the Bank consist of the following: max lending amount of TRY and FC category on all maturity in interbank OTC markets, the upper limit of repurchase and reverse repurchase transactions in TRY and FC category on all maturity in the interbank OTC markets, the maximum foreign exchange position limits that can be carried, and finally; the upper limit relating to forward and swap transactions is determined on the that the whole term of TRY and foreign currency denominated, forward and the upper limit relating to swap transactions is determined.

The extension of the maturity structure of term deposits reflects the primary funding source for the Bank; the development of new products that encourage saving 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 Bank, alternative fund resources in parallel with the close monitoring of price/cost movements in international capital markets and compliance with the conditions are evaluated.

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

Effects of macro size balance sheet changes or important changes of market data on bank liquidity; based on legal liquidity ratio and according to liquidity emergency action plan, analysis is made on the effects of the ratios that are being followed. Whether originated from the Bank or the market, under the condition that the potential stress tests are applied, the legal and internal changes on liquidity ratio and their effects of bank liquidity is quantified.

Moreover, to analyze the withdrawal rates of time deposits, the core deposit analysis is performed relating to deposit items based on each currency type.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

According to the "Regulations on the Banks' Liquidity Coverage Ratio Calculation" published by the BRSA, foreign currency and total liquidity coverage ratios calculated are monitored to ensure that banks keep high levels of liquid assets to cover net cash outflows.

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

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

Liquidity Minimum-Maximum Liquidity Coverage Ratio	FC		TRY+FC	
	Related Week	(%)	Related Week	(%)
Maximum	02.10.2017 08.10.2017	239,56	23.10.2017 29.10.2017	120,79
Minimum	18.12.2017 24.12.2017	124,08	27.11.2017 03.12.2017	87,14

Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			42.608.988	26.685.146
Cash Outflows				
Retail and Small Business Customers, of which;	91.173.619	34.600.675	7.950.079	3.460.068
Stable Deposits	23.345.656	-	1.167.283	-
Less Stable Deposits	67.827.963	34.600.675	6.782.796	3.460.068
Unsecured wholesale funding, of which;	77.605.222	36.568.784	42.389.795	21.631.394
Operational Deposits	1.213.026	18.620	303.257	4.655
Non-operational Deposits	70.411.775	33.102.269	37.023.049	18.907.154
Other Unsecured Funding	5.980.421	3.447.895	5.063.489	2.719.585
Secured Funding			-	-
Other cash outflows, of which;	5.377.746	3.152.691	2.468.276	1.635.734
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	45.403	392.995	45.403	392.995
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off- balance sheet obligations	5.332.343	2.759.696	2.422.873	1.242.739
Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	76.855.216	28.709.981	5.963.044	2.296.340
Total Cash Outflows			58.771.194	29.023.536
Cash Inflows				
Secured Receivables	-	-	-	-
Unsecured Receivables	27.242.440	14.370.514	20.306.320	13.051.159
Other Cash Inflows	-	-	-	-
Total Cash Inflows	27.242.440	14.370.514	20.306.320	13.051.159
			Total Adjusted Value	
Total HQLA Stock			42.608.988	26.685.146
Total Net Cash Outflows			38.464.874	15.972.377
Liquidity Coverage Ratio (%)			111,13%	171,91%

⁽¹⁾ Calculated by simple arithmetic average, monthly average calculated for the last three months of the liquidity coverage ratio, also calculated weekly simple average of the last three months of the liquidity coverage ratio by taking the arithmetic mean.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			41.286.093	19.507.763
Cash Outflows				
Retail and Small Business Customers, of which;	70.029.880	26.128.895	5.867.361	2.612.889
Stable Deposits	22.712.529	-	1.135.626	-
Less Stable Deposits	47.317.351	26.128.895	4.731.735	2.612.889
Unsecured wholesale funding , of which;	85.855.129	32.355.737	49.088.217	21.263.600
Operational Deposits	167.119	-	41.779	-
Non-operational Deposits	78.878.637	31.061.117	45.302.644	20.063.830
Other Unsecured Funding	6.809.373	1.294.620	3.743.794	1.199.770
Secured Funding			-	-
Other cash outflows, of which;	4.449.607	3.317.011	2.055.719	2.044.791
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	73.331	1.007.035	73.331	1.007.035
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off- balance sheet obligations	4.376.276	2.309.976	1.982.388	1.037.756
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	64.048.521	24.649.794	4.748.321	1.938.944
Total Cash Outflows			61.759.618	27.860.224
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	17.973.709	9.549.697	11.966.727	7.922.449
Other Cash Inflows	-	-	-	-
Total Cash Inflows	17.973.709	9.549.697	11.966.727	7.922.449
			Total Adjusted Value	
Total HQLA Stock			41.286.093	19.507.763
Total Net Cash Outflows			49.792.891	19.937.775
Liquidity Coverage Ratio (%)			82,92%	98,92%

⁽¹⁾ Calculated by simple arithmetic average, monthly average calculated for the last three months of the liquidity coverage ratio, also calculated weekly simple average of the last three months of the liquidity coverage ratio by taking the arithmetic mean.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

1. Presentation of assets and liabilities according to their remaining maturities:

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	2.119.865	34.253.174	-	-	-	-	-	36.373.039
Banks	1.240.393	4.849.449	-	4.098	-	-	-	6.093.940
Financial assets at fair value through profit and loss	-	200.773	104.565	10.142.288	253	27	-	10.447.906
Money market placements	-	1.258.647	-	-	-	-	-	1.258.647
Financial assets available-for-sale	-	220.218	89.624	1.744.195	5.199.004	9.712.702	123.806	17.089.549
Loans	458.375	12.118.327	13.550.347	59.932.943	89.741.276	26.335.884	-	202.137.152
Held-to-maturity investments	-	255.657	120.002	1.495.694	9.289.178	10.566.638	-	21.727.169
Other assets ⁽²⁾	1.330.425	2.482	3.314	10.234	34.334	4.657	8.837.800	10.223.246
Total assets	5.149.058	53.158.727	13.867.852	73.329.452	104.264.045	46.619.908	8.961.606	305.350.648
Liabilities								
Bank deposits	3.818.918	13.050.199	2.082.263	199.992	-	-	-	19.151.372
Other deposits	24.538.389	99.069.639	36.331.644	13.848.984	284.476	2.565	-	174.075.697
Funds provided from other financial institutions (3)	53	747.763	2.578.025	7.048.484	4.119.899	2.523.894	-	17.018.118
Money market balances	-	33.558.357	1.049.627	-	-	-	-	34.607.984
Bonds issued	-	718.344	2.019.584	106.198	8.510.538	-	-	11.354.664
Sundry creditors	767	1.569.417	5.055	57.337	1.601.475	1.702	321.593	3.557.346
Other liabilities ⁽¹⁾	39.235	1.755.260	51.808	14.256.504	274.391	3.246.745	25.961.524	45.585.467
Total liabilities	28.397.362	150.468.979	44.118.006	35.517.499	14.790.779	5.774.906	26.283.117	305.350.648
Liquidity gap	(23.248.304)	(97.310.252)	(30.250.154)	37.811.953	89.473.266	40.845.002	(17.321.511)	-
Net off balance sheet position	-	(29.806)	(20.208)	11.949	152.560	-	-	114.495
Derivative financial assets	-	5.298.182	1.371.077	2.606.753	2.396.724	3.804.657	-	15.477.393
Derivative financial liabilities	-	(5.327.988)	(1.391.285)	(2.594.804)	(2.244.164)	(3.804.657)	-	(15.362.898)
Non-cash loans	19.842.448	2.091.386	4.521.027	18.586.996	12.401.691	1.091.100	-	58.534.648
Prior Period								
Total Assets	8.210.383	38.588.639	12.121.312	51.233.289	76.542.170	36.874.451	7.870.574	231.440.818
Total Liabilities	29.446.001	105.522.009	30.196.626	24.761.668	13.247.949	3.898.076	24.368.489	231.440.818
Liquidity Gap	(21.235.618)	(66.933.370)	(18.075.314)	26.471.621	63.294.221	32.976.375	(16.497.915)	-
Net off balance sheet position	-	(5.187)	(24.071)	991	98.699	-	-	70.432
Derivative financial assets	-	3.004.975	2.850.328	1.016.106	2.183.006	3.448.208	-	12.502.623
Derivative financial liabilities	-	(3.010.162)	(2.874.399)	(1.015.115)	(2.084.307)	(3.448.208)	-	(12.432.191)
Non-cash loans	17.683.351	2.026.427	4.604.681	13.248.606	8.367.717	1.830.046	-	47.760.828

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

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

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	138.702.472	40.785.201	14.501.959	393.024	2.583	(1.158.170)	193.227.069
Funds provided from other financial intuitions	766.065	2.601.592	7.225.376	4.385.424	2.734.008	(694.347)	17.018.118
Money market borrowings	33.572.546	1.054.913	-	-	-	(19.475)	34.607.984
Securities issued	725.875	2.079.645	342.467	9.247.008	-	(1.040.331)	11.354.664
Funds	92.303	13.766	127.641	274.391	2.246.745	(30.212)	2.724.634
Total	173.859.261	46.535.117	22.197.443	14.299.847	4.983.336	(2.942.535)	258.932.469
Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	113.838.641	27.148.101	9.487.222	324.834	3.514	(539.473)	150.262.839
Funds provided from other financial intuitions	904.600	2.085.531	10.242.069	4.054.005	2.233.040	(551.141)	18.968.104
Money market borrowings	16.660.819	304.073	911.132	-	-	(28.961)	17.847.063
Securities issued	208.042	844.189	3.854.492	8.920.337	-	(1.393.318)	12.433.742
Funds	193.660	13.548	103.576	334.913	1.719.621	(25.510)	2.339.808
Total	131.805.762	30.395.442	24.598.491	13.634.089	3.956.175	(2.538.403)	201.851.556

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

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

Current Period: ⁽¹⁾	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	3.341.667	1.451.710	1.521.700	-	-	6.315.077
Forward Contracts – Sell	1.501.366	663.002	1.518.340	-	-	3.682.708
Swaps – Buy	2.063.721	-	387.590	758.000	-	3.209.311
Swaps – Sell	2.061.605	-	379.000	605.440	-	3.046.045
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	24.982	-	-	-	-	24.982
Forward Precious Metal - Sell	1.896.450	808.986	-	-	-	2.705.436
Money Buy Options	239.927	2.822	697.462	-	-	940.211
Money Sell Options	239.926	2.822	697.462	-	-	940.210
Swaps Interest – Buy	-	-	-	1.638.724	3.804.657	5.443.381
Swaps Interest – Sell	-	-	-	1.638.724	3.804.657	5.443.381
Total	11.369.644	2.929.342	5.201.554	4.640.888	7.609.314	31.750.742

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 910.451.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period: ⁽¹⁾	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	1.118.665	2.504.618	875.467	232.448	-	4.731.198
Forward Contracts – Sell	1.118.014	467.553	874.715	230.950	-	2.691.232
Swaps – Buy	1.775.843	264.926	140.639	526.500	-	2.707.908
Swaps – Sell	1.781.941	263.813	140.400	429.300	-	2.615.454
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	-	59.714	-	-	-	59.714
Forward Precious Metal - Sell	-	2.121.975	-	-	-	2.121.975
Money Buy Options	307.574	32.550	-	-	-	340.124
Money Sell Options	307.584	32.545	-	-	-	340.129
Swaps Interest – Buy	-	-	-	-	4.872.265	4.872.265
Swaps Interest – Sell	-	-	-	-	4.872.265	4.872.265
Total	6.409.621	5.747.694	2.031.221	1.419.198	9.744.530	25.352.264

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 417.450.

VII. EXPLANATIONS ON LEVERAGE RATIO

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		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	299.192.752	226.075.095
Assets that are deducted from core capital	(157.786)	(155.000)
Total on balance sheet exposures	299.034.966	225.920.095
Derivative exposures and credit derivatives		
Replacement cost associated with derivative financial instruments and credit derivatives	445.528	425.626
The potential amount of credit risk with derivative financial instruments and credit derivatives	228.995	166.032
The total amount of risk on derivative financial instruments and credit derivatives	674.523	591.658
Investment securities or commodity collateral financing transactions		
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.100.207	564.131
Risk amount of exchange brokerage operations	-	-
Total risks related with securities or commodity financing transactions	1.100.207	564.131
Off -Balance Sheet Items		
Gross notional amount of off-balance sheet items	85.128.086	71.287.525
Adjustments for conversion to credit equivalent amounts	-	-
The total risk of off-balance sheet items	85.128.086	71.287.525
Capital and Total Exposures		
Tier 1 Capital	24.481.121	21.147.130
Total Exposures	385.937.782	298.363.409
Leverage Ratio		
Leverage Ratio	6,34 %	7,09%

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

VII. EXPLANATIONS ON BUSINESS SEGMENTATION

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

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

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

Individual customers are real persons without having any commercial or professional purposes other than their individual demands in the 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 Bank to all of its customers:

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2017 are presented in the table below.

Current Period	Corporate	Commercial	Integrated	Treasury / Investment	Total
OPERATING INCOME / EXPENSES					
Interest income	2.189.358	3.272.456	13.414.498	4.217.682	23.093.994
Interest on loans	2.187.601	3.271.343	13.148.169	352.388	18.959.501
Interest income on marketable securities	-	-	254.258	3.448.714	3.702.972
Interest received from banks	-	-	1	227.092	227.093
Other interest income	1.757	1.113	12.070	189.488	204.428
Interest expense	1.728.261	726.547	8.274.963	4.563.622	15.293.393
Interest on deposits	1.727.462	695.437	8.085.971	830.927	11.339.797
Interest on borrowings	661	6.907	27.289	345.946	380.803
Interest on money market borrowings	-	-	77.608	2.590.195	2.667.803
Interest on marketable bonds issued	-	-	-	789.909	789.909
Other interest expense	138	24.203	84.095	6.645	115.081
Net interest income	461.097	2.545.909	5.139.535	(345.940)	7.800.601
Net fees and commissions income	245.201	431.532	1.089.806	260.769	2.027.308
Net trading profit / (loss)	710	5.172	244.722	(214.735)	35.869
Dividend income	-	-	-	267.214	267.214
Other income	42.811	74.615	358.812	124.397	600.635
Impairment losses on loans and other receivables	17.973	443.525	581.533	426.296	1.469.327
Other expenses	30.307	69.703	1.822.805	2.629.903	4.552.718
Income before taxes	701.539	2.544.000	4.428.537	(2.964.494)	4.709.582
Income tax provision	-	-	-	(984.120)	(984.120)
Net profit for the period	701.539	2.544.000	4.428.537	(3.948.614)	3.725.462
SEGMENT ASSETS					
Marketable securities	-	-	5.489.437	43.413.266	48.902.703
Derivative financial assets held for trading	-	-	79.852	282.069	361.921
Banks and money market receivables	-	-	289	7.352.298	7.352.587
Associates and subsidiaries (net)	-	-	-	3.959.500	3.959.500
Loans	30.705.417	41.267.495	127.277.838	4.213.727	203.464.477
Other assets	90.690	264.257	1.885.260	39.069.253	41.309.460
TOTAL ASSETS	30.796.107	41.531.752	134.732.676	98.290.113	305.350.648
SEGMENT LIABILITIES					
Deposits	30.068.341	16.011.238	136.068.623	11.078.867	193.227.069
Derivative financial liabilities held for trading	-	-	46.160	104.362	150.522
Money market balances	-	-	4.140.748	30.467.236	34.607.984
Borrowing funding loans	9.973	233.252	954.275	15.820.618	17.018.118
Bonds issued	-	-	-	11.354.664	11.354.664
Other liabilities	286.437	379.543	6.336.644	11.964.753	18.967.377
Provisions and tax payable	57.741	88.335	252.213	4.249.886	4.648.175
Shareholders' equity	767.670	2.565.774	4.065.401	17.977.894	25.376.739
TOTAL LIABILITIES	31.190.162	19.278.142	151.864.064	103.018.280	305.350.648
OFF BALANCE SHEET ITEMS					
Guarantees and sureties	15.680.596	13.990.756	17.241.640	11.621.656	58.534.648
Commitments	63.996	878.037	10.134.667	12.918.994	23.995.694
Derivative financial instruments	-	-	6.914.990	23.925.301	30.840.291



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Corporate	Commercial	Integrated	Treasury / Investment	Total
OPERATING INCOME / EXPENSES					
Interest income	1.536.062	2.138.386	10.406.769	2.872.782	16.953.999
<i>Interest on loans</i>	1.536.022	2.137.979	10.263.159	318.973	14.256.133
<i>Interest income on marketable securities</i>	-	-	129.951	2.408.559	2.538.510
<i>Interest received from banks</i>	-	-	4.158	88.472	92.630
<i>Other interest income</i>	40	407	9.501	56.778	66.726
Interest expense	1.028.816	420.987	6.007.434	2.540.044	9.997.281
<i>Interest on deposits</i>	1.015.517	405.981	5.889.288	870.140	8.180.926
<i>Interest on borrowings</i>	833	6.909	24.491	337.619	369.852
<i>Interest on money market borrowings</i>	-	-	26.815	749.394	776.209
<i>Interest on marketable bonds issued</i>	-	-	-	582.467	582.467
<i>Other interest expense</i>	12.466	8.097	66.840	424	87.827
Net interest income	507.246	1.717.399	4.399.335	332.738	6.956.718
Net fees and commissions income	194.413	221.663	754.129	205.143	1.375.348
Net trading profit / (loss)	735	6.200	312.171	(169.360)	149.746
Dividend income	-	-	-	267.273	267.273
Other income	8.744	26.552	254.916	282.905	573.117
Loans and other receivables' impairment loss	182.336	209.248	603.701	1.111.038	2.106.323
Other expenses	17.159	64.826	1.696.112	2.086.232	3.864.329
Income before taxes	511.643	1.697.740	3.420.738	(2.278.571)	3.351.550
Income tax provision	-	-	(1.980)	(791.305)	(793.285)
Net profit for the period	511.643	1.697.740	3.418.758	(3.069.876)	2.558.265
SEGMENT ASSETS					
Marketable securities	-	-	2.524.561	30.691.835	33.216.396
Derivative financial assets held for trading	-	-	75.054	284.757	359.811
Banks and money market receivables	-	-	244.328	1.416.702	1.661.030
Associates and subsidiaries (net)	-	-	-	3.146.481	3.146.481
Loans	25.359.824	32.125.832	97.373.010	3.495.667	158.354.333
Other assets	81.246	441.908	1.805.746	32.373.867	34.702.767
TOTAL ASSETS	25.441.070	32.567.740	102.022.699	71.409.309	231.440.818
SEGMENT LIABILITIES					
Deposits	25.575.129	8.253.723	100.730.184	15.703.803	150.262.839
Derivative financial liabilities held for trading	-	-	42.426	169.422	211.848
Money market balances	-	-	1.373.871	16.473.192	17.847.063
Borrowing funding loans	1.445	187.747	830.155	17.948.757	18.968.104
Bonds issued	-	-	-	12.433.742	12.433.742
Other liabilities	254.825	278.741	5.100.181	1.098.696	6.732.443
Provisions and tax payable	66.549	57.621	191.543	3.352.120	3.667.833
Shareholders' equity	543.102	1.701.171	3.102.242	15.970.431	21.316.946
TOTAL LIABILITIES	26.441.050	10.479.003	111.370.602	83.150.163	231.440.818
OFF BALANCE SHEET ITEMS					
Guarantees and surety ships	13.825.351	10.831.393	12.513.027	10.591.057	47.760.828
Commitments	58.048	855.008	11.050.295	11.553.330	23.516.681
Derivative financial instruments	-	-	6.427.378	18.507.436	24.934.814

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	285.030.023	222.398.875	295.794.773	212.607.360
Cash and Balances with the Central Bank of Turkey	36.373.039	29.999.160	36.373.039	29.999.160
Financial assets at fair value through P&L ^{(3) (4)}	366.332	362.957	366.332	362.957
Banks	6.093.940	1.661.030	6.093.887	1.661.189
Money market placements	1.258.647	-	1.258.746	-
Available for sale financial assets ⁽¹⁾	17.073.744	14.974.109	17.073.744	14.974.109
Held to maturity investments	21.727.169	18.156.182	21.138.237	18.114.526
Loans ⁽²⁾	202.137.152	157.178.296	213.490.788	147.495.419
Financial Liabilities	259.915.703	202.424.371	258.778.754	206.314.425
Deposits	193.227.069	150.262.839	193.098.837	150.402.872
Derivative financial liabilities held for trading	150.522	211.848	150.522	211.848
Funds provided from other financial institutions	17.018.118	18.968.104	17.169.308	23.305.465
Money market borrowings	34.607.984	17.847.063	34.611.352	17.831.425
Securities issued	11.354.664	12.433.742	10.191.389	11.870.313
Miscellaneous payables	3.557.346	2.700.676	3.557.346	2.692.403
Leasing payables	-	99	-	99

⁽¹⁾ As of 31 December 2017, TRY 15.805 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2016: TRY 15.818).

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

⁽³⁾ As of 31 December 2017, marketable securities amounting to TRY 81.145 that are valued by internal rate of return, are not included in financial assets held for trading purpose. (31 December 2016: TRY 67.141)

⁽⁴⁾ Securities lending transactions amounting to TRY 10.000.429 is not included in the financial assets at fair value through P&L.

As of 31 December 2017, fair values of Associates and Subsidiaries are shown at section 4 footnote 5. The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

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

Classification of Fair Value Measurement

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Classification requires using observable market data if possible.

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

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽²⁾ :	74.978	361.921	-	436.899
<i>Debt securities⁽⁴⁾</i>	74.978	-	-	74.978
<i>Derivative financial assets held for trading purpose</i>	-	361.921	-	361.921
Available-for-sale financial assets(1)	17.073.744	-	-	17.073.744
<i>Debt securities</i>	17.073.744	-	-	17.073.744
Subsidiaries	566.571	426.657	2.633.480	3.626.708
Association ⁽³⁾	-	-	313.709	313.709
Total Financial Assets	17.715.293	788.578	2.947.189	21.451.060
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	150.522	-	150.522
Total Financial Liabilities	-	150.522	-	150.522

⁽¹⁾As of 31 December 2017, share certificates amounting to TRY 15.805 of "securities not quoted on the stock exchange" in available for sale financial assets are not included in the above table.

⁽²⁾As of 31 December 2017, marketable securities amounting to TRY 81.145 that are not valued at fair value, are not included in financial assets held for trading purpose.

⁽³⁾Bank's associates which are shown with their cost values in the accompanying financial statements as no fair values are available, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. (TRY 11.518), Bankalararası Kart Merkezi AŞ. (TRY 3.804), Kredi Kayıt Bürosu AŞ. (TRY 2.516) and Türk P&I Sigorta AŞ. (TRY 1.245) are not included in the table.

⁽⁴⁾As of 31 December 2017, TRY 10.000.429 of securities lending transaction is not included in Trading Financial Assets at Fair Value through profit or loss.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽²⁾ :	62.177	300.780	-	362.957
<i>Debt securities</i> ⁽⁴⁾	62.177	-	-	62.177
<i>Derivative financial assets held for trading purpose</i>	-	359.811	-	359.811
Available-for-sale financial assets ⁽¹⁾	14.974.109	-	-	14.974.109
<i>Debt securities</i>	14.974.109	-	-	14.974.109
Subsidiaries	517.421	368.089	1.992.314	2.877.824
Association ⁽³⁾	-	-	249.574	249.574
Total Financial Assets	15.553.707	727.900	2.241.888	18.523.495
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	211.848	-	211.848
Total Financial Liabilities	-	211.848	-	211.848

⁽¹⁾ As of 31 December 2017, share certificates amounting to TRY 15.805 of "securities not quoted on the stock exchange" in available for sale financial assets are not included in the above table.

⁽²⁾ As of 31 December 2017, marketable securities amounting to TRY 81.146 that are not valued at fair value, are not included in financial assets held for trading purpose.

⁽³⁾ Bank's associates which are shown with their cost values in the accompanying financial statements as no fair values are available, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. (TRY 11.518), Bankalararası Kart Merkezi AŞ. (TRY 3.804), Kredi Kayıt Bürosu AŞ. (TRY 2.516) and Türk P ve I Sigorta AŞ. (TRY 1.245) are not included in the table.

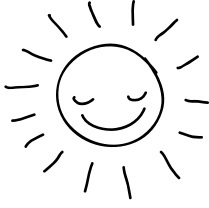
The movement of financial assets in the third level are as follows:

	Current Period	Prior Period
Balance at the beginning of the period	2.241.888	1.996.387
Purchases during the year	-	-
Non-paid up shares	156.887	106.525
Valuation Difference	418.156	138.976
Transfers	130.258	-
Period End Balance	2.947.189	2.241.888

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

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

The Bank does not engage in fiduciary transactions.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS

The Bank's Risk Management Approach and Risk Weighted Amounts

The 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 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 Bank's strategic objectives, are limited by legal rates therefore the Bank associated with them.

The organization structure of the internal systems of the Bank is composed of the Board of Inspection, Internal Control Department, Risk Management Department and Compliance Department under the Internal Systems Deputy General Manager. Internal Systems Deputy General Manager is operating under the Board of Directors through the Audit Committee pursuant to the Regulation on the Internal Systems of Banks and the Internal Capital Adequacy Assessment Process published in the Official Gazette dated 11 July 2014 and numbered 29057. The structure of the internal systems determines the level of risk by identifying the risks that the bank is exposed to. 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 Bank is exposed in relation to its duties.

The 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 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 Bank is exposed to more effectively, to support the decision making processes related to them, to create new strategies and policies.

The Bank reports to the BRSA by applying the stress tests determined in accordance with the Internal Capital Adequacy Assessment Process (ISEDES). 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 Bank monitors its effectiveness by closely monitoring the processes of managing and reducing the risks arising from the business model. The Bank regularly revises the strategies it has established regarding these processes in line with the existing conditions and sets policies.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Overview of Risk Weighted Amounts^(*):

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	182.074.573	161.707.382	14.565.966
2 Standardized approach (SA)	182.074.573	161.707.382	14.565.966
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	1.946.444	378.320	155.716
5 Standardized approach for counterparty credit risk (SA-CCR)	1.946.444	378.320	155.716
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	3.230.950	1.947.575	258.476
17 Standardized approach (SA)	3.230.950	1.947.575	258.476
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	12.797.670	11.297.473	1.023.814
20 Basic Indicator Approach	12.797.670	11.297.473	1.023.814
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	816.180	655.843	65.294
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	200.865.817	175.986.593	16.069.266

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Differences and matching between asset and liabilities' carrying values in financial statements and in capital adequacy calculation

Assets	Carrying values of items in accordance with Turkish Accounting Standards					Not subject to capital requirements or subject to deduction from capital
	Carrying values in financial statements prepared as per TAS	Credit Risk	Counterparty credit risk	Securitization positions	Market Risk	
Cash and Balances with the Central Bank	36.373.039	36.373.039	-	-	-	-
Available-for-Sale Financial Assets	10.447.906	-	361.921	-	447.477	10.000.429
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Banks	6.093.940	6.093.940	-	-	-	-
Receivables from Money markets	1.258.647	1.258.647	-	-	-	-
Financial assets available for sale (net)	17.089.549	8.612.390	-	-	8.477.157	-
Loans and receivables	203.464.477	203.450.422	-	-	-	14.057
Receivables from factoring	-	-	-	-	-	-
Investments held to maturity (net)	21.727.169	21.727.169	-	-	-	-
Subsidiaries (net)	332.792	332.792	-	-	-	-
Associates (net)	3.626.708	3.626.708	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-
Finance lease receivables	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Tangible Assets (net)	2.535.779	2.479.993	-	-	-	55.786
Intangible Assets (net)	113.685	-	-	-	-	113.685
Real estate for investment purpose (net)	358.574	358.574	-	-	-	-
Tax asset	-	-	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	-	-	-	-	-	-
Other assets	1.928.383	1.927.409	-	-	974	-
Total Assets	305.350.648	286.241.083	361.921	-	8.925.608	10.183.957
Liabilities						
Deposits	193.227.069	-	-	-	-	193.227.069
Derivative financial liabilities held for trading	150.522	-	-	-	150.522	-
Loans	17.018.118	-	-	-	-	17.018.118
Money market borrowings	34.607.984	-	4.330.157	-	1.044.853	29.232.974
Securities issued	11.354.664	-	-	-	-	11.354.664
Funds	2.724.634	-	-	-	-	2.724.634
Miscellaneous payables	3.557.346	-	-	-	-	3.557.346
Other liabilities	11.681.012	-	-	-	202	11.680.810
Factoring payables	-	-	-	-	-	-
Finance lease payables	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Provisions	3.448.960	-	-	-	-	3.448.960
Tax Liability	1.199.215	-	-	-	-	1.199.215
Liabilities regarding assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Subordinated Loans	1.004.385	-	-	-	-	1.004.385
Shareholders' equity	25.376.739	-	-	-	-	25.376.739
Total liabilities	305.350.648	-	4.330.157	-	1.195.577	299.824.914

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements

	Total	Credit risk	Securitization positions	Counterparty credit risk	Market Risk
1 Asset carrying value amount under scope of regulatory consolidation	305.350.648	286.241.083	-	361.921	8.925.608
2 Liabilities carrying value amount under regulatory scope of consolidation	305.350.648	-	-	4.330.157	1.195.577
3 Total net amount under regulatory scope of consolidation	-	286.241.083	-	4.692.078	10.121.185
4 Off-balance Sheet Amounts	83.182.005	37.839.071	-	192.592	31.750.742
5 Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to prudential filters	-	-	-	-	-
9 Differences due to risk reduction	-	324.080.154	-	4.884.670	41.871.927

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

Explanations of differences between accounting and regulatory exposure amounts:

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

Explanations Related to Counterparty Credit Risk

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

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

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

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

Agreements entered into with counterparty financial institutions resulting in credit risk according to the attributes of the transaction are evaluated by taking into account ISDA framework and CSA framework for derivative transactions, GMRA framework for repurchase agreements. The risk is mitigated by receiving cash or other forms of collaterals as per the counterparty limits designated by the Board of Directors. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty limits. In cases whereby possible decreases or increases in ratings affects the current replacement cost, margin call agreements are used as a risk mitigator.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Counterparty Credit Risk (CCR) Approach Analysis

	Replacement cost	Potential Future exposure	EEPE(Effective Expected Positive Exposure)(*)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
Standardised Approach - CCR (for derivatives)	361.921	192.592		1,4	649.923	466.889
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					4.262.269	1.237.404
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					1.304.873	242.151
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	1.479.555
Total					6.217.065	1.946.444

*Expected effective positive risk amount

Capital requirement for credit valuation adjustment (CVA)

	EAD post-CRM	Risk weight 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	649.923	466.889
Total subject to the CVA capital obligation	649.923	466.889

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

Risk weight / Risk Classifications	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
Claims on sovereigns and Central Banks	13.903	-	-	-	-	-	-	-	13.903
Claims on regional governments or local authorities	7.438	-	-	230	-	-	-	-	7.668
Claims on administrative bodies and other non-commercial undertakings	27.535	-	-	-	-	846	-	-	28.381
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	841.692	-	3.907.975	226.947	-	780.662	-	-	5.757.276
Claims on corporates	36.307	-	-	-	-	262.229	-	-	298.536
Claims included in the regulatory retail portfolios	101.253	19	-	-	10.029	-	-	-	111.301
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	-	-	-	-	-	-	-	-	-
Total	1.028.128	19	3.907.975	227.177	10.029	1.043.737	-	-	6.217.065



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Collaterals for Counterparty Credit Risk

	Collateral for derivative transactions				Collateral for other transactions	
	Received Collaterals		Given Collaterals		Received Collaterals	Given Collaterals
	Segregated	Nonsegregated	Segregated	Nonsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	66.656	-	55.115	896	49.497
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	66.656	-	55.115	896	49.497

Counterparty Credit Risk-Credit Derivatives:

None.

Exposures to Central Counterparties (CCP)

None.

Explanations on Securitisations:

None.

Qualitative Disclosure on Credit Risk

Credit risk, which is the most important risk profile of the Bank's business model, refers to risks and losses arising from the Bank's failure to meet its obligations under contracts that the Bank is a party to. Credit limits are set according to the risk appetite and capacity of the Bank. Credit limits are assigned according to the customer's financial condition and credit need by the branches, regional credit committee, head of credit department, in charge of general manager of the credit, general manager, credit committee and board of directors and revised whenever required. As part of its risk policies, the Bank monitors limits designated by sectors and sub sectors.

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

The Bank, in the credit allocation process, restricts its risk exposure by working with highly creditworthy banks and institutions considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk is concentrated in Turkey.

Limits are determined based on the type of loans and customers and risk and limit information is controlled periodically. Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically, concerning the off-balance sheet operations based on the customers and banks.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Credit Quality of Assets

	Gross carrying value as per TAS		Allowances/ amortisation and impairments **	Net values
	Defaulted *	Non-defaulted		
1 Loans	6.106.597	202.137.152	4.779.272	203.464.477
2 Debt Securities***	-	39.299.588	397.314	38.902.274
3 Off-balance sheet exposures	-	82.530.342	-	82.530.342
4 Total	6.106.597	323.967.082	5.176.586	324.897.093

* Shows the receivables which identified non performing receivables in accordance with the regulation on "M Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the official gazette no.26333 dated 1 November 2006.

** Refers the provisions booked as per "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside"

*** As of 31 December 2017, TRY 10.000.429 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	5.140.082
2 Loans and debt securities defaulted since the last reporting period	1.666.382
3 Receivables back to performing status	(93.949)
4 Amounts written off	-
5 Other changes	(605.918)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	6.106.597

Additional Disclosure Related To The Credit Quality Of Assets:

Breakdown According to Maturity

31 December 2017	Demands Up to 1 Month		1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total
Loans and Advances	458.375	12.118.327	13.550.347	59.932.943	89.741.276	26.335.884	202.137.152

Exposures Provisioned Against By Major Regions

31 December 2017	Non-Performing	
	Loans	Specific Provisions
Domestic	6.011.884	4.711.402
European Union (EU) Countries	27	27
OECD Countries	3	3
Off-Shore Banking Regions	-	-
USA, Canada	1	1
Other Countries	94.682	67.839
Total	6.106.597	4.779.272

Exposures Provisioned Against By Sectors

Explained in 4-II Information according to sectors and counterparties



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Aging analysis of overdue but not impaired financial assets

31 December 2017

30-60 days overdue	1.560.086
60-90 days overdue	767.867
Total	2.327.953

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

31 December 2017

Loans Structured from Standard Loans and Other Receivables	3.598.515
Loans Composed of Follow-on Loans and Other Receivables	2.578.747
Loans Restructured from Non-Performing Loans	1.272.038

Qualitative Disclosure on Credit Risk Mitigation Techniques

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

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

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

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

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

The volatility in the real estate market is closely monitored by the Bank and fluctuations that may occur depending on the market movements related to the mentioned risk class, are taken into account according to the principles stated in the related regulation.

In the portfolios where the comprehensive financial guarantee method is used, the risk mitigating effects of collateral are determined through standard volatility adjustments.

Concentration checks are conducted on guarantors and collateral providers.

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

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Credit Risk Mitigation Techniques- Overview

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans ⁽²⁾	128.882.283	74.582.194	56.831.177	394.212	394.212	-	-
2 Debt Instruments ⁽¹⁾	38.902.274	-	-	-	-	-	-
3 Total	167.784.557	74.582.194	56.831.177	394.212	394.212	-	-
4 Of which defaulted	175.153	1.152.172	852.419	8.691	8.691	-	-

⁽¹⁾ As of 31 December 2017, TRY 10.000.429 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.⁽²⁾ As collateral, within the scope of the Standard Approach, collaterals to be used to mitigate credit risk, are taken into consideration.

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

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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	67.712.909	1.701.954	84.391.115	1.737.422	8.776.021	10,19%
Claims on regional governments or local authorities	2.986.493	161.052	2.986.411	81.126	1.522.659	49,64%
Claims on administrative bodies and other non-commercial undertakings	701.879	1.943.990	689.979	970.764	1.612.334	97,09%
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	11.537.142	2.952.704	11.542.219	1.753.740	5.118.346	38,50%
Claims on corporates	75.390.483	45.952.261	68.100.812	26.872.453	92.252.468	97,14%
Claims included in the regulatory retail portfolios	64.076.740	26.148.281	54.695.336	4.743.766	42.671.374	71,79%
Claims secured by residential property	34.135.664	1.259.551	34.135.438	689.643	12.364.419	35,50%
Claims secured by commercial property	20.481.337	1.869.900	20.481.337	1.370.843	10.926.090	50,00%
Overdue loans	1.324.952	66.006	1.324.952	33.208	1.219.116	89,76%
Higher risk categories decided by the Board	4.414	92.978	4.414	52.994	86.111	150,00%
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	9.375.267	-	9.375.267	-	3.823.246	40,78%
Equity share investments	3.975.305	-	3.975.305	-	4.465.013	112,32%
Total	291.702.585	82.148.677	291.702.585	38.305.959	184.837.197	56,01%

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Standardised Approach- Claims By Risk Classification And Risk Weights

Risk Classification/Risk weight amount	0%	10%	20%	35%*	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
Claims on sovereigns and Central Banks	68.576.496	-	-	-	17.552.041	-	-	-	-	-	86.128.537
Claims on regional governments or local authorities	22.220	-	-	-	3.045.317	-	-	-	-	-	3.067.537
Claims on administrative bodies and other non-commercial undertakings	48.285	-	154	-	-	-	1.612.304	-	-	-	1.660.743
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	841.692	-	6.252.926	-	4.667.160	-	1.534.181	-	-	-	13.295.959
Claims on corporates	1.801.853	-	881.626	-	427.287	-	91.862.499	-	-	-	94.973.265
Claims included in the regulatory retail portfolios	2.373.432	19	232.486	-	-	56.833.165	-	-	-	-	59.439.102
Claims secured by residential property	28.734	-	8.007	34.321.095	-	467.244	1	-	-	-	34.825.081
Claims secured by commercial property	-	-	-	-	21.852.180	-	-	-	-	-	21.852.180
Overdue loans	23.031	-	-	-	232.025	-	1.103.104	-	-	-	1.358.160
Higher risk categories decided by the Board	-	-	-	-	-	-	-	57.408	-	-	57.408
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	-	-	-	-	-	-	3.648.833	-	-	326.472	3.975.305
Other receivables	5.146.627	-	405.591	-	122.799	78.087	3.622.163	-	-	-	9.375.267
Total	78.862.370	19	7.780.790	34.321.095	47.898.809	57.378.496	103.383.085	57.408	-	326.472	330.008.544

*Secured with real estate mortgage.

Publicly Announced Qualitative Disclosure on Market Risk

In accordance with the Bank's risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 29111 by 23 October 2015.

It is the ultimate responsibility of the Board of Directors to apply and improve risk management strategies, policies and procedures that are approved by the board of directors, inform the board of directors about the important risks the Bank is exposed to, assess internal control, internal audit and risk reports with regard to the Banks' departments and to eliminate the risks, deficiencies or defects identified in these departments or to take the necessary precautionary actions to prevent those risks, deficiencies and defects and participate in the determination of risk limits. As part of this responsibility, the Board of Directors of the Bank designated VAR limits and the interest risk that the Bank can bear is limited to a ratio of the equity.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the Bank's possibility of loss that may cause due to the general market risk, currency risk, specific risk, commodity risk, clearing risk and counterparty credit risk is calculated by using the standard method. The following table discloses the amounts that are calculated using the standard method.

The market risk value calculated by using the internal model except standard method is supported by using scenario analysis and stress tests, historical simulation and risk exposure figures calculated by using parametric method are reported daily to the top management.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Market Risk: Standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	2.100.638
Equity risk (general and specific)	216.000
Foreign exchange risk	887.487
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	26.825
Scenario approach	-
Securitization	-
Total	3.230.950

Information related to Operational Risk

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

	2 PP Amount	1 PP Amount	CP Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	5.887.155	6.359.029	8.230.088	6.825.424	15	1.023.814
Amount at Operational Risk (Total * 12.5)						12.797.670

XII. EXPLANATIONS ON REMUNERATION POLICIES

Qualitative Disclosures on Remuneration Policies

1. Disclosures related with Remuneration Committee

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

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

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

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

The Bank's board members, senior management and the Bank personnel deemed to perform the functions having material impact on the Bank's risk profile are considered as critical key personnel; and by the end of 2017, the number of critical key personnel is 23.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

2. Information on the design and structure of remuneration process

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

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

Remuneration Committee at its meeting in December 2017 has revised the remuneration policy and practices. It has been observed that, total benefits paid to the members of the Bank's Board of Directors, senior management and other staff are in line with the Bank's ethical values, internal balances and strategic objectives in 2017. Regardless of the performance of the units that are audited by internal audit, the benefits of are determined on the basis of the general wage increase rate set by the Bank.

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

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

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

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

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

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

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

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION V: EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATION AND NOTES RELATED TO THE ASSETS

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

a) Information on cash and balances with the CBRT:

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.154.853	964.263	914.121	562.677
CBRT	11.762.459	22.491.457	2.620.111	25.902.219
Other	-	7	-	32
Total	12.917.312	23.455.727	3.534.232	26.464.928

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	11.647.057	3.585.219	2.563.615	3.345.458
Time unrestricted amount	-	-	-	-
Time restricted amount	437	2.425.300	-	5.359.104
Other ⁽²⁾	114.965	16.480.938	56.496	17.197.657
Total	11.762.459	22.491.457	2.620.111	25.902.219

⁽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 keep reserve deposits at the CBRT for their TRY and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 4%-10,5% for TRY deposits and other liabilities between 4%-24% for FC deposits for other FC liabilities. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to TRY and FC reserves.

With the amendment on 21 October 2014 the banks meeting certain conditions receive interests on Turkish Lira reserve requirements at 300 or 500 basis points less than the weighted average funding cost (WAFC) rate announced on the Central Bank website. The interest related to the reserve requirements set as TRY is paid at a rate of 400 basis points less than the 1 week repo rate of the CBRT as of 1 January 2017.

With the change dated 23 January 2015, it has been decided to apply a charge on daily account balances and two days notice account denominated in EUR, and collected on a monthly basis, on reserve requirements held by banks commencing on 1 February 2015. As of 27 July 2015 commission ratios have been announced on the CBRT website as zero percent. With the change on 2 May 2015 made by the CBRT, interest is paid on USD denominated reserve requirements, reserve options and free reserves held at Central Bank of the Republic of Turkey. The interest rate is set on daily basis by taking global and local financial markets conditions into account. The applicable interest rate is 1,5% for the reporting period (announced at 18 December 2017).

With the decision No.872 dated 30 January 2014 of the TRNC, reserve requirement ratio is between 5% and 8% for TRY and foreign currency liabilities

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	10.000.429	-	-	-
Total	10.000.429	-	-	-

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

None.

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	43.495	-	120.227
Swap transactions	-	318.246	-	239.460
Futures transactions	-	-	-	-
Options	118	62	4	120
Other	-	-	-	-
Total	118	361.803	4	359.807

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	504.964	4.126.213	26.539	21.122
Foreign banks	75.554	1.387.209	169.769	1.443.600
Branches and offices abroad	-	-	-	-
Total	580.518	5.513.422	196.308	1.464.722



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	657.810	1.006.455	-	-
USA and Canada	279.816	141.780	-	-
OECD Countries ⁽¹⁾	67.379	84.510	-	-
Offshore Banking Regions	111	-	-	-
Other	457.647	380.624	-	-
Total	1.462.763	1.613.369	-	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

a.1. Information on financial assets available-for-sale blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	10.936.493	1.045.607	-	354.898
Total	10.936.493	1.045.607	-	354.898

a.2. Information on financial assets available-for-sale subject to repurchase agreements:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	154.578	4.308.531	4.789.610	728.138
Total	154.578	4.308.531	4.789.610	728.138

b) Information on financial assets available-for-sale portfolio:

	Current period	Prior period
Debt securities	17.335.998	15.418.926
<i>Quoted on a stock exchange</i>	17.335.998	15.418.926
<i>Not quoted</i>	-	-
Share certificates	150.865	132.077
<i>Quoted on a stock exchange</i>	117.779	97.377
<i>Not quoted</i>	33.086	34.700
Impairment provision(-)	397.314	561.076
Total	17.089.549	14.989.927

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(5) Information on loans:

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

	Current period		Prior period	
	Cash loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	252.835	-	204.282	-
Total	252.835	-	204.282	-

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

	Standard loans and other receivables			Loans and other receivables under close monitoring ⁽³⁾		
	Loans and other receivables (Total)	Agreement conditions modified		Loans and other receivables (Total)	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
Cash loans						
Non-specialized loans	161.042.083	3.540.177	-	4.752.884	2.541.455	-
<i>Corporation loans</i>	110.869.120	3.171.316	-	4.313.294	2.424.078	-
<i>Export loans</i>	3.459.289	-	-	970	-	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	2.344.523	-	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	37.676.724	347.547	-	279.796	28.070	-
<i>Credit cards⁽²⁾</i>	4.132.052	21.314	-	122.035	89.307	-
<i>Other</i>	2.560.375	-	-	36.789	-	-
Specialized lending	33.149.012	6.417	-	276.621	84	-
Other receivables	-	-	-	-	-	-
Accruals	2.842.921	51.921	-	73.631	37.208	-
Total	197.034.016	3.598.515	-	5.103.136	2.578.747	-

⁽¹⁾ Includes TRY 190.437 of personnel loans.

⁽²⁾ Includes TRY 62.398 of personnel credit cards.

⁽³⁾ The Bank has a cash loan exposure of USD 160.040.606 related with the company operating in the telecommunication sector with a key position are classified under "Loans and Other Receivables Under Follow-Up". Negotiations on restructuring of the loan have started among the telecommunication company's shareholders, creditor banks and related public authorities, which may also include a change in the shareholder structure of this company.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

	Standard Loans and Other Receivables ⁽¹⁾	Loans and Other Receivables Under Close Monitoring ⁽²⁾
Number of modifications made to extend payment plan		
Extended by 1 or 2 times	3.509.557	2.433.238
Extended by 3,4 or 5 times	35.961	63.521
Extended by more than 5 times	1.076	44.780

⁽¹⁾Accruals amounting to TRY 51.921 are not included in the table above.

⁽²⁾Accruals amounting to TRY 37.208 are not included in the table above.

	Standard Loans and Other Receivables ⁽¹⁾	Loans and Other Receivables Under Close Monitoring ⁽²⁾
Extended period of time		
0-6 Months	486.220	326.404
6 Months - 12 Months	327.375	228.518
1-2 Years	360.410	179.629
2-5 Years	1.436.654	931.550
5 Years and over	935.935	875.438

⁽¹⁾Accruals amounting to TRY 51.921 are not included in the table above.

⁽²⁾Accruals amounting to TRY 37.208 are not included in the table above.

c) Maturity analysis of cash loans

Current Period	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	38.421.163	571.058	521.117	276.045
Loans	37.515.972	562.819	513.490	272.062
Specialization Loans	350.807	-	107	-
Other Receivables	-	-	-	-
Discounts	554.384	8.239	7.520	3.983
Medium and Long-term Loans	158.612.853	3.027.457	4.582.019	2.302.702
Loans	123.526.111	2.977.358	4.239.394	2.269.393
Specialization Loans	32.798.205	6.417	276.514	84
Other Receivables	-	-	-	-
Discounts	2.288.537	43.682	66.111	33.225

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Prior Period	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	32.101.320	207.303	672.620	225.676
Loans	31.367.418	201.323	663.390	221.000
Specialization Loans	301.548	-	171	-
Other Receivables	-	-	-	-
Discounts	432.354	5.980	9.059	4.676
Medium and Long-term Loans	120.481.359	1.969.657	3.922.997	2.390.081
Loans	91.447.151	1.930.052	3.604.544	2.356.626
Specialization Loans	27.411.514	6.895	265.616	116
Other Receivables	-	-	-	-
Discounts	1.622.694	32.710	52.837	33.339



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	406.948	36.405.136	36.812.084
<i>Real estate loans</i>	10.525	20.856.426	20.866.951
<i>Automobile loans</i>	4.950	275.611	280.561
<i>Consumer loans</i>	391.473	15.273.099	15.664.572
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	2.931.375	1.900	2.933.275
<i>Installment</i>	1.197.690	-	1.197.690
<i>Non-installment</i>	1.733.685	1.900	1.735.585
Individual credit cards-FC	291	-	291
<i>Installment</i>	-	-	-
<i>Non-installment</i>	291	-	291
Personnel loans-TRY	11.167	179.270	190.437
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	11.167	179.270	190.437
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	62.366	-	62.366
<i>Installment</i>	20.308	-	20.308
<i>Non-installment</i>	42.058	-	42.058
Personnel credit cards-FC	32	-	32
<i>Installment</i>	-	-	-
<i>Non-installment</i>	32	-	32
Overdraft accounts-TRY (Retail customer)	953.999	-	953.999
Overdraft accounts-FC (Retail customer)	-	-	-
Total	4.366.178	36.586.306	40.952.484

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

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	835.787	26.928.317	27.764.104
<i>Business residential loans</i>	-	681.102	681.102
<i>Automobile loans</i>	8.417	393.974	402.391
<i>Consumer loans</i>	827.370	25.853.241	26.680.611
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	14.226	9.695.831	9.710.057
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	14.226	9.695.831	9.710.057
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.258.098	-	1.258.098
<i>Installment</i>	529.167	-	529.167
<i>Non-installment</i>	728.931	-	728.931
Corporate credit cards-FC	25	-	25
<i>Installment</i>	-	-	-
<i>Non-installment</i>	25	-	25
Overdraft accounts-TRY (Commercial customer)	1.239.335	-	1.239.335
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	3.347.471	36.624.148	39.971.619

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

f) Loans by customers:

	Current Period	Prior Period
Public	5.326.304	5.371.347
Private	196.810.848	151.806.949
Total	202.137.152	157.178.296

g) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	200.506.312	155.749.275
Foreign loans	1.630.840	1.429.021
Total	202.137.152	157.178.296



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

h) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	967.161	1.078.414
Indirect loans granted to subsidiaries and associates	-	-
Total	967.161	1.078.414

i) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	342.250	518.902
Loans and receivables with doubtful collectability	471.850	305.386
Uncollectible loans and receivables	3.965.172	3.139.757
Total	4.779.272	3.964.045

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period	38.728	44.727	1.188.583
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	38.728	44.727	1.188.583
Prior period	34.480	3.858	1.173.596
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	34.480	3.858	1.173.596

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	914.463	437.175	3.788.444
Additions (+)	1.532.239	30.083	104.060
Transfers from other categories of loans under follow-up (+)	-	1.584.365	1.227.102
Transfers to other categories of loans under follow-up (-)	1.624.891	1.186.576	-
Collections (-)	208.995	131.814	359.058
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	612.816	733.233	4.760.548
Specific provision (-)	342.250	471.850	3.965.172
Net balance on balance sheet	270.566	261.383	795.376

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period			
Balance at the end of the period	121.484	174.975	1.784.567
Specific provisions(-)	82.490	139.302	1.148.778
Net balance in the balance sheet	38.994	35.673	635.789
Prior period			
Balance at the end of the period	204.204	51.653	1.522.852
Specific provisions(-)	137.119	30.083	1.078.913
Net balance in the balance sheet	67.085	21.570	443.939



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period (Net)	270.566	261.383	795.376
Loans to granted real persons and legal entities (Gross)	611.987	732.308	4.690.496
Specific provisions (-)	341.421	470.925	3.895.120
Loans to granted real persons and legal entities (Net)	270.566	261.383	795.376
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	829	925	70.052
Specific provisions (-)	829	925	70.052
Other loans and receivables (Net)	-	-	-
Prior period (Net)	395.561	131.789	648.687
Loans to granted real persons and legal entities (Gross)	913.462	436.534	3.718.059
Specific provisions (-)	517.901	304.745	3.069.372
Loans to granted real persons and legal entities (Net)	395.561	131.789	648.687
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1.001	641	70.385
Specific provisions (-)	1.001	641	70.385
Other loans and receivables (Net)	-	-	-

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

The 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.

The Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

l) Explanations on write-off policy:

In compliance with the "Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up" non-performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(6) Information on held-to-maturity investments:

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Held-to-maturity investments blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds and similar securities	19.108.745	1.333.136	4.419.663	1.048.201
Total	19.108.745	1.333.136	4.419.663	1.048.201

a.2. Held-to-maturity investments subject to repurchase agreements:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	34.794	1.169.918	5.079.533	933.840
Total	34.794	1.169.918	5.079.533	933.840

b) Information on public sector debt investments held-to-maturity:

	Current period	Prior period
Government bonds	21.727.169	18.156.182
Treasury bills	-	-
Other public sector debt securities	-	-
Total	21.727.169	18.156.182

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	21.727.169	18.156.182
<i>Quoted on a stock exchange</i>	21.727.169	18.156.182
<i>Not quoted</i>	-	-
Impairment provision (-)	-	-
Total	21.727.169	18.156.182

d) Movement of held-to-maturity investments within the year:

	Current period	Prior period
Beginning balance	18.156.182	16.676.797
Foreign currency differences on monetary assets	182.819	399.176
Purchases during the year ⁽¹⁾	3.735.146	2.389.499
Disposals through sales and redemptions	(346.978)	(1.309.290)
Impairment provision (-) / provision reversal (+)	-	-
Balance at the end of the period	21.727.169	18.156.182

⁽¹⁾ Interest income accrual difference between 31 December 2017 amounting to TRY 2.894.918 and 31 December 2016 amounting to TRY 1.907.723 has been included in purchases row.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

e) Information on held-to-maturity investments:

The breakdown of the held to maturity securities of the Bank is as follows:

	Current Period				Prior Period			
	Historical cost		Amortised cost		Historical cost		Amortised cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Undersecretariat of Treasury of Republic of Turkey	13.415.827	1.729.969	15.536.068	1.763.017	10.863.420	1.606.363	12.237.460	1.636.997
Obtained with the transfer	-	-	-	-	-	-	-	-
Reclassified from other securities portfolios	2.947.845	738.610	3.678.165	749.919	3.093.277	685.399	3.586.054	695.671
Other	-	-	-	-	-	-	-	-
Total	16.363.672	2.468.579	19.214.233	2.512.936	13.956.697	2.291.762	15.823.514	2.332.668

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demir-Halkbank NV ⁽²⁾	Holland	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ ⁽²⁾	Ankara	31,47	33,12
3. Kredi Kayıt Bürosu AŞ ⁽³⁾	İstanbul	18,18	18,18
4. Bankalararası Kart Merkezi AŞ ⁽⁴⁾	İstanbul	18,95	18,95
5. Türk P ve I Sigorta AŞ ⁽²⁾	İstanbul	16,67	16,67

b) Information related to the associates as sorted in (a):

	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)
1.	8.309.515	1.101.826	15.913	246.934	6.594	71.048	56.364	313.709
2.	48.955	48.402	94	3.708	-	1.208	323	-
3.	263.938	159.793	151.214	6.654	-	37.880	31.051	-
4.	92.016	51.255	47.325	1.557	-	11.164	10.403	-
5.	24.113	6.225	536	442	-	1.684	1.379	-

⁽¹⁾ The financial information about the fair value of Demir-Halk Bank N.V. has been obtained from its valuation report as of 31 December 2017.

⁽²⁾ The financial data is obtained from 31 December 2017 audited consolidated purpose financial statements.

⁽³⁾ The financial data is obtained from 31 December 2017 audited financial statements.

⁽⁴⁾ The financial data is obtained from 31 December 2017 not audited financial statements.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	268.657	227.320
Movements during the period	64.135	41.337
<i>Purchases</i>	-	-
<i>Bonus shares obtained profit from current year's share</i>	-	-
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfers</i>	-	-
<i>Revaluation decrease (-) / increase</i>	64.135	41.337
<i>Impairment Provisions (-)/ Reversals</i>	-	-
Balance at the end of the period	332.792	268.657
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	313.709	249.574
Insurance companies	1.245	1.245
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518
Other non- financial investments	6.320	6.320

e) Associates quoted to a stock exchange:

None.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(8) Information on subsidiaries (Net):

a) Information on subsidiaries ⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Bank A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
CORE CAPITAL										
Paid in Capital	82.000	187.000	412.000	820.000	272.250	18.000	147.843	70.000	53.667	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-	-
Share premium	-	98	-	49.945	-	-	11.633	-	44.552	-
Reserves	12.762	20.701	63.369	65.172	9.221	1.259	170.462	4.079	109.655	-
Other Comprehensive Income according to TAS	3.617	(872)	(9.392)	1.491	(95)	(35)	4.469	(10)	9.053	-
Profit / Loss	29.035	(87.680)	241.430	40.638	88.647	10.223	34.363	32.041	6.244	9
Net Profit	29.035	66.061	224.197	40.638	55.443	9.738	34.363	32.041	6.244	9
Prior Period Profit/Loss	-	(153.741)	17.233	-	33.204	485	-	-	-	-
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	750	-	-	-	-	-	-	-	-	-
Leasehold Improvements (-)	-	-	102	-	-	-	6.198	190	2.653	-
Intangible Assets (-)	758	3.082	1.193	106	975	6	3.913	588	3.608	-
Total Core Capital	127.406	116.165	706.112	977.140	369.048	29.441	358.659	105.332	216.910	109
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	25.218	-	3.238	-
CAPITAL	127.406	116.165	706.112	977.140	369.048	29.441	383.877	105.332	220.148	109
NET AVAILABLE CAPITAL	127.406	116.165	706.112	977.140	369.048	29.441	383.877	105.332	220.148	109

⁽¹⁾ The information is presented from companies' consolidated financial statements as of 31 December 2017.

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

Paid in capital has been indicated as Turkish Lira 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 third clause of first and second paragraph of 466 and 519 articles of Turkish Commercial Code no. 6102.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

b) Information on subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,96	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	94,33
3. Halk Hayat ve Emeklilik AŞ	İstanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ ^{(2) (3)}	İstanbul	79,33	79,36
5. Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	İstanbul	75,00	99,99
7. Halk Banka AD, Skopje	Macedonia	99,03	99,03
8. Halk Faktoring AŞ	İstanbul	97,50	100,00
9. Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri AŞ	İstanbul	100,00	100,00
10. Halkbank A.D. Beograd	Sırbia	99,89	99,89
11. Halk Varlık Kiralama AŞ	İstanbul	100,00	100,00

c) Information related to the subsidiaries as sorted in (b): ⁽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	873.701	127.406	2.395	94.133	1.207	29.035	14.388	193.371
2	1.714.987	116.165	4.699	130.547	18.858	66.061	(64.631)	426.657
3	1.226.576	706.112	3.016	133.006	28.803	224.197	158.359	1.212.842
4	1.451.659	977.140	569.577	7.277	-	40.638	42.217	566.571
5	2.967.745	369.048	1.636	198.056	-	55.443	9.518	474.507
6	31.343	29.441	314	3.206	20	9.738	7.481	39.828
7	3.002.463	383.877	60.292	114.899	13.078	34.363	24.595	380.149
8	1.225.777	105.332	1.254	167.874	-	32.041	16.122	123.683
9	48.176	32.300	6.212	1.242	1.791	7.287	4.650	52.178
10	1.519.558	220.148	33.433	56.306	6.736	6.244	3.544	156.822
11	100.910	109	-	-	-	9	-	100

⁽¹⁾ The financial data is obtained from 31 December 2017 financial statements used in consolidation.

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

⁽³⁾ Halk Gayrimenkul Yatırım Ortaklığı A.Ş. was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul A.Ş.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

d) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	2.877.824	2.685.934
Movements during the period	748.884	191.890
<i>Purchase⁽¹⁾</i>	14.994	38.158
<i>Bonus shares obtained profit from current year's share</i>	230.201	171.560
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer</i>	-	-
<i>Revaluation Increase/Decrease</i>	476.127	(16.043)
<i>Impairment Provisions (-)/ Reversals</i>	27.562	(51.165)
<i>Currency differences on valuation of foreign subsidiaries</i>	-	49.380
Balance at the end of the period	3.626.708	2.877.824
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ As of 31 December 2017, The Bank paid TRY 14.894 for 17,42% shares of Halkbank A.D. Beograd, which is located in Serbia, and increased its shares to 99,89% established Halk Varlık Kiralama AŞ for TRY 100 as a subsidiary.

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

	Current period	Prior period
Banks	536.971	363.185
Insurance companies	1.639.499	1.288.582
Factoring companies	123.683	95.558
Leasing companies	474.506	415.786
Financing companies	-	-
Other financial subsidiaries	799.871	673.470
Other non-financial subsidiaries	52.178	41.243

f) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ^{(1), (2)}	993.228	885.510
Quoted foreign stock exchange	-	-

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company since Halk Sigorta AŞ does not have transaction depth on the Borsa Istanbul AŞ.

⁽²⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.

(9) Information on jointly controlled entities:

None.

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

None.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

None.

(12) Information on tangible assets:

The fair value of tangible assets are determined by its equivalence value method. Fair value measurement of investment properties which fair values are determined by equivalence value method, are classified as Level 2.

Current Period	Balance at the end of the prior period	Current Year Additions	Revaluation Increase	Current Year Disposals	Transfer, Net	Balance at the end of the period
Cost:						
Immovable	1.532.563	10.629	105.518	54.016	-	1.594.694
Tangible assets purchased through financial lease	26.796	4	-	219	-	26.581
Office machines	433.790	148.297	-	26.032	-	556.055
Fixed assets obtained due to non-performing loans	647.011	239.184	-	142.591	-	743.604
Lease hold improvements costs	135.462	19.439	-	26.132	-	128.769
Other	282.806	17.445	-	8.240	-	292.011
Total Cost	3.058.428	434.998	105.518	257.230	-	3.341.714
Accumulated depreciation (-)						
Immovable	130.293	6.499	6.392	11.406	-	131.778
Tangible assets purchased through financial lease	25.896	87	-	90	-	25.893
Office machines	255.783	55.922	-	3.587	-	308.118
Fixed assets obtained due to non-performing loans	17.155	6.180	-	7.111	-	16.224
Lease hold improvements costs	68.791	25.838	-	21.646	-	72.983
Other	229.661	14.879	-	7.466	-	237.074
Total accumulated depreciation	727.579	109.405	6.392	51.306	-	792.070
Provision for impairment (-)						
Immovable	5.817	397	-	1.966	-	4.248
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	11.025	988	-	2.396	-	9.617
Total provision for impairment (-)	16.842	1.385	-	4.362	-	13.865
Net Book Value	2.314.007	324.208	99.126	201.562	-	2.535.779



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Balance at the end of the prior period	Current Year Additions	Revaluation Increase	Current Year Disposals	Transfers, Net	Balance at the end of the period
Cost:						
Immovable	1.376.586	5.716	152.240	2.531	(552)	1.532.563
Tangible assets purchased through financial lease	27.741	-	-	945	-	26.796
Office machines	414.575	37.046	-	17.831	-	433.790
Fixed assets obtained due to non-performing loans	570.289	173.235	-	96.513	-	647.011
Lease hold improvements costs	135.012	450	-	-	-	135.462
Other	272.403	13.530	-	3.127	-	282.806
Total Cost	2.796.606	229.977	152.240	120.947	(552)	3.058.428
Accumulated depreciation (-) :						
Immovable	143.151	6.476	-	19.334	-	130.293
Tangible assets purchased through financial lease	26.412	266	-	782	-	25.896
Office machines	219.938	53.627	-	17.782	-	255.783
Fixed assets obtained due to non-performing loans	13.249	6.278	-	2.372	-	17.155
Lease hold improvements costs	67.763	27.444	-	26.416	-	68.791
Other	218.199	14.322	-	2.860	-	229.661
Total accumulated depreciation	688.712	108.413	-	69.546	-	727.579
Provision for impairment (-)						
Immovable	1.313	4.510	-	6	-	5.817
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	7.134	4.476	-	585	-	11.025
Total provision for impairment (-)	8.447	8.986	-	591	-	16.842
Net Book Value	2.099.447	112.578	152.240	50.810	(552)	2.314.007

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

(13) Information on other intangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	151.465	73.012	7.102	-	217.375
Total Cost	151.465	73.012	7.102	-	217.375
Accumulated Depreciation (-)					
Other intangible assets	62.872	40.932	113	-	103.690
Total Accumulated Depreciation	62.872	40.932	113	-	103.690
Net Book Value	88.593	32.080	6.989	-	113.685
Prior Period					
	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	109.601	44.325	2.461	-	151.465
Total Cost	109.601	44.325	2.461	-	151.465
Accumulated Depreciation (-) :					
Other intangible assets	32.650	30.223	1	-	62.872
Total Accumulated Depreciation	32.650	30.223	1	-	62.872
Net Book Value	76.951	14.102	2.460	-	88.593

(14) Information on investment property:

	Current Period	Prior Period
Cost		
Opening Balance	430.059	428.525
Acquisitions	786	1.534
Transfers	-	-
Disposals	-	-
Impairment Charge/Cancellation(-)	-	-
Ending Balance	430.845	430.059
Accumulated Depreciation (-)		
Opening Balance	66.738	63.525
Amortization Charge	5.533	3.213
Transfers	-	-
Disposals	-	-
Impairment Provisions	-	-
Total Accumulated Depreciation (-)	72.271	66.738
Net Book Value	358.574	363.321



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(15) Information on tax assets:

Information on the current tax asset:

As of 31 December 2017, the Bank has no current tax assets (31 December 2016: None).

b) Information on deferred tax asset:

Please refer to Section 5, explanations related to the liabilities footnote 10.

(16) Information on non-current assets held for sale:

None.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 1.928.383 and does not exceed 10% of the balance sheet total (31 December 2016: TRY 1.936.946).

II. EXPLANATION AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. 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	6.767.489	-	758.785	39.992.067	1.734.753	459.667	537.645	104.662	50.355.068
Foreign currency deposits	8.008.356	-	3.696.152	37.428.468	3.423.792	3.242.831	4.403.028	10.866	60.213.493
Residents in Turkey	6.931.110	-	3.492.102	34.841.449	3.232.691	2.913.211	2.590.680	10.511	54.011.754
Residents abroad	1.077.246	-	204.050	2.587.019	191.101	329.620	1.812.348	355	6.201.739
Public sector deposits	2.100.039	-	2.541.047	4.614.515	426.883	4.138.990	53.204	-	13.874.678
Commercial inst. deposits	5.269.756	-	5.949.835	22.323.639	1.874.852	2.288.182	267.237	-	37.973.501
Other inst. deposits	571.038	-	1.134.603	6.514.654	675.153	820.826	20.045	-	9.736.319
Precious metals	1.821.711	-	246	82.140	4.392	4.069	10.080	-	1.922.638
Interbank deposits	3.818.918	-	3.815.807	11.190.949	74.936	9.579	241.183	-	19.151.372
CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	41.051	-	1.531.378	6.900.085	6.559	9.579	-	-	8.488.652
Foreign banks	3.769.119	-	1.926.952	3.928.843	68.377	-	164.290	-	9.857.581
Participation banks	8.748	-	357.477	362.021	-	-	76.893	-	805.139
Total	28.357.307	-	17.896.475	122.146.432	8.214.761	10.964.144	5.532.422	115.528	193.227.069

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

a.2. Prior period:

	Demand	7 day call accounts	Up to 1month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.158.073	-	581.243	31.767.115	1.076.904	361.620	541.919	104.805	40.591.679
Foreign currency deposits	6.364.730	-	3.100.794	28.538.858	4.734.504	1.158.191	3.696.641	11.016	47.604.734
Residents in Turkey	4.976.498	-	3.031.495	27.984.207	4.584.509	1.024.716	2.331.474	10.609	43.943.508
Residents abroad	1.388.232	-	69.299	554.651	149.995	133.475	1.365.167	407	3.661.226
Public sector deposits	2.184.382	-	2.417.784	1.764.160	260.540	2.976.331	87.204	-	9.690.401
Commercial inst. deposits	4.322.048	-	4.290.924	14.625.325	1.876.533	562.730	39.505	-	25.717.065
Other inst. deposits	586.039	-	819.701	885.372	52.798	89.853	880	-	2.434.643
Precious metals	1.392.853	-	-	-	-	-	-	-	1.392.853
Interbank deposits	7.862.967	-	3.167.195	10.804.303	238.375	29.404	729.220	-	22.831.464
CBRT	9	-	-	-	-	-	-	-	9
Domestic banks	39.076	-	1.091.898	3.908.323	-	8.227	4.167	-	5.051.691
Foreign banks	7.095.120	-	1.905.217	6.895.980	238.375	21.177	725.053	-	16.880.922
Participation banks	728.762	-	170.080	-	-	-	-	-	898.842
Total	28.871.092	-	14.377.641	88.385.133	8.239.654	5.178.129	5.095.369	115.821	150.262.839

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	25.612.387	23.535.650	24.595.796	16.938.565
Foreign currency saving deposits	8.155.310	6.787.330	19.353.149	14.574.636
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	211.478	167.456	-	-
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.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

	Current period	Prior period
Foreign branches' saving deposits and other accounts	143.237	283.157
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	2.517	2.603
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	-	88.826	-	137.422
Swap transactions	-	61.405	-	74.112
Future transactions	-	-	-	-
Options	146	145	59	255
Other	-	-	-	-
Total	146	150.376	59	211.789

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	310.374	1.907.998	254.679	1.875.919
Foreign banks, institutions and funds	154.652	14.645.094	186.276	16.651.230
Total	465.026	16.553.092	440.955	18.527.149

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	309.378	4.561.408	261.008	4.077.162
Medium and long-term	155.648	11.991.684	179.947	14.449.987
Total	465.026	16.553.092	440.955	18.527.149

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

Main liability of the Bank is deposits, which is composed of 26,06% of saving deposits and 31,16% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 62,10% of bank deposits and 35,69% of other deposits consist of foreign currency deposits.

Funds provided through repurchase transactions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Domestic Transactions	188.679	-	9.463.439	-
Financial Institutions and Organisations	35.000	-	9.395.444	-
Other Institutions and Organisations	119.913	-	29.220	-
Individuals	33.766	-	38.775	-
Foreign Transactions	520	4.127.464	460	1.365.201
Financial Institutions and Organisations	-	4.127.464	-	1.365.201
Other Institutions and Organisations	-	-	-	-
Individuals	520	-	460	-
Discounts	210	13.284	5.987	8.670
TOTAL	189.409	4.140.748	9.469.886	1.373.871

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills	2.713.759	-	1.749.034	-
Bonds	-	8.640.905	-	10.684.708
Total	2.713.759	8.640.905	1.749.034	10.684.708

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under Secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

Maturity structure of funds:

Current period		Prior Period	
Short-term	Long-term	Short-term	Long-term
1.213	2.723.421	37.539	2.302.269



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 11.681.012 and does not exceed 10% of the balance sheet total. (31 December 2016: TRY 1.691.860).

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

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

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

Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "Other Assets". The Bank does not have any commitments arising on the existing operational lease agreements.

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

None.

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior period
General provision	2.288.701	2.027.964
Provisions for first group loans and receivables	2.057.879	1.817.380
<i>Additional provisions for the loans with extended payment plan</i>	-	-
Provisions for second group loans and receivables	100.590	90.675
<i>Additional provisions for the loans with extended payment plan</i>	-	-
Provisions for non-cash loans	130.232	119.909
Other	-	-

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

As of 31 December 2017 the Bank's foreign currency indexed loans and finance lease receivables amounting to losses on foreign exchange is TRY 1.923 (31 December 2016: TRY 23).

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

As of 31 December 2017, the Bank's specific provision for unindemnified non-cash loans balance is TRY 122.876 (31 December 2016: TRY 139.279).

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

d) Information on other provisions:

Total other provision balance amounting to TRY 324.167 (31 December 2016: TRY 309.826) consists of TRY 122.876 (31 December 2016: TRY 139.279) for specific provisions for unindemnified non cash loans, TRY 107.231 (31 December 2016: TRY 90.793) for legal cases filed against the Bank and TRY 94.060 (31 December 2016: TRY 79.754) of other provisions.

e) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2017 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Inflation Rate	8,90%	7,80%
Wage Growth	12,30%	11,20%
Estimated Real Wage Growth Rate	9,10%	8,00%

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	399.423	390.587
Charge for the year	38.718	37.372
Interest Expense	44.030	40.720
Actuarial gain/loss	11.330	(21.492)
Prior period service cost composed current period	52	459
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	8.229	1.546
Benefits paid within the period (-)	(39.873)	(49.769)
Total	461.909	399.423

f) Liabilities for employee benefits:

As of 31 December 2017, unused vacation accruals are TRY 157.035, personnel dividend provision is TRY 199.665, severance indemnity provision for Bank personnel is TRY 461.909 and severance indemnity provision for outsourcing firms is TRY 17.483 (31 December 2016: TRY 139.894 for unused vacation accruals; TRY 399.423 for severance indemnity provision for Bank personnel; TRY 13.964 for severance indemnity provision for outsources; TRY 160.451 for personnel dividend provision).

The Bank accounts for actuarial gains / losses under equity commencing from 1 January 2013.

g) Liabilities arising from retirement benefits:

g.1. Liabilities of pension funds founded as per the Social Security Institution:

None.

Based on the results of the actuarial reports prepared as of 31 December 2017, it was determined that no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı, T.C. Ziraat Bankası and Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

The above mentioned actuarial review, which was made in accordance with the principles of the related law, measures the present value of the liability as of 31 December 2017, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. Actuarial assumptions used in the calculation are given below.

Assumptions	Current Period	Prior Period
Discount Rate	9,8%	9,8%
Mortality Rate	CSO 1980 women/men	CSO 1980 women/men

Some of the Bank's personnel are the members of T. Halk Bankası Çalışanları Emekli Sandığı Vakfı, ("Fund") which was established by 20th provisional article of Social Security Law numbered 506. As of 31 December 2017, the number of personnel who benefit from the Fund is 34.631 (31 December 2016: 33.079).

Below table shows the present values of premiums and salary payments as of 31 December 2017, by taking into account the health expenses within the Social Security Institution limits.

Transferable Pension and Medical Benefits:	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(1.938.100)	(1.601.730)
Net Present Value of Long Term Insurance Line Premiums	2.167.717	1.781.839
Net Present Value of Total Liabilities Other Than Health	229.617	180.109
Net Present Value of Health Liabilities	(435.970)	(392.002)
Net Present Value of Health Premiums	1.354.206	1.113.143
Net Present Value of Health Liabilities	918.236	721.141
Pension Fund Assests	1.911.745	1.525.471
General Administration Expenses (1%)	(23.741)	(19.937)
Amount of Actuarial and Technical Deficit	3.035.857	2.406.784

h) Liabilities arising from retirement benefits:

Plan assets are comprised as follows:

Total Assets	Current Period	Prior Period
Banks	1.104.186	1.220.100
Marketable Securities	644.310	151.300
Property and Equipment	126.403	129.800
Other	36.846	24.271
Total	1.911.745	1.525.471

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follows:

Change in Assumptions (%)				
Assumptions	Pension Benefits	Death Benefits	Medical Benefits	Total
Discount rate+1%	(0,1%)	(19,6%)	(19,0%)	(19,0%)
Discount rate -1%	0,1%	27,0%	26,1%	26,0%
Inflation rate +1%	0,1%	27,1%	32,4%	32,30%
Inflation rate -1%	(0,1%)	(19,9%)	(22,6%)	(22,50%)

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2017, the Bank's corporate tax payable is amounting to TRY 145.941 and accounted for under corporate tax provision at the related date.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	145.941	41.636
Income on securities tax	328.111	157.120
Property income tax	1.570	1.402
Banking and insurance transactions tax (BITT)	97.579	84.974
Foreign exchange transactions tax	21	48
Value added tax payable	-	-
Other	31.405	24.391
Total	604.627	309.571

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	18	18
Social insurance premiums-employer	21	21
Bank social aid pension fund premium-employee	9.221	7.621
Bank social aid pension fund premium-employer	12.800	10.452
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	2.120	1.956
Total	24.180	20.068

b) Deferred tax liability:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	224.505	183.840
Revaluation of Financial Assets	(601.224)	(376.569)
Other	(193.689)	(93.943)
Deferred Tax Liability:	(570.408)	(286.672)
Deferred tax accounted in shareholders' equity	(49.739)	(454)
Fair value differences for available for sale financial assets	89.175	66.911
Actuarial gains and losses	2.566	241
Subsidiaries Valuation	-	-
Property Revaluation	(141.480)	(67.606)

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(11) Information on liabilities regarding assets held for sale and discontinued operations:

None.

(12) Explanations on the number of subordinated loans the Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Subordinated debts				
Domestic Banks	-	-	-	-
Domestic Other Institutions	1.004.385	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	-	-	-
Total	1.004.385	-	-	-

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current period	Prior period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

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

There is an application of registered capital system and registered capital ceiling amount is TRY 7.500.000.

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

None.

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

None.

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

None.

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

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

g) Information on preferred shares:

None.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.349.055	311.604	1.004.257	203.841
Valuation differences	1.349.055	311.604	1.004.257	203.841
Exchange rate difference	-	-	-	-
Financial assets available for sale	(382.871)	(252.259)	(297.328)	(428.017)
Valuation differences	(382.871)	(252.259)	(297.328)	(428.017)
Exchange rate difference	-	-	-	-
Total	966.184	59.345	706.929	(224.176)

i) Legal Reserves

	Current Period	Prior Period
I. Legal Reserve	1.085.930	958.017
II. Legal Reserve	553.144	518.693
Special Reserves	6.575	5.648
Total	1.645.649	1.482.358

j) Extraordinary Reserves:

	Current Period	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	15.243.277	-
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
Total	15.243.277	13.104.130



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

III. EXPLANATION 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	11.562.109	10.794.813
Payment commitments for cheques	3.269.281	5.805.008
Loan granting commitments	4.646.052	3.551.904
Two days forward foreign exchange buy/sell transactions	910.451	417.450
Commitments for credit cards and banking services promotions	32.736	44.328
Tax and fund liabilities from export commitments	38.072	28.864
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	3.536.993	2.874.314
Total	23.995.694	23.516.681

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

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

	Current period	Prior period
Bank acceptance loans	4.134.031	4.011.308
Letters of credit	3.693.507	2.825.466
Other guarantees	1.306.244	956.523
Total	9.133.782	7.793.297

b.2. Certain guarantees, tentative guarantees, surety ships and similar transactions:

	Current period	Prior period
Letters of certain guarantees	14.770.283	14.917.475
Letters of advance guarantees	4.269.905	3.430.728
Letters of tentative guarantees	738.388	512.981
Letters of guarantee given to customs offices	1.327.250	887.159
Other letters of guarantee	28.295.040	20.219.188
Total	49.400.866	39.967.531

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	2.855.170	1.920.169
<i>Within one year or less original maturity</i>	562.688	287.627
<i>Within more than one year maturity</i>	2.292.482	1.632.542
Other non-cash loans	55.679.478	45.840.659
Total	58.534.648	47.760.828

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

d.1. Sectoral risk concentration of non-cash loans

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	37.475	0,13	56.930	0,19	40.378	0,19	24.305	0,09
<i>Farming and Stockbreeding</i>	30.793	0,11	10.470	0,04	36.311	0,17	21.895	0,08
<i>Forestry</i>	183	-	-	-	199	-	-	-
<i>Fishery</i>	6.499	0,02	46.460	0,15	3.868	0,02	2.410	0,01
Manufacturing	7.184.357	25,46	13.971.045	46,09	5.006.181	23,76	13.979.682	52,38
<i>Mining and Quarrying</i>	113.424	0,40	39.814	0,13	140.712	0,67	65.239	0,24
<i>Production</i>	4.043.858	14,33	13.611.441	44,91	3.113.471	14,78	11.876.525	44,50
<i>Electricity, Gas and Water</i>	3.027.075	10,73	319.790	1,05	1.751.998	8,31	2.037.918	7,64
Construction	8.039.874	28,49	8.595.348	28,36	6.112.235	29,00	6.933.713	25,98
Services	12.641.942	44,79	7.539.584	24,87	9.750.786	46,27	5.454.428	20,44
<i>Wholesale and Retail Trade</i>	6.465.350	22,90	2.798.868	9,23	4.837.193	22,95	2.258.453	8,46
<i>Accommodation and Dining</i>	82.979	0,29	813.784	2,68	83.860	0,40	176.383	0,66
<i>Transportation and Telecom.</i>	306.795	1,09	1.693.266	5,59	186.011	0,88	475.790	1,78
<i>Financial Institutions</i>	3.340.475	11,84	356.521	1,18	3.288.213	15,61	640.160	2,40
<i>Real Estate and Rental Services</i>	2.155.546	7,64	1.789.761	5,90	1.187.469	5,63	1.834.359	6,88
<i>Professional Services</i>	20.133	0,07	839	-	17.781	0,08	370	-
<i>Educational Services</i>	89.042	0,32	48.158	0,16	26.483	0,13	44.557	0,17
<i>Health and Social Services</i>	181.622	0,64	38.387	0,13	123.776	0,59	24.356	0,09
Other	318.327	1,13	149.766	0,49	164.040	0,78	295.080	1,11
Total	28.221.975	100,00	30.312.673	100,00	21.073.620	100,00	26.687.208	100,00

d.2. Non-cash loans classified under I. and II. Group

	Group I		Group II	
	TRY	FC	TRY	FC
Non-Cash Loans	28.078.372	30.275.942	143.603	36.731
Letters of Guarantee	26.872.204	22.348.328	143.603	36.731
Bills of Exchange and Bank Acceptances	16.829	3.676.678	-	-
Letters of Credit	47.204	4.086.827	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	1.142.135	164.109	-	-



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

e) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading Derivatives		Derivative Financial Instruments held for Risk Management	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign Currency related Derivative Transactions (I):	17.223.111	13.008.595	-	-
Currency Forwards-Purchases/Sales	9.087.334	7.004.980	-	-
Currency Swaps-Purchases/Sales	6.255.356	5.323.362	-	-
Currency Futures-Purchases/Sales	-	-	-	-
Currency Options-Purchases/Sales	1.880.421	680.253	-	-
Interest Rate related Derivative Transactions (II)	10.886.762	9.744.530	-	-
Interest Rate Contracts	-	-	-	-
Interest Rate Swaps-Purchases/Sales	10.886.762	9.744.530	-	-
Interest Rate Options-Purchases/Sales	-	-	-	-
Interest Rate Futures-Purchases/Sales	-	-	-	-
Other Trading Derivatives (III) (1)	2.730.418	2.181.689	-	-
A. Total Trading Derivatives (I+II+III)	30.840.291	24.934.814	-	-
Derivative Financial Instruments held for Risk Management	-	-	-	-
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total Derivative Financial Instruments held for Risk Management	-	-	-	-
Total Derivative Transactions (A+B)	30.840.291	24.934.814	-	-

⁽¹⁾ Other trading derivatives consist of forward buying and selling precious contracts amounting to TRY 24.982 and TRY 2.705.436, respectively.

f) Information on contingent liabilities and assets:

Bank's commitments for the cheques given to customers are TRY 3.269.281 (31 December 2016: TRY 5.805.008).

g) Services provided on behalf of others:

None.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

IV. EXPLANATION AND NOTES RELATED TO THE INCOME STATEMENT

(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	4.464.719	195.196	3.769.433	175.855
Medium and long term loans	11.058.972	3.107.562	8.020.712	2.220.344
Interest on non-performing loans	133.052	-	69.789	-
Premiums from resource utilization support fund	-	-	-	-
Total	15.656.743	3.302.758	11.859.934	2.396.199

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
CBRT	99.640	83.263	69.911	13.189
Domestic banks	10.423	12.557	710	1.329
Overseas banks	8.409	12.801	4.071	3.420
Head office and branches	-	-	-	-
Total	118.472	108.621	74.692	17.938

c) Interest income on marketable securities:

	Current period		Prior period	
	TRY	FC	TRY	FC
Financial assets held for trading	1.085	29	4.583	647
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	1.258.256	283.684	828.538	227.449
Held-to-maturity investments	2.024.544	135.374	1.363.360	113.933
Total	3.283.885	419.087	2.196.481	342.029

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	48.427	61.477



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	31.533	334.911	38.597	316.195
Central Bank of Turkey	-	279	-	-
Domestic Banks	18.905	25.475	19.375	21.234
Foreign Banks	12.628	309.157	19.222	294.961
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	12	14.347	13	15.047
Total	31.545	349.258	38.610	331.242

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	283.664	151.883

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	323.500	466.409	162.840	419.627
Total	323.500	466.409	162.840	419.627

d) Maturity structure of interest expenses on deposits:

Account name	Demand deposits	Time deposits					Cumulative deposit	Total
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY								
Bank deposits	318	336.521	309.222	914	558	-	-	647.533
Saving deposits	6	74.481	3.997.373	150.964	45.425	45.682	8.751	4.322.682
Public deposits	47	178.874	298.891	66.829	392.510	4.394	-	941.545
Commercial deposits	25	421.898	2.110.101	289.797	254.904	15.738	-	3.092.463
Other deposits	-	62.220	371.336	78.037	52.286	8.526	-	572.405
7 days call accounts	-	-	-	-	-	-	-	-
Total	396	1.073.994	7.086.923	586.541	745.683	74.340	8.751	9.576.628
Foreign currency								
Deposits	35	76.364	1.168.847	212.135	51.765	64.247	-	1.573.393
Bank deposits	-	189.623	-	-	-	-	-	189.623
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	153	-	-	-	-	-	-	153
Total	188	265.987	1.168.847	212.135	51.765	64.247	-	1.763.169
Grand total	584	1.339.981	8.255.770	798.676	797.448	138.587	8.751	11.339.797

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(3) Information on dividend income:

	Current Period	Prior Period
Financial Assets Held for Trading	-	-
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	3.823	30.448
Other	263.391	236.825
Total	267.214	267.273

(4) a) Information on trading profit/loss (Net):

	Current period	Prior period
Profit	44.119.579	14.574.983
Profit from the capital market operations	46.601	20.381
Profit on derivative financial instruments	1.809.805	1.695.430
Foreign exchange gains	42.263.173	12.859.172
Loss (-)	44.083.710	14.425.237
Loss from the capital market operations	13.481	1.144
Loss on derivative financial instruments	2.008.527	1.678.806
Foreign exchange losses	42.061.702	12.745.287

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	1.809.805	1.695.430
Effect of the change in foreign exchange on profit	1.753.710	1.645.017
Effect of the change in interest rate on profit	56.095	50.413
Loss on derivative financial instruments (-)	2.008.527	1.678.806
Effect of the change in foreign exchange on loss	1.959.558	1.629.541
Effect of the change in interest rate on loss	48.969	49.265
Profit/loss on derivative financial instruments	(198.722)	16.624

(5) Information on other operating income:

	Current period	Prior period
Adjustments for prior period expenses	416.559	374.069
Receivable from the asset sale on credit terms	104.526	130.104
Rent income	34.678	33.203
Other income	44.872	35.741
Total	600.635	573.117



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	1.120.888	1.133.276
<i>Group - III loans and receivables</i>	367.422	521.149
<i>Group - IV loans and receivables</i>	528.320	310.043
<i>Group - V loans and receivables</i>	225.146	302.084
General loan provision expenses	260.737	904.401
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	87.702	68.646
Total	1.469.327	2.106.323

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	1.982.248	1.762.643
Reserve for employee termination benefits	95.011	82.341
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	410	4.713
Depreciation expenses of fixed assets	101.501	98.502
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	40.932	30.223
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	-	4.319
Amortization expenses of assets that will be disposed of	13.437	13.372
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	2.183.963	1.246.068
<i>Operational leasing expenses</i>	236.894	208.118
<i>Maintenance expenses</i>	40.534	25.883
<i>Advertisement expenses</i>	219.991	160.145
<i>Other expenses</i>	1.686.544	851.922
Loss on sales of assets	363	1.330
Other	134.853	620.818
Total	4.552.718	3.864.329

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 7.800.601 of net interest income and TRY 2.027.308 of net fees and commissions. The net operating profit before tax of the Bank is amounting to TRY 4.709.582.

(9) Information on tax provisions for continuing and discontinued operations:

As of 31 December 2017, the Bank's tax provision amounting to TRY 984.120 consists of TRY 749.669 of current tax charge and TRY 234.451 of deferred tax charge.

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

As of 31 December 2017, the Bank's net operating income after tax is amounting to TRY 3.725.462.

(11) Information on net profit/loss from continuing and discontinued operations:

a) Income and expenses from ordinary banking operations:

None.

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

There is no issue to be disclosed.

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was previously recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

(1) Disclosures for the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement:

The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 17.632.659 increase for the year 2017 (31 December 2016: TRY 10.563.369).

"Other" item in operating profit is composed of other operating expenses excluding fees and commissions expense, foreign exchange gain, other operating income and personnel expenses and decrease by TRY 4.891.271 for the year 2017 (31 December 2016: TRY 5.256.034 decrease).

For the year ended 31 December 2017, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 908.274 increase (31 December 2016: TRY 1.403.627 increase). The average exchange rates of last five weekdays were taken into consideration as of the balance sheet date when calculating the effect of change in the exchange rates.

(2) Items used in determination of cash and cash equivalents: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

(3) The effect of any change in accounting policies: None.

(4) Cash and cash equivalents balance at the beginning of the period:

	Current period	Prior period
Cash	29.999.160	23.324.971
Cash in TRY and foreign currency	1.476.798	1.210.055
Central Bank and others ⁽¹⁾	28.522.362	22.114.916
Cash equivalents	1.644.687	2.513.285
Demand and Time Deposits Up to 3 Months	1.644.687	2.513.285
Money Market Placements	-	-
Cash and Banks	31.643.847	25.838.256
Reserve deposits in Central Bank of Turkey	(17.217.278)	(16.942.148)
Accruals on reserve deposits in Central Bank of Turkey	(36.875)	(21.203)
Accruals on banks	(901)	(290)
Rediscount from the money market	-	-
Total Cash and Cash Equivalents	14.388.793	8.874.615

⁽¹⁾ Others items include cheques received.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

(5) Cash and cash equivalents balance at the end of the period:

	Current Period	Prior Period
Cash	36.373.039	29.999.160
Cash in TRY and foreign currency	2.119.116	1.476.798
Central Bank and others(1)	34.253.923	28.522.362
Cash Equivalents	7.348.489	1.644.687
Demand and Time Deposits Up to 3 Months	6.089.842	1.644.687
Money Market Placements	1.258.647	-
Cash and Banks	43.721.528	31.643.847
Reserve deposits in Central Bank of Turkey	(16.506.119)	(17.217.278)
Accruals on reserve deposits in Central Bank of Turkey	(89.784)	(36.875)
Accruals on banks	(1.092)	(901)
Rediscount from the money market	(2.669)	-
Total Cash and Cash Equivalents	27.121.864	14.388.793

⁽¹⁾ Others items include cheques received.**VII. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK**

(1) Volume of the 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) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	1.078.414	219.823	-	-	-	-
Closing balance	967.161	234.553	-	-	-	-
Interest and commissions income	48.427	631	-	-	-	-
Prior period:						

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	1.040.418	198.346	-	-	-	-
Closing balance	1.078.414	219.823	-	-	-	-
Interest and commissions income	61.477	765	-	-	-	-



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

b) Deposits held by the 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	1.733.533	1.019.114	-	-	-	-
Closing Balance	2.857.226	1.733.533	-	-	-	-
Interest expense on deposits	280.677	149.272	-	-	-	-

c) Forward and option contracts and similar transactions with the 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
Financial Assets At FV Through Profit And Loss						
Beginning balance	-	20.615	-	-	-	-
Closing Balance	11.936	-	-	-	-	-
Total Profit/Loss	107	-	-	-	-	-

(2) Disclosures for risk group:

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

In the normal course of its banking activities, the Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates. In addition, the Bank is an intermediary for brokerage services of Halk Yatırım Menkul Değerler A.Ş. within scope of "Brokerage Order Contract". Bank intermediates in sales of funds, are established and managed by Halk Portföy Yönetimi A.Ş.

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:

	% Compared to the amounts in the financial statements	
	Amount	
Cash loans	967.161	0,48
Non-cash loans	234.553	0,40
Deposits	2.857.226	1,48
Forward and option contracts	11.936	0,04

Pricing of these transactions are in accordance with the general pricing policies of the Bank and are in line with market rates.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:

Explained in b).

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 8.894 as of 31 December 2017 (31 December 2016: TRY 8.790).

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

(1) Explanations on the Bank's domestic branches, agencies/branches abroad and off-shore branches:

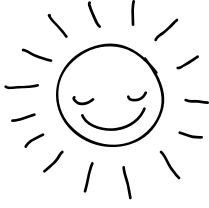
	Quantity	Number of Employess	Countries		
Domestic Branches	963	17.788			
Abroad Agencies	3	4	Teheran/IRAN London/ENGLAND Singapore/ SINGAPORE		
Overseas Branches	5	28	Nicosia/TRNC Gazimagosa/TRNC Kyrenia/ TRNC Paşakoy/ TRNC Gonyeli/ TRNC	Total Assets	Capital Legal
				634.479	-
				113.735	-
				102.402	-
				145	-
				294.476	-
Off-shore Branches	1	3	Manama/BAHREYN	15.101.525	-

(2) Explanations on branch and agency openings or closings of the Bank:

The Bank opened 4 domestic and 1 overseas branch during the year 2017.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION VI: OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON BANK'S OTHER ACTIVITIES

One of the Bank's directors has been convicted for some of the charges in the first phase of the trial by the jury in the United States of America (the USA) of the violation of the USA sanctions involving Iran. The subsequent legal process is not yet completed but ongoing for the defendant director of the Bank such as appeal and other legal rights following the first phase of the trial.

The Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Bank.

The Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and Money transfers are open and transparent, and easily be monitored by authorities. The Bank will continue to adopt the same policies of transparency and compliance with international regulations.

The Bank placed a high importance on this matter and established a separate "Compliance Department". The Bank is receiving advisory services from an international expert firm in forming effectiveness of this department's policies and control procedures and processes.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

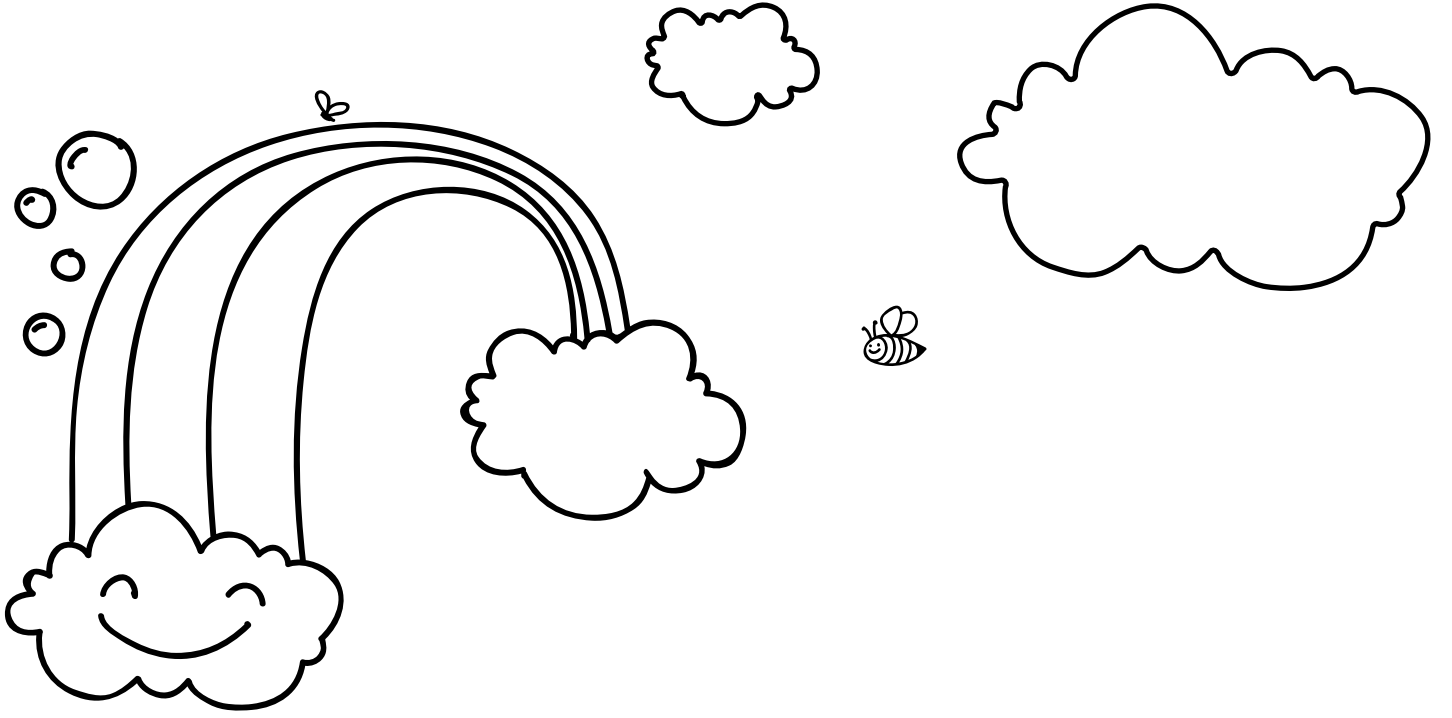
SECTION VII: AUDITORS' REPORT

I. EXPLANATIONS ON THE AUDITORS' REPORT

The unconsolidated financial statements as of and for the year ended 31 December 2017 were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and Auditors' Report dated 14 February 2018 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE AUDITORS

None.



**TÜRKİYE HALK BANKASI
ANONİM ŞİRKETİ**

**CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2017
WITH AUDITORS' REPORT THEREON**

(CONVENIENCE TRANSLATION OF CONSOLIDATED FINANCIAL STATEMENTS AND
RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)

Deloitte.

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

To the Board of Directors of Türkiye Halk Bankası A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Türkiye Halk Bankası A.Ş. ("the Bank") and its consolidated subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated statement of income, consolidated statement of income and expense items accounted for under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards ("TAS") for the matters not legislated by the aforementioned regulations.

2) Basis for Opinion

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

3) Emphasis of Matter

As detailed in Section 6 Note 1, one of the Bank's former directors has been convicted for some of the charges in the first phase of the trial by the jury in the United States of America ("USA") of the violation of the USA sanctions involving Iran. The subsequent legal process is not yet completed but ongoing for the defendant director of the Bank such as appeal and other legal rights following the first phase of the trial.

The Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Bank. The Bank is also closely following this trial by hiring external legal counsel resident in the USA.

Separate from this trial, there is an uncertainty of any negative decisions by the USA authorities against the Bank affecting its financial position, if any. The Bank's management indicated that there are no enforcement or other actions against the Bank at this stage. No provision has been made in the accompanying financial statements related to this matter. Our opinion is not modified in respect of this matter.



4) Key Audit Matters

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

Key Audit Matter

Classification and impairment of loans and receivables

Impairment of loans and receivables to customer is a key area of judgement for the management. The Group has the total loans and receivables amounting to TRY 210.438.676 thousands, which comprise 67% of the Group's total assets in its consolidated financial statements and the total provision for impairment amounting to TRY 4.886.081 as at 31 December 2017.

There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of the BRSA Accounting and Financial Reporting Legislation. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment loans and receivables is considered as a key audit matter.

Related explanations relating to the impairment of loans and receivables are presented in Section 5 Note I.5.

How the matter was addressed in the audit

As part of our audit work, the following procedures were performed:

- We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Group with respect to classification of loans and receivables and determination and calculation of impairments.
- We have performed loan review procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation.
- We have selected samples and tested whether collaterals were taken into consideration in specific provisioning calculations with market values multiplied with specified valuation ratios and were adequately classified to correct collateral group as specified in the respective legislation.
- We have mathematically tested the appropriateness of specific provision calculations made for non-performing loans in line with the relevant legislation.
- For the portfolio of loans subject to the general provision, we have examined the appropriateness of the general provisions established in line with the BRSA regulations and other pronouncements made by the BRSA.
- Based on our discussions with the Group management, we evaluated whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.



Key Audit Matter

Valuation of Pension Fund Obligations

Defined benefit pension plan that the Parent Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı and T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı ("Plan") which were established by the 20th provisional article of the Social Security Law numbered 506 ("Law").

As disclosed in the Section III note XIX to the consolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds' members will cover the non-transferable social rights and pension benefits provided under the Plan.

As of 31 December 2017, 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.

As described in Section V note II.9.f considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this a key audit matter.

How the matter was addressed in the audit

Our audit work included the following procedures:

- 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.
- It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.
- In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank's actuary.
- We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable



Key Audit Matter

Information Technologies Audit

The Group and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Group and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Group means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.

How the matter was addressed in the audit

Procedures within the context of our information technology audit work:

- We identified and tested the Group' controls over information systems as part of our audit procedures.
- 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:
 - Manage security
 - Manage changes
 - Manage operations
- 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.
- We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.
- Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation.
- 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.
- Finally, we understood and tested the controls over database, network, application and operating system layers of applications.



5) Other Matters

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on 13 February 2017.

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

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

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

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

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

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

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

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

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



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("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 2017 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

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

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

Additional Paragraph for English Translation

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

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

Hasan Kılıç
Partner

İstanbul, 14 February 2018

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017

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: www.halkbank.com.tr
E-mail: halkbank.ir@halkbank.com.tr

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

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

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

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

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 December 2017 are prepared in thousand Turkish Lira and they have been audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Istanbul, 14 February 2018

R. Süleyman Özdil
Chairman

Sadık Tiltak
Vice Chairman,
Chairman of the Audit
Committee

Yahya Bayraktar
Board Member, Member
of the Audit Committee

Osman Arslan
Board Member,
General Manager

Yusuf Duran Ocak
Financial Management
and Planning Deputy
General Manager

Osman Bektaş
Financial Accounting
Department Head

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

Name/Title : Turgay Ayık/Director
Tel : 0216 503 52 09
Fax : 0212 340 09 90



	Page No
SECTION ONE	
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	272
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	272
III. Explanations Regarding the Parent Bank's Chairman and Board Members, Audit Committee Members, General Manager and Deputy General Managers and Their Shares Attributable to the Parent Bank, if any	273
IV. Explanations Regarding the Persons and Institutions That Have Qualified Shares Attributable to the Parent Bank	274
V. Brief Information on the Parent Bank's Functions and Lines of Activity	274
VI. Explanation About Companies Within The Scope Of Consolidation	275
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	276
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	276
SECTION TWO	
Consolidated Financial Statements	
I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)	278
II. Consolidated Statement of Off-Balance Sheet Items	280
III. Consolidated Statement of Income	281
IV. Consolidated Statement of Income and Expense Items Accounted under Shareholders' Equity	282
V. Consolidated Statement of Changes in Shareholders' Equity	283
VI. Consolidated Statement of Cash Flows	284
VII. Consolidated Statement of Profit Distribution	285
SECTION THREE	
Explanations on Consolidated Accounting Policies	
I. Explanations on Basis of Presentation	286
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	287
III. Information About the Consolidated Associates and Subsidiaries	288
IV. Explanations on Futures and Option Contracts and Derivative Instruments	290
V. Explanations on Interest Income and Expenses	290
VI. Explanations on Fee and Commission Income and Expenses	291
VII. Explanations on Financial Assets	291
VIII. Explanations on Impairment of Financial Assets	293
IX. Explanations on Offsetting Financial Instruments	294
X. Explanations on Sales and Repurchase Agreements and Transactions on Securities Loaned	294
XI. Explanations on Assets Held For Sale, Assets of Discontinued Operations and Related Liabilities	294
XII. Explanations on Goodwill and Other Intangible Assets	294
XIII. Explanations on Property, Plant and Equipment	295
XIV. Explanations on Investment Properties	296
XV. Explanations on Leasing Transactions	296
XVI. Explanations on Insurance Technical Income and Expense	296
XVII. Explanations on Insurance Technical Provisions	296
XVIII. Explanations on Provisions and Contingent Liabilities	297
XIX. Explanations on Employee Benefit Liabilities	298
XX. Explanations on Taxation	299
XXI. Additional Explanations on Borrowings	301
XXII. Explanations on Shares Issued	302
XXIII. Explanations on Bill Guarantees and Acceptances	302
XXIV. Explanations on Government Incentives	302
XXV. Explanations on Segment Reporting	302
XXVI. Explanations on Other Matters	302
SECTION FOUR	
Information Related to Financial Position and Risk Management of the Group	
I. Explanations on Capital	303
II. Explanations on Consolidated Credit Risk	310
III. Explanations on Consolidated Currency Risk	321
IV. Explanations on Consolidated Interest Rate Risk	323
V. Explanations on Consolidated Position Risk of Shares	327
VI. Explanations on Consolidated Liquidity Risk Management and Liquidity Coverage Ratio	327
VII. Explanations on Consolidated Leverage Ratio	333
VIII. Explanations on Consolidated Business Segmentation	334
IX. Explanations on Presentation of Financial Assets and Liabilities at Fair Value	338
X. Explanations Related To Transactions Made on Behalf of Others and Transactions Based on Trust	340
XI. Explanations on Risk Management and Risk Weighted Amounts	341
XII. Explanations on Remuneration Policies	353
SECTION FIVE	
Explanation and Notes Related to the Consolidated Financial Statements	
I. Explanation and Notes Related to the Consolidated Assets	355
II. Explanation and Notes Related to the Consolidated Liabilities	377
III. Explanation and Notes Related to the Consolidated Off-Balance Sheet Items	388
IV. Explanation and Notes Related to the Consolidated Income Statement	391
V. Explanations and Notes Related to the Statement of Changes in Shareholders' Equity	395
VI. Explanations and Notes Related to the Cash Flow Statements	395
VII. Explanations Related to the Risk Group of the Parent Bank	397
VIII. Explanations on The Bank's Domestic Branches, Agencies/Branches Abroad and Off-Shore Branches	399
IX. Explanation and Notes Related to the Subsequent Events	399
SECTION SIX	
Other Explanations and Notes	
I. Other Explanations on the Parent Bank's Other Activities	400
SECTION SEVEN	
Independent Auditors' Report	
I. Explanations on the Independent Auditor's Report	400
II. Explanations and Notes Prepared by the Independent Auditors	400

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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") was established in Turkey in accordance with the law no: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

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

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

As of 31 December 2017 the shareholders' structure and their respective ownerships are summarized as follows:

Shareholders	31 December 2017	% 31 December 2017	31 December 2016	%
Türkiye Varlık Fonu ^(1,2)	638.276	51,06	-	-
Prime Ministry Privatization Administration	-	-	638.276	51,06
Public shares ⁽²⁾	611.640	48,93	611.639	48,93
Other shareholders ⁽³⁾	84	0,01	85	0,01
Total	1.250.000	100,00	1.250.000	100,000

⁽¹⁾ The shares belonging to the T.C. Prime Ministry Privatization Administration were transferred to the Türkiye Varlık Fonu on 10 March 2017 pursuant to the Decree of the Higher Council for Privatization No. 2017/1 dated 3 February 2017.

⁽²⁾ The shares of the Türkiye Varlık Fonu amounting to TRY 550 have been included in Public shares. With these shares, the total shares amounting TRY 638.826 held by the Türkiye Varlık Fonu is 51,11% of the total shares.

⁽³⁾ TRY 82 of the shares included in the "Other Shareholders" group belong to shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized in their own accounts) while TRY 2 of which belong to shareholders whose shares are monitored under the shares not registered under the custody of the Central Securities Depository of Turkey due to the ongoing legal action.

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

III. EXPLANATIONS REGARDING THE PARENT BANK'S CHAIRMAN AND BOARD MEMBERS, AUDIT COMMITTEE MEMBERS, GENERAL MANAGER AND DEPUTY GENERAL MANAGERS AND THEIR SHARES ATTRIBUTABLE TO THE BANK, IF ANY ⁽¹⁾

Name	Title
R. Süleyman ÖZDİL	Chairman
Sadık TILTAK	Vice Chairman, Independent Board Member, Chairman of the Audit Committee
Osman ARSLAN	Board Member, General Manager
Yunus KARAN	Board Member
Cenap AŞÇI	Board Member
Yahya BAYRAKTAR	Independent Board Member, Member of the Audit Committee
Mehmet Nihat ÖMEROĞLU	Independent Board Member
Maksut SERİM	Board Member
Meltem TAYLAN AYDIN	Board Member
Faruk ÖZÇELİK	Member of the Supervisory Board
Yılmaz ÇOLAK	Member of the Supervisory Board
Selahattin SÜLEYMANOĞLU	Deputy General Manager, Human Resources and Support Management
Mehmet Akif AYDEMİR	Deputy General Manager, Loan Allocation and Management
Mehmet Sebahattin BULUT	Deputy General Manager, Loan Policies, Monitoring, and Legal Proceedings
Levend TORUSDAĞ	Deputy General Manager, SME and Artisans Banking
Ergin KAYA	Deputy General Manager, Banking Operations and Information Technologies
Hakan ERYILMAZ	Deputy General Manager, Treasury Management and International Banking
Mustafa ÇÖDEK	Deputy General Manager, Retail Banking
Yusuf Duran OCAK	Deputy General Manager, Financial Management and Planning
Hasan TUNCAY	Deputy General Manager, Corporate and Commercial Marketing
Metin KÖSTEK	Deputy General Manager, Internal Systems

⁽¹⁾ 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 2017 are listed with titles and dates of assignment.

Name	Title	Assigned Date
Osman ARSLAN	Member of the Board of Directors, General Manager	8 June 2017
Mehmet Nihat ÖMEROĞLU	Board Member	8 June 2017
Maksut SERİM	Board Member	8 June 2017
Meltem TAYLAN AYDIN	Board Member	8 June 2017
Yılmaz ÇOLAK	Member of the Audit Committee	8 June 2017
Levend TORUSDAĞ	Deputy General Manager	4 August 2017
Ergin KAYA	Deputy General Manager	4 August 2017
Hakan ERYILMAZ	Deputy General Manager	4 August 2017
Mustafa ÇÖDEK	Deputy General Manager	4 August 2017
Yusuf Duran OCAK	Deputy General Manager	4 August 2017
Hasan TUNCAY	Deputy General Manager	4 August 2017
Metin KÖSTEK	Deputy General Manager	4 August 2017

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

b) The professionals from the Bank's top management who have left their position in 2017 are listed with titles and dates of leaving.

Name	Title	Date of Leaving
Mehmet Ali GÖKCE	Board Member	23 January 2017
Ali Fuat TAŞKESENLIOĞLU	Board Member, General Manager	8 June 2017
Ömer AÇIKGÖZ	Board Member	8 June 2017
Mehmet AYTEKİN	Board Member	8 June 2017
Zekeriya KAYA	Member of the Audit Committee	8 June 2017
Erdal ERDEM	Deputy General Manager	21 July 2017
Salim KÖSE	Deputy General Manager	21 July 2017
Ömer Faruk ŞENEL	Deputy General Manager	21 July 2017
Mustafa AYDIN	Deputy General Manager	21 July 2017
Murat OKTAY	Deputy General Manager	21 July 2017
Hasan ÜNAL	Deputy General Manager	21 July 2017

IV. EXPLANATIONS REGARDING 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 was established in Turkey in accordance with the Law No: 2284 in 1933 and began its operations in 1938 and still continues its activities as a public commercial bank.

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

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the 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. The first phase of the privatization process of the Parent Bank corresponding to 24,98% was completed in the first week of May 2007 and Halkbank shares were started to trade on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decision of the Higher Council of Privatization numbered 2012/150 dated 4 October 2012; 23,92% of the public shares held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

d) Under Law No: 25539 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 Parent Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler Limited Partnership and more than 500 shareholders. Pamukbank started its private banking operations as an incorporation in accordance with the decision of the Council of Ministers numbered 4/4573 dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 dated 19 June 2002 including 3rd and 4th Sub-articles in the Article 14 of the Banking Law No: 4389, the shareholders rights, excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

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

As of 31 December 2017, the Parent Bank operates with a total of 969 branches consisting of 963 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 29 satellite branches. The Parent Bank has also 3 representative offices that are 1 in England, 1 in Singapore and 1 in Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

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

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

The Parent Bank's associates;

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

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

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

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 3226.

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.

Halk Portföy Yönetimi AŞ ("Halk Portföy"), a subsidiary of the Parent Bank established in 2011, was registered on 30 June 2011. Halk Portföy's main line of business is to provide portfolio and fund management services.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

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

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

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".

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

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

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

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

There is no investment in shares of banks and financial institutions, with shareholding of 10% or more than 10% and deducted from capital.

Kredi Kayıt Bürosu AŞ and Bankalararası Kart Merkezi AŞ are not consolidated in the consolidated financial statements because the other banks' shares are equal and thus, the Parent Bank has no control.

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 A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(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 Income
- IV. Consolidated Statement of Income and Expense Items Accounted under Shareholders' Equity
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows
- VII. Consolidated Statement of Profit Distribution

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017

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

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

	Note	Audited Current period			Audited Prior period		
		31 December 2017			31 December 2016		
		TRY	FC	Total	TRY	FC	Total
ASSETS							
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	12.917.490	23.763.887	36.681.377	3.534.389	26.677.577	30.211.966
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	10.120.010	363.498	10.483.508	88.251	360.675	448.926
2.1 Trading financial assets		10.120.010	363.498	10.483.508	88.251	360.675	448.926
2.1.1 Public sector debt securities		10.095.327	-	10.095.327	65.538	-	65.538
2.1.2 Share certificates		354	886	1.240	2.413	682	3.095
2.1.3 Financial assets held for trading		118	362.398	362.516	4	359.807	359.811
2.1.4 Other marketable securities		24.211	214	24.425	20.296	186	20.482
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. BANKS	(3)	677.360	5.635.807	6.313.167	362.526	1.602.324	1.964.850
IV. MONEY MARKET PLACEMENTS		1.288.168	-	1.288.168	1.072.397	-	1.072.397
4.1 Interbank money market placements		1.258.647	-	1.258.647	-	-	-
4.2 Istanbul Stock Exchange Money Market placements		29.211	-	29.211	1.067.712	-	1.067.712
4.3 Receivables from reverse repurchase agreements		310	-	310	4.685	-	4.685
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	11.599.564	6.099.614	17.699.178	10.915.994	4.565.225	15.481.219
5.1 Share certificates		24.561	54.538	79.099	23.682	36.149	59.831
5.2 Public sector debt securities		11.575.003	6.045.076	17.620.079	10.890.372	4.529.076	15.419.448
5.3 Other marketable securities		-	-	-	1.940	-	1.940
VI. LOANS AND RECEIVABLES	(5)	139.626.734	65.925.861	205.552.595	103.252.263	56.070.896	159.323.159
6.1 Loans and receivables		138.299.409	65.842.861	204.142.270	102.076.226	55.981.809	158.058.035
6.1.1 Loans extended to risk group of the Bank		-	-	-	-	-	-
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		138.299.409	65.842.861	204.142.270	102.076.226	55.981.809	158.058.035
6.2 Loans under follow-up		6.106.597	189.809	6.296.406	5.140.082	180.430	5.320.512
6.3 Specific provisions (-)		4.779.272	106.809	4.886.081	3.964.045	91.343	4.055.388
VII. FACTORING RECEIVABLES		1.051.939	159.993	1.211.932	849.637	284.891	1.134.528
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	19.304.493	2.682.606	21.987.099	15.875.022	2.469.604	18.344.626
8.1 Public sector debt securities		19.261.098	2.682.606	21.943.704	15.841.619	2.469.604	18.311.223
8.2 Other marketable securities		43.395	-	43.395	33.403	-	33.403
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	22.590	330.548	353.138	22.393	270.028	292.421
9.1 Accounted under equity method		16.270	330.548	346.818	16.073	270.028	286.101
9.2 Unconsolidated associates		6.320	-	6.320	6.320	-	6.320
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		6.320	-	6.320	6.320	-	6.320
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	52.178	-	52.178	41.243	-	41.243
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		52.178	-	52.178	41.243	-	41.243
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1 Accounted under equity method		-	-	-	-	-	-
11.2 Unconsolidated joint ventures		-	-	-	-	-	-
11.2.1 Financial joint ventures		-	-	-	-	-	-
11.2.2 Non-financial joint ventures		-	-	-	-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	626.642	2.044.611	2.671.253	365.336	1.945.994	2.311.330
12.1 Finance lease receivables		788.528	2.378.704	3.167.232	459.604	2.258.623	2.718.227
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		161.886	334.093	495.979	94.268	312.629	406.897
XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-	-	-	-
13.1 Fair value risk hedging		-	-	-	-	-	-
13.2 Cash flow risk hedging		-	-	-	-	-	-
13.3 Net foreign investment risk hedging		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	3.658.962	92.638	3.751.600	3.192.451	74.533	3.266.984
XV. INTANGIBLE ASSETS (Net)	(13)	120.393	22.702	143.095	95.056	20.173	115.229
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		120.393	22.702	143.095	95.056	20.173	115.229
XVI. INVESTMENT PROPERTIES (Net)	(14)	905.720	4.658	910.378	860.521	3.595	864.116
XVII. TAX ASSET	(15)	87.747	6.296	94.043	97.750	1.775	99.525
17.1 Current tax asset		2.841	4.021	6.862	-	-	-
17.2 Deferred tax asset		84.906	2.275	87.181	97.750	1.775	99.525
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	790	-	790	1.537	-	1.537
18.1 Held for sale purpose		790	-	790	1.537	-	1.537
18.2 Held from discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	2.630.828	395.429	3.026.257	2.203.011	549.200	2.752.211
TOTAL ASSETS		204.691.608	107.528.148	312.219.756	142.829.777	94.896.490	237.726.267

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



TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET AS

OF 31 DECEMBER 2017

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

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Audited				Audited	
		Current period		Prior period		31 December 2016	
		31 December 2017	FC	Total	TRY	FC	Total
I. DEPOSITS	(1)	116.559.965	76.710.656	193.270.621	86.549.173	63.849.704	150.398.877
1.1 Deposits Held by the Risk Group of the Bank		21.534	8	21.542	8.771	-	8.771
1.2 Other		116.538.431	76.710.648	193.249.079	86.540.402	63.849.704	150.390.106
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	146	150.527	150.673	59	224.534	224.593
III. FUNDS BORROWED	(3)	1.436.861	18.621.623	20.058.484	1.171.764	20.417.347	21.589.111
IV. MONEY MARKET BALANCES		29.615.560	5.387.762	35.003.322	17.648.265	1.373.871	19.022.136
4.1 Interbank money market borrowings		29.030.813	1.247.014	30.277.827	7.003.306	-	7.003.306
4.2 Istanbul Stock Exchange Takasbank borrowings		377.295	-	377.295	1.174.218	-	1.174.218
4.3 Funds from repurchase agreements		207.452	4.140.748	4.348.200	9.470.741	1.373.871	10.844.612
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	3.381.225	8.640.905	12.022.130	2.067.703	10.684.708	12.752.411
5.1 Treasury bills		3.280.789	-	3.280.789	2.067.703	-	2.067.703
5.2 Asset-backed securities		100.436	-	100.436	-	-	-
5.3 Bonds		-	8.640.905	8.640.905	-	10.684.708	10.684.708
VI. FUNDS	(5)	2.724.634	-	2.724.634	2.339.808	-	2.339.808
6.1 Borrower Funds		860	-	860	36.600	-	36.600
6.2 Other		2.723.774	-	2.723.774	2.303.208	-	2.303.208
VII. SUNDRY CREDITORS		3.678.813	179.545	3.858.358	2.743.078	123.544	2.866.622
VIII. OTHER LIABILITIES	(6)	11.476.631	526.985	12.003.616	1.503.590	439.963	1.943.553
IX. FACTORING PAYABLES		2.307	755	3.062	383	205	588
X. FINANCE LEASE PAYABLES	(7)	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-	-	-	-
11.1 Fair value risk hedging		-	-	-	-	-	-
11.2 Cash flow risk hedging		-	-	-	-	-	-
11.3 Net foreign investment risk hedging		-	-	-	-	-	-
XII. PROVISIONS	(9)	5.299.348	40.741	5.340.089	4.485.747	87.352	4.573.099
12.1 General loan provisions		2.288.701	28.456	2.317.157	2.027.964	21.172	2.049.136
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		854.242	6.198	860.440	728.172	3.287	731.459
12.4 Insurance technical reserves (Net)		1.810.804	-	1.810.804	1.400.148	-	1.400.148
12.5 Other provisions		345.601	6.087	351.688	329.463	62.893	392.356
XIII. TAX LIABILITY	(10)	1.244.449	7.244	1.251.693	639.422	6.527	645.949
13.1 Current tax liability		672.431	5.092	677.523	352.600	4.375	356.975
13.2 Deferred tax liability		572.018	2.152	574.170	286.822	2.152	288.974
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Held from discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED CAPITAL	(12)	1.004.385	-	1.004.385	-	-	-
XVI. SHAREHOLDERS' EQUITY	(13)	25.378.161	150.528	25.528.689	21.541.471	(171.951)	21.369.520
16.1 Paid-in capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
16.2 Capital reserves		3.088.739	(240.647)	2.848.092	2.959.599	(427.355)	2.532.244
16.2.1 Share Premium		39.737	-	39.737	39.737	-	39.737
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities revaluation fund		(366.800)	(240.961)	(607.761)	(291.223)	(427.705)	(718.928)
16.2.4 Tangible assets revaluation reserves		2.253.371	275	2.253.646	2.106.979	299	2.107.278
16.2.5 Intangible assets revaluation reserves		-	-	-	-	-	-
16.2.6 Revaluation reserves of real estate for investment purpose		-	-	-	-	-	-
16.2.7 Bonus shares of subsidiaries, associates and joint ventures		4.723	-	4.723	4.723	-	4.723
16.2.8 Hedging Funds (effective portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other capital reserves		1.157.708	39	1.157.747	1.099.383	51	1.099.434
16.3 Profit reserves		16.900.753	180.650	17.081.403	14.562.537	111.025	14.673.562
16.3.1 Legal reserves		1.750.382	8.559	1.758.941	1.558.859	3.313	1.562.172
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		15.103.229	27.317	15.130.546	12.956.536	-	12.956.536
16.3.4 Other profit reserves		47.142	144.774	191.916	47.142	107.712	154.854
16.4 Profit/Loss		3.932.096	206.974	4.139.070	2.585.417	115.139	2.700.556
16.4.1 Prior years income/loss		(4.150)	104.981	100.831	84.650	82.299	166.949
16.4.2 Period profit/loss		3.936.246	101.993	4.038.239	2.500.767	32.840	2.533.607
16.5 Minority shares		206.573	3.551	210.124	183.918	29.240	213.158
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		201.802.485	110.417.271	312.219.756	140.690.463	97.035.804	237.726.267

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

TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

AS OF 31 DECEMBER 2017

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

OFF-BALANCE SHEET ITEMS	Note	Audited Current period 31 December 2017			Audited Prior period 31 December 2016		
		TRY	FC	Total	TRY	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		55.825.715	59.017.870	114.843.585	46.265.354	51.600.941	97.866.295
I. GUARANTEES AND SURETYSHIPS	(1)	28.091.702	30.695.956	58.787.658	20.999.538	26.878.181	47.877.719
1.1 Letters of guarantee		26.885.534	22.774.574	49.660.108	20.194.359	19.924.546	40.118.905
1.1.1 Guarantees subject to public procurement law		1.522.672	10.045.779	11.568.451	1.049.993	11.366.716	12.416.709
1.1.2 Guarantees given for foreign trade operations		-	24.183	24.183	-	16.644	16.644
1.1.3 Other letters of guarantee		25.362.862	12.704.612	38.067.474	19.144.366	8.541.186	27.685.552
1.2 Bank loans		16.829	3.676.678	3.693.507	12.876	2.812.590	2.825.466
1.2.1 Import acceptances		-	226.526	226.526	-	320.953	320.953
1.2.2 Other bank acceptances		16.829	3.450.152	3.466.981	12.876	2.491.637	2.504.513
1.3 Letters of credit		47.204	4.100.917	4.148.121	18.091	4.001.009	4.019.100
1.3.1 Documentary letters of credit		47.204	4.100.917	4.148.121	18.091	3.972.450	3.990.541
1.3.2 Other letters of credit		-	-	-	-	28.559	28.559
1.4 Guaranteed prefinancings		-	-	-	-	-	-
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		1.142.135	143.787	1.285.922	774.212	140.036	914.248
1.9 Other suretyships		-	-	-	-	-	-
II. COMMITMENTS	(1)	22.879.077	2.235.117	25.114.194	23.261.724	1.492.636	24.754.360
2.1 Irrevocable commitments		22.879.077	1.310.028	24.189.105	23.261.724	901.095	24.162.819
2.1.1 Forward asset purchase commitments		248.484	661.967	910.451	112.735	304.715	417.450
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		4.191.402	493.963	4.685.365	3.182.164	398.636	3.580.800
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for cheques		3.269.281	-	3.269.281	5.805.008	-	5.805.008
2.1.8 Tax and fund liabilities from export commitments		38.072	-	38.072	28.864	-	28.864
2.1.9 Commitments for credit card expenditure limits		11.562.109	37.787	11.599.896	10.794.813	29.260	10.824.073
2.1.10 Commitments for credit cards and banking services promotions		32.736	-	32.736	44.328	-	44.328
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		3.536.993	116.311	3.653.304	3.293.812	168.484	3.462.296
2.2 Revocable commitments		-	925.089	925.089	-	591.541	591.541
2.2.1 Revocable loan granting commitments		-	925.089	925.089	-	591.541	591.541
2.2.2 Other revocable commitments		-	868.018	868.018	-	539.226	539.226
III. DERIVATIVE FINANCIAL INSTRUMENTS		4.854.936	26.086.797	30.941.733	2.004.092	23.230.124	25.234.216
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		4.854.936	26.086.797	30.941.733	2.004.092	23.230.124	25.234.216
3.2.1 Forward foreign currency buy/sell transactions		2.711.228	6.374.073	9.085.301	1.162.609	5.842.701	7.005.310
3.2.1.1 Forward foreign currency transactions-buy		1.359.880	4.498.627	5.858.507	564.492	3.958.285	4.522.777
3.2.1.2 Forward foreign currency transactions-sell		1.351.348	1.875.446	3.226.794	598.117	1.884.416	2.482.533
3.2.2 Currency and interest rate swaps		1.353.630	15.891.963	17.245.593	581.914	14.785.050	15.366.964
3.2.2.1 Currency swap-buy		418.414	2.843.148	3.261.562	148.821	2.707.908	2.856.729
3.2.2.2 Currency swap-sell		935.216	2.162.053	3.097.269	433.093	2.332.612	2.765.705
3.2.2.3 Interest rate swap-buy		-	5.443.381	5.443.381	-	4.872.265	4.872.265
3.2.2.4 Interest Rate swap-sell		-	5.443.381	5.443.381	-	4.872.265	4.872.265
3.2.3 Currency, interest rate and marketable securities options		790.078	1.090.343	1.880.421	259.569	420.684	680.253
3.2.3.1 Currency call options		394.932	545.279	940.211	129.783	210.341	340.124
3.2.3.2 Currency put options		395.146	545.064	940.210	129.786	210.343	340.129
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	2.730.418	2.730.418	-	2.181.689	2.181.689
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		835.132.210	209.876.872	1.045.009.082	661.477.039	156.010.441	817.487.480
IV. CUSTODIES		394.414.878	29.275.633	423.690.511	344.066.173	23.722.398	367.788.571
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		177.566.380	518.467	178.084.847	167.030.333	728.810	167.759.143
4.3 Cheques in collection process		15.489.840	22.716.178	38.206.018	12.751.492	17.280.141	30.031.633
4.4 Commercial notes in collection process		193.733.321	491.087	194.224.408	137.519.788	518.733	138.038.521
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		4.136.680	127.221	4.263.901	3.486.346	98.721	3.585.067
4.8 Custodians		3.488.657	5.422.680	8.911.337	23.278.214	5.095.993	28.374.207
V. PLEDGED ASSETS		440.717.332	180.601.239	621.318.571	317.410.866	131.158.600	448.569.466
5.1 Marketable securities		4.512.526	571.558	5.084.084	4.077.924	476.540	4.554.464
5.2 Collateral notes		7.261.444	911.790	8.173.234	7.297.816	820.012	8.117.828
5.3 Commodity		25.813	145.204	171.017	25.813	-	25.813
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		324.029.119	151.762.384	475.791.503	259.332.850	116.459.706	375.792.556
5.6 Other pledged assets		67.075.089	23.900.616	90.975.705	42.616.278	12.035.647	54.651.925
5.7 Pledges		37.813.341	3.309.687	41.123.028	4.060.185	-	5.426.880
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	1.129.443	1.129.443
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		890.957.925	268.894.742	1.159.852.667	707.742.393	207.611.382	915.353.775

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



TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF INCOME AS OF 31 DECEMBER 2017

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

III. CONSOLIDATED STATEMENT OF INCOME

		Audited Current period 1 January- 31 December 2017	Audited Prior period 1 January- 31 December 2016
INCOME AND EXPENSES	Note		
I. INTEREST INCOME	(1)	23.665.069	17.363.213
1.1 Interest on loans		19.060.838	14.307.866
1.2 Interest received from reserve deposits		132.398	57.062
1.3 Interest received from banks		256.701	114.682
1.4 Interest received from money market placements		57.090	703
1.5 Interest income on marketable securities		3.765.532	2.571.404
1.5.1 Financial assets held for trading		3.209	7.601
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Financial assets available-for-sale		1.582.407	1.082.042
1.5.4 Investments held-to-maturity		2.179.916	1.481.761
1.6 Finance lease income		197.704	158.434
1.7 Other interest income		194.806	153.062
II. INTEREST EXPENSE	(2)	15.308.777	10.014.672
2.1 Interest on deposits		11.085.857	8.051.618
2.2 Interest on borrowings		540.285	489.642
2.3 Interest on money market borrowings		2.719.811	794.106
2.4 Interest on bonds issued		845.535	590.748
2.5 Other interest expense		117.289	88.558
III. NET INTEREST INCOME (I – II)		8.356.292	7.348.541
IV. NET FEES AND COMMISSIONS INCOME		1.921.134	1.238.103
4.1 Fees and commissions income		2.506.800	1.740.141
4.1.1 Non-cash loans		405.366	295.134
4.1.2 Other		2.101.434	1.445.007
4.2 Fees and commissions expenses		585.666	502.038
4.2.1 Non-cash loans		3.986	2.574
4.2.2 Other		581.680	499.464
V. DIVIDEND INCOME	(3)	11.639	39.986
VI. NET TRADING PROFIT (NET)	(4)	78.625	182.966
6.1 Profit/loss from capital market operations		35.077	20.281
6.2 Profit/loss from financial derivative transactions		(195.718)	11.158
6.3 Foreign exchange gains/losses		239.266	151.527
VII. OTHER OPERATING INCOME	(5)	2.156.583	1.825.904
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		12.524.273	10.635.500
IX. LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	1.505.871	2.205.909
X. OTHER OPERATING EXPENSES(-)	(7)	5.886.203	5.097.462
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		5.132.199	3.332.129
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII. PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		21.511	17.309
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	5.153.710	3.349.438
XVI. TAX INCOME PROVISION (±)	(9)	(1.102.986)	(809.982)
16.1 Current tax provision		(855.655)	(625.363)
16.2 Deferred tax provision		(247.331)	(184.619)
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	4.050.724	2.539.456
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Property and equipment income held for sale		-	-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3 Other income from terminated operations		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Property and equipment expense held for sale		-	-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3 Other expenses from discontinued operations		-	-
XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-	-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(11)	4.050.724	2.539.456
23.1 Group's profit/loss		4.038.239	2.533.607
23.2 Minority shares profit/loss		12.485	5.849
Earnings/losses per share (Full TRY)		3,2406	2,02689

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

TÜRKİYE HALK BANKASI A.Ş.**CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS****ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2017**

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

IV. CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

	Audited Current period 1 January- 31 December 2017	Audited Prior period 1 January- 31 December 2016
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	20.605	(626.135)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	285.864	542.934
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	(4.311)	43.912
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	144.062	(76.753)
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(50.209)	18.034
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	396.011	(98.008)
XI. PROFIT/LOSS	4.050.724	2.539.456
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	38.564	21.586
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-	-
11.3 Transfer of hedge of net investments in foreign operations to income statement	-	-
11.4 Other	4.012.160	2.517.870
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	4.446.735	2.441.448

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



TÜRKİYE HALK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AS OF 31 DECEMBER 2017

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

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Note	Paid in capital	Effect of inflation adjustment on paid in capital	Share premium	Share cancellation	Share cancellation ordinary reserves	Legal Statutory reserves	Extraordinary reserves	Other reserves	Current period income/ (loss)	Prior period income/ (loss)	Valuation changes in intangible assets	Revaluation changes in prop. and sec. int. assets	Bonus shares from Hedging Funds	Value change in pro. and equip. held for sale	Total equity	Minority shares	Total equity
1 January 2016 – 31 December 2016		1.250.000	1.220.451	39.488	- 1.393.927	- 11.045.915	140.904	2.317.984	164.806	(285.133)	1.672.931	(285.133)	1.672.931	3.973	- 18.965.248	201.426	19.166.674	
I. Balance at end of prior period to IAS 8																		
II. Corrections and Accounting Policy Changes Made According to IAS 8																		
2.1. Effects of Corrections																		
2.2. Effects of the Changes in Accounting Policies																		
III. Adjusted Beginning Balance (H1)		1.250.000	1.220.451	39.488	- 1.393.927	- 11.045.915	140.904	2.317.984	164.806	(285.133)	1.672.931	(285.133)	1.672.931	3.973	- 18.965.248	201.426	19.166.674	
IV. Increase/decrease generated by merger																		
V. Valuation changes in marketable securities																		
VI. Hedging funds (effective portion)																		
6.1. Cash-flow hedge																		
6.2. Hedges for investments made in foreign countries																		
VII. Revaluation changes of property and equipment																		
VIII. Revaluation changes of intangible assets																		
IX. Bonus shares from investment and associates, subsidiaries and joint ventures, business partners																		
X. Foreign exchange differences																		
XI. Changes after disposal of securities																		
XII. Changes after reclassification of securities																		
XIII. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity																		
XIV. Increase in capital																		
14.1. Cash																		
14.2. From internal resources																		
XV. Issuance of share certificates at end of period																		
XVI. Share cancellation profits																		
XVII. Adjustment to paid-in capital																		
XVIII. Other																		
XIX. Net profit or losses																		
XX. Disposed																		
20.1. Disposed																		
20.2. Transfers to legal reserves																		
20.3. Other																		
Closing balance		1.250.000	1.220.451	39.737	- 1.562.172	- 12.946.536	33.837	2.533.607	166.949	(718.928)	2.107.278	(718.928)	2.107.278	4.723	- 21.156.362	213.158	21.669.520	
1 January 2017 – 31 December 2017																		
I. Balance at end of prior period		1.250.000	1.220.451	39.737	- 1.562.172	- 12.946.536	33.837	2.533.607	166.949	(718.928)	2.107.278	(718.928)	2.107.278	4.723	- 21.156.362	213.158	21.669.520	
II. Increase or decrease generated by merger																		
III. Valuation changes in marketable securities																		
IV. Hedging funds (effective portion)																		
4.1. Cash flow hedge																		
4.2. Hedges for investments made in foreign countries																		
V. Revaluation changes of property and equipment																		
VI. Revaluation changes of intangible assets																		
VII. Bonus shares from investment and associates, subsidiaries and joint ventures, business partners																		
VIII. Foreign exchange differences																		
IX. Changes after disposal of securities																		
X. Changes after reclassification of securities																		
XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity																		
XII. Increase in capital																		
12.1. Cash internal resources																		
12.2. From internal resources																		
XIII. Issuance of share certificates at end of period																		
XIV. Share cancellation profits																		
XV. Adjustment to paid-in capital																		
XVI. Other																		
XVII. Net profit or losses																		
XVIII. Profit distribution																		
18.1. Dividends distributed																		
18.2. Transfers to legal reserves																		
18.3. Other																		
Closing balance		1.250.000	1.220.451	39.737	- 1.758.941	- 15.130.546	129.212	4.088.239	100.831	(607.761)	2.253.646	(607.761)	2.253.646	4.723	- 25.318.565	210.124	25.228.689	

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

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS AS OF 31 DECEMBER 2017**

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Audited Current period 1 January- 31 December 2017	Audited Prior period 1 January- 31 December 2016
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	3.656.363	2.082.911
1.1.1	Interest received	21.730.125	16.611.483
1.1.2	Interest paid	(14.302.974)	(9.495.583)
1.1.3	Dividend received	8.888	39.986
1.1.4	Fees and commissions received	2.512.134	1.740.141
1.1.5	Other income	1.850.733	1.629.820
1.1.6	Collections from previously written off loans	728.163	555.940
1.1.7	Cash payments to personnel and service suppliers	(2.194.575)	(1.925.872)
1.1.8	Taxes paid	(541.969)	(883.058)
1.1.9	Other	(6.134.162)	(6.189.946)
		(1)	
1.2	Assets and Liabilities Subject to Banking Operations	11.595.937	4.629.944
1.2.1	Net decrease in financial assets held for sale	(31.389)	(3.080)
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	22.540	(26.657)
1.2.4	Net (increase) decrease in loans	(46.260.521)	(32.478.568)
1.2.5	Net (increase) decrease in other assets	(132.409)	(1.422.828)
1.2.6	Net increase (decrease) in bank deposits	(3.603.141)	15.052.270
1.2.7	Net increase (decrease) in other deposits	45.457.843	12.675.136
1.2.8	Net increase (decrease) in loans borrowed	(1.527.805)	(554.361)
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	17.670.819	11.388.032
		(1)	
I.	Net cash provided from banking operations	15.252.300	6.712.855
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES		
II.	Net cash provided from / (used in) investing activities	(4.581.992)	(4.794.213)
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(14.994)	(3.213)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	-
2.3	Fixed assets purchases	(549.618)	(269.671)
2.4	Fixed assets sales	199.519	51.558
2.5	Cash paid for purchase of financial assets available for sale	(9.672.067)	(6.118.249)
2.6	Cash obtained from sale of financial assets available for sale	7.909.271	3.102.821
2.7	Cash paid for purchase of investment securities	(4.893.951)	(4.254.198)
2.8	Cash obtained from sale of investment securities	2.476.081	2.712.189
2.9	Other	(36.233)	(15.450)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash used in financing activities	24.122	3.331.697
3.1	Cash obtained from loans borrowed and securities issued	9.216.726	10.667.444
3.2	Cash used for repayment of loans borrowed and securities issued	(8.936.020)	(7.097.144)
3.3	Bonds issued	-	-
3.4	Dividends paid	(256.584)	(238.603)
3.5	Payments for finance leases	-	-
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	897.165	1.424.356
V.	Net increase / (decrease) in cash and cash equivalents	11.591.595	6.674.695
VI.	Cash and cash equivalents at beginning of the period	15.530.596	8.855.902
VII.	Cash and cash equivalents at end of the period	27.122.191	15.530.597

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2017

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

VII. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION⁽¹⁾

	Audited Current Period 31 December 2017 ⁽²⁾	Audited Prior Period 31 December 2016
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1. Current Period Profit	4,709,582	3,351,550
1.2. Taxes and Legal Duties Payables (-)	(984,120)	(793,285)
1.2.1. Corporate Tax (Income Tax)	(749,669)	(553,481)
1.2.2. Withholding Tax	-	-
1.2.3. Other Taxes and Duties	(234,451)	(239,804)
A. Net Profit For The Period (1.1-1.2)	3,725,462	2,558,265
1.3. Accumulated Losses (-)	-	-
1.4. First Legal Reserves (-)	-	127,913
1.5. Other Statutory Reserves (-)	-	-
B. Net Profit Available for Distribution [(A)-(1.3+1.4+1.5)]	-	2,430,352
1.6. First Dividend to shareholders (-)	-	62,500
1.6.1. To Owners of Ordinary Shares	-	62,500
1.6.2. To Owners of Privileged Shares	-	-
1.6.3. To Owners of Redeemed Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-	-
1.7. Dividends to personnel (-)	-	-
1.8. Dividends to Board of Directors (-)	-	-
1.9. Second Dividend to Shareholders (-)	-	193,327
1.9.1. To Owners of Ordinary Shares	-	193,327
1.9.2. To Owners of Privileged Shares	-	-
1.9.3. To Owners of Redeemed Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	35,378
1.11. Status Reserves (-)	-	-
1.12. Extraordinary Reserves	-	2,139,147
1.13. Other Reserves	-	-
1.14. Special Funds	-	-
II. Distribution of Reserves		
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends to Shareholders (-)	-	255,827
2.3.1. To Owners of Ordinary Shares	-	255,827
2.3.2. To Owners of Privileged Shares	-	-
2.3.3. To Owners of Redeemed Shares	-	-
2.3.4. To Profit Sharing Bonds	-	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-	-
2.4. Dividends to Personnel (-)	-	160,451 ⁽²⁾
2.5. Dividends to Board of Directors (-)	-	-
III. Earnings per Share		
3.1. To Owners of Ordinary Shares	2,9804	2,0466
3.2. To Owners of Ordinary Shares (%)	298.04%	204.7%
3.3. To Owners of Privileged Shares	-	-
3.4. To Owners of Privileged Shares (%)	-	-
IV. Dividend per Share		
4.1. To Owners of Ordinary Shares	-	0,205
4.2. To Owners of Ordinary Shares (%)	-	20,47%
4.3. To Owners of Privileged Shares	-	-
4.4. To Owners of Privileged Shares (%)	-	-

⁽¹⁾ Board of Directors meeting was not held as of 31 December 2017 financial reporting date.

⁽²⁾ Dividends to personnel which added to 2016 net profit as a provision not sentenced in profit distribution, only shown in the table for information.

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

The Parent Bank prepares its consolidated 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 and circulars and pronouncements published by the BRSA and Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority 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 instruments at fair value through profit or loss, financial assets available for sale, real estates and investments in affiliates valued at equity basis of accounting.

Accounting policies and accounting estimates on which the accompanying consolidated financial statements based are in compliance with "The Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulation" and other regulations, circulars and pronouncements published by the BRSA and with Turkish Accounting Standards issued by Public Oversight Agency for the matters not regulated by the aforementioned legislations and have been applied consistently by the Parent Bank as in the consolidated financial statements prepared for the year ended 31 December 2016.

Additional paragraph for convenience translation to English

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

Disclosures of TFRS 9 Financial Instruments:

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. TFRS 9 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

The Bank will apply the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

The combined application of the contractual cash flow characteristics and business models as at 1 January 2018 is expected to result in no major difference in the classification of financial assets when compared to the classification under TAS 39.

Classification and measurement of financial assets:

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent "solely payments of principal and interest (SPPI).

Upon initial recognition each financial asset will be classified as either fair value through profit or loss ("FVTPL"), amortized cost or fair value through other comprehensive income ("FVOCI"). As the requirements under TFRS 9 are different than the assessments under the existing TAS 39 rules, the classification and measurement of financial liabilities remain largely unchanged under TAS 39.

Impairment of financial assets:

As of 1 January 2018, the Bank will recognize 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. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Part VII of Explanation on Accounting Policies will be changed by applying the expected credit loss model under TFRS 9. 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. These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

It is not anticipated a significant impact on the total equity as a result of the impairment calculation based expected credit loss model in accordance with TFRS 9. The impact of implementation for this standard is based on the assessments made so far. As of the transition date, it is still ongoing the revisions on the accounting policies, relevant processes and internal controls. Accordingly, there might be changes in the anticipated impact of TFRS 9 on the financial statements until announcement of the first time adoption financial statements including the opening balance sheet as of 1 January 2018. Besides, the Bank will calculate deferred tax on the expected credit losses calculated on stage 1 and 2 loans and the impact regarding calculated deferred tax asset will be accounted for under equity during transition.

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 (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Group can raise funds from money markets and borrowings abroad.

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

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

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

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

III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES

1. Basis of consolidation:

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

a. Basis of consolidation of subsidiaries:

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

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

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.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

b. Basis of consolidation of associates:

Investments in associates, Demir-Halk Bank N.V. ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta AŞ are presented in the accompanying financial statements based on the equity method of accounting. An associate is an entity established domestically and abroad in which the Parent Bank invests with a significant influence but no control.

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

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

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

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

c. Basis of consolidation of joint ventures:

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

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

Accounting for business combinations

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

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

Acquisitions on or after 1 January 2010

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

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

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

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

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

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

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

IV. EXPLANATIONS ON FUTURES AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

Derivative transactions of the Group consist of foreign currency and interest rate swaps, options and forwards. The Group uses derivatives to avoid economical risks and account for as trading under Turkish Accounting Standard No: 39 "Financial Instruments: Recognition and Measurement" (TAS 39) classification.

Pledges arises derivative transactions are recognized 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 held for trading" or "derivative financial liabilities held for trading", respectively depending on the fair values being positive or negative. Fair value changes for trading derivatives are recorded under income statement. Fair values of derivatives are calculated using discounted cash flow model or market value.

Explanations related to credit derivatives and its risk exposures:

The Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic's credit risk. As of 31 December 2017, the Parent Bank has credit default swap transaction amounting to USD 200 million with 5 year maturity. In this transactions the Parent Bank sells 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 TAS 39 "Financial Instruments: Recognition and Measurement".

In accordance with the related legislation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as an interest income only when they are collected.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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.

Fees and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. This fees 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 Parent Bank 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.

The financial instruments and their valuations methods based on their classification on the financial statements are set out below.

1. Cash and banks

Cash and bank balances in foreign currencies are valued by using the Parent Bank'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.

2. Financial assets at fair value through profit and loss

a) Financial assets held for trading

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

Financial Assets Held for Trading are presented in the balance sheet with their fair values and are measured at fair values after the initial recognition. All gains and losses arising from valuations of trading financial assets are reflected in the income statement. In accordance with descriptions of the uniform chart of accounts, favorable difference between acquisition cost of financial asset and its discounted value are recognized in "Interest Income", in the case of fair value of asset is above its discounted value, favorable difference between them are recognized in "Capital Market Transactions Profits" account, in the case of fair value is below discounted value, unfavorable difference between them are recognized in "Capital Market Transactions Losses" account and the dividends presented under dividend income. In the case of financial asset is sold off before its maturity, consisted gains or losses are accounted within the same principals.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

b) Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not obtained for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

The Group has no any financial assets at fair value through profit and loss as of 31 December 2017 and 31 December 2016.

3. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the Group as investments held to maturity; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

4. Financial assets available for sale

Financial assets available for sale represent non-derivative financial assets other than bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized cost is recognized through income statement by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and "amortized cost" using the internal rate of return is regarded as the fair value. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the "Marketable Securities Revaluation Fund" until the disposal, sale, redemption or impairment of those assets. Fair value differences accounted for under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when proceeds are collected.

5. Loans and receivables

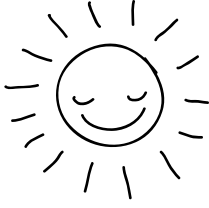
Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

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 at the subsequent recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

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

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

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Non-performing loans are classified in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No: 26333 dated 1 November 2006 and specific provisions are allocated for those loans. Specific provisions are reflected to "820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses" account. Provisions released in same year are recognized as a credit movement under the "Provision Expenses", released portion of the previous period provisions are recognized under the "Other Operating Income" account.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date, the Group reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Group determines the related impairment amount. A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event ("loss event") subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present values of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair values of the "financial assets available for sale" of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

For loans and receivables; the Parent Bank's management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions ("Communiqué")" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Parent Bank does not book provisions for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the respective coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount excluding the surety type of collaterals defined in the Article 9 of the related legislation. Unindemnified and not reimbursed non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communiqué. The Bank sets provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. Collections made related to those loans are offset against the principal and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

The Parent Bank provides general allowances for loan and other receivables in accordance with the Provisioning Regulation. The allowances are recorded in income statement of the related period. Provisions made during the period are recorded under "provision for losses on loans and other receivables". Provisions booked in the prior periods and released in the current year are recorded under "other operating income".

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 AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under "Available for Sale Financial Assets" or "Held to Maturity Investments" in the Group's portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds from Repurchase Transactions" 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 Reverse Repo Transactions" 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 a bank 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 3 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except buildings that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property, plant 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, plant 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 Parent Bank 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 "Tangible assets revaluation reserves" under the shareholders' equity.

Ordinary maintenance and repair expenses of property, plant 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 %
Safe-deposit boxes	50	2 %
Other movable properties	3-25	4-33,33 %
Assets held under financial leases	4-5	20-25 %

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

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

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

Classification of Investment Properties:

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

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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, plant 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, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

XV. EXPLANATIONS ON LEASING TRANSACTIONS

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

In the cases of the Group as lessor, the net investment of the assets held under financial leases at the initial recognition is recognized as financial lease receivables in the balance sheet. Finance lease income, as the difference between total financial lease receivable and investment value, is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Unrealised finance lease income is recognized in the account of unaccrued interest income in the related period.

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

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

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

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

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

The unearned premiums consist of the gross portion of accrued premiums for insurance contracts that are overlapping to other period or periods on a daily basis without deducting a commission or any other discount. In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount calculated by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

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

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. A change in accounting policy is adopted only in case of presentation of more reliable results. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39.

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

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

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

XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 "Employee Benefits". According to related legislation and union agreements, the 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, T. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members including employees of the Parent Bank. Provisional article 23 of the Banking Act No: 5411 requires the Parent Bank's pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension funds would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

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

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

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 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 2017, no technical deficit has been reported.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

XX. EXPLANATIONS ON TAXATION

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year.

The corporate tax rate which has been applied at the rate of 20% in accordance with the Article 32 – paragraph 1 of the Corporate Tax Law No: 5520, was set as 22% for the tax bases of the years 2018, 2019, and 2020 (applicable as of the beginning of the accounting periods in the related year for institutions designated a special accounting period) as per the provisional article 10 incorporated by the Article 91 of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down up to 20%.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (31 December 2016: 20%).

Calculated corporate tax as of 31 December 2016 has been paid in February 2017 thereby setting off calculated advanced taxes in previous periods. Moreover, accrued advance tax for 1 January-31 March 2017 period is paid in May 2017 and accrued advance tax for 1 January-30 June 2017 period is paid in August 2017 and accrued advance tax for 1 January- 30 September 2017 period is paid in November 2017. Furthermore, accrued advance tax for 1 January 2017-31 December 2017 period will also be paid in February 2018.

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

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

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

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

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Tax practices in the countries that foreign branches and financial institution operate:

Turkish Republic of Northern Cyprus (TRNC)

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

Bahrain

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

Tax practices for the consolidated subsidiaries

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

Halk Banka A.D., Skopje

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

"Distributions" are split into two components:

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

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

(i) Tax on dividend distribution:

Tax on dividend distribution is considered to be income tax within scope of Turkish Accounting Standards - Tax on Income ("TAS 12").

The timing of recognition of this type of income tax is to be consistent with the underlying dividend liability recognition (i.e., recognized when the dividend is paid and/or declared). As such no provision is required for income tax arising from dividend distribution until the dividend is declared and/or paid.

When the tax on dividend distribution arises on interim (advance) dividend paid before the year end, the income tax charge is recognized and presented in the statement of comprehensive income as income tax charge after profit or loss before tax.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

When the tax on dividend distribution arises from retained earnings, it is recognized and presented in the statement of changes in equity.

(ii) Tax on non deductible items:

Taxation on non deductible items is not income tax and is out of scope of TAS 12. Accordingly, such tax expense is presented within the operating results, and related tax payable/receivable is presented within the other assets/other liabilities in the statement of financial position.

Recognition of tax provisions:

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

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

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

Halk Bank A.D. Beograd.

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

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

XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

XXII. EXPLANATIONS ON SHARES ISSUED

Share issuances related to costs are recognised 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 Parent Bank shares were registered with Capital Market Board as per the CMB decision dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa İstanbul AŞ as of 10 May 2007.

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

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

Halk Varlık Kiralama A.Ş., applied to the the Capital Markets Board for public offering of lease certificates with regards to the initial issue of TRY 100.000 with the maturity of 87 days, within the total public offering limit of TRY 1.000.000, as approved by the Capital Markets Board on 14 December 2017. The issue was made on 18 December 2017.

XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

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

XXV. EXPLANATIONS ON SEGMENT REPORTING

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

The information of the Group's business segments is explained in section four disclosure numbered VII.

XXVI. EXPLANATIONS ON OTHER MATTERS

None.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

I. EXPLANATIONS ON CAPITAL

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 December 2017, the Group's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 13,59% (31 December 2016: 12,50%), the equity is calculated as TRY 28.415.296 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2016: TRY 22.857.357).

1. Information on Components of Consolidated Capital:

Current Period	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	39.737	
Reserves	17.028.610	
Other Comprehensive Income according to TAS	1.635.974	
Profit	4.139.070	
Current Period Profit	4.038.239	
Prior Period Profit	100.831	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	4.723	
Minority Interest	1.655	
Common Equity Tier I Capital Before Deductions	25.320.220	
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	-	
Leasehold Improvements on Operational Leases	64.929	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	114.476	143.095
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 pension benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions From Common Equity Tier 1 Capital	179.405	
Total Common Equity Tier 1 Capital	25.140.815	

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Current Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital	-	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Items to be Deducted from Tier I Capital During the Transition Period	28.619	
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 (-)	28.619	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	25.112.196	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.000.000	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.317.157	
Tier II Capital Before Deductions	3.317.157	
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	3.317.157	
Total Capital (The sum of Tier I Capital and Tier II Capital)	28.429.353	
Total Tier I Capital and Tier II Capital (Total Equity)	28.415.296	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10	
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 (-)	14.047	



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Current Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	
TOTAL CAPITAL		
Total capital	28.415.296	
Total risk weighted amounts	209.028.282	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio	12,03	
Tier 1 Capital Adequacy Ratio	12,01	
Capital Adequacy Ratio	13,59	
BUFFERS		
Bank-specific total CET1 Capital Ratio (%)	6,278	
Capital Conservation Buffer Ratio (%)	1,250	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,028	
Systemic Bank Buffer Ratio (%)	0,500	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	5,594	
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	65.577	
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 ^(*)	1.965.971	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	317.442	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.317.157	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.317.157	
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 A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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	2.470.451	
Share Premium	39.737	
Reserves	14.553.153	
Other Comprehensive Income according to TAS	1.387.742	
Profit	2.700.556	
Current Period Profit	2.533.607	
Prior Period Profit	166.949	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	4.723	
Minority Interests	16.333	
Common Equity Tier I Capital Before Deductions	21.172.695	
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	-	
Leasehold Improvements on Operational Leases (-)	72.880	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	69.137	110.427
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 pension benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions From Common Equity Tier 1 Capital	142.017	
Total Common Equity Tier 1 Capital	21.030.678	



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital	-	
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Items to be Deducted from Tier I Capital During the Transition Period	46.092	
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 (-)	46.092	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	20.984.586	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Third parties' share in the Tier II Capital	-	
Third parties' share in the Tier II Capital (Temporary Article 3)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.049.136	
Tier II Capital Before Deductions	2.049.136	
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	2.049.136	
Total Capital (Total Tier I Capital and Tier II Capital)	23.033.722	
Total Tier I Capital and Tier II Capital (Total Equity)	22.857.357	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10	
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 (-)	157.617	
Other items to be defined by the BRSA (-)	18.738	

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Amounts related to treatment before	
	Amount	1/1/2014 ^(*)
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-	
TOTAL CAPITAL		
Total capital (Total Tier I Capital and Tier II Capital)	22.857.357	
Total risk weighted amounts	182.822.490	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	11,50	
Tier 1 Capital Adequacy Ratio	11,48	
Capital Adequacy Ratio	12,50	
BUFFERS		
Bank-specific total CET1 Capital Ratio (%)	5,387	
Capital Conservation Buffer Ratio (%)	0,625	
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)**	0,262	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	4,502	
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	47.469	
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 (**)	1.550.920	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	283.637	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.049.136	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.049.136	
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 transition provisions in accordance with the temporary

**Systemically important banks countercyclical buffers are included in Bank Specific Counter-cyclical Buffer Requirement.

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 general provision. On the other hand, in the calculation of the Total Capital, development costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities and other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

3. Details of Subordinated Liabilities:

Details on Subordinated Liabilities:	
Issuer	T. Halk Bankası A.Ş.
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHALE2716
Governing Law(s) of the instrument	BRSA and CMB Legislation
Regulatory treatment	
Transitional Basel III rules	No
Eligible at unconsolidated / consolidated	Consolidated -Consolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000
Par value of instrument	1.000
Accounting classification	346.011
Original date of issuance	20.10.2017
Perpetual or dated	Dated
Original maturity date	20.10.2017
Issuer call subject to prior supervisory approval	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 rate and any related index	Government Debt Security for 5 years+350 base points
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	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, 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)	-
In compliance with article number 7 and 8 of "Own fund regulation"	The instrument is in compliance with article number 8.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK

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

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

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

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

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

As prescribed in the Communiqué on "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside", the credit worthiness of the debtors of the loans and other receivables is monitored regularly. Credit limits are determined according to the audited statement of accounts. Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Group receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees obtained are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

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

The Group's largest 100 and 200 cash loan customers compose 24,00% and 29,15% of the total cash loan portfolio, respectively. The Group's largest 100 and 200 non-cash loan customers compose 44,37% and 54,41% of the total non-cash loan portfolio, respectively.

The Group's largest 100 ve 200 cash and non-cash loan customers represent 16,92% and 21,35% of the total "on and off balance sheet" assets, respectively.

General loan loss provision related to the credit risk incurred by the Parent Bank in accordance with the legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions" is TRY 2.317.157 (31 December 2016: TRY 2.049.136).



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Exposure Categories:	Current Period		Prior Period	
	Risk Amount⁽¹⁾	Average Risk Amount	Risk Amount⁽¹⁾	Average Risk Amount
Conditional and unconditional exposures to central governments or central banks	86.569.516	74.915.955	68.234.630	53.160.680
Conditional and unconditional exposures to regional governments or local authorities	3.067.554	2.472.885	1.913.131	1.385.766
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1.660.748	1.314.455	740.264	709.612
Conditional and unconditional exposures to multilateral development banks	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	13.717.654	10.382.528	6.407.389	5.518.048
Conditional and unconditional exposures to corporates	97.997.365	90.892.897	83.297.300	75.938.784
Conditional and unconditional retail exposures	61.922.342	58.718.635	54.433.959	53.350.422
Conditional and unconditional exposures secured by real estate property	57.799.207	52.307.972	45.580.377	35.640.519
Past due items	1.441.160	1.462.049	1.269.390	1.135.435
Items in regulatory high-risk categories	57.407	123.794	50.578	1.350.442
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Other items	12.233.922	12.089.549	10.356.218	9.501.546

⁽¹⁾Includes the risk amounts after credit conversions.

⁽²⁾ As of 31 December 2017, there is an overdraft finance lease receivable amounting to TRY 76.635 which is 100% risk-weighted in the risk class overdue receivables risk class in the credit risk table. (31 December 2016: TRY 72.332)

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Profile of significant exposures in major regions:

	Risk Classifications ⁽¹⁾										Total	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail	Conditional and unconditional exposures by real estate property	Past due receivables	Items in regulatory high-risk categories	Other		
Current Period												
1. Domestic Countries	86.569.515	3.067.554	1.660.722	12.049.313	95.967.363	61.809.588	57.445.940	1.414.190	57.407	12.206.480	352.248.072	
2. European Union (EU) Countries	-	-	26	905.606	613.615	107.759	268.877	26.953	-	27.442	1.950.278	
3. OECD Countries	-	-	-	101.859	612	2.115	19.227	17	-	-	123.830	
4. Off-Shore Banking Regions	-	-	-	509	-	13	-	-	-	-	522	
5. USA, Canada	-	-	-	280.681	301.487	84	360	-	-	-	582.612	
6. Other Countries	1	-	-	379.686	1.114.288	2.783	64.803	-	-	-	1.561.561	
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	
8. Unallocated Assets/ Liabilities ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-	
Total	86.569.516	3.067.554	1.660.748	13.717.654	97.997.365	61.922.342	57.799.207	1.441.160	57.407	12.233.922	336.466.875	
Prior Period												
1. Domestic Countries	68.234.621	1.913.131	740.208	6.279.382	81.079.482	54.330.563	45.349.383	1.251.604	50.578	10.340.747	269.569.699	
2. European Union (EU) Countries	-	-	56	54.616	664.177	100.032	213.895	17.783	-	15.471	1.066.030	
3. OECD Countries	-	-	-	20.552	5.674	1.507	14.148	3	-	-	41.884	
4. Off-Shore Banking Regions	-	-	-	-	-	23	-	-	-	-	23	
5. USA, Canada	-	-	-	13.139	217.206	96	347	-	-	-	230.788	
6. Other Countries	9	-	-	39.700	1.330.761	1.738	2.604	-	-	-	1.374.812	
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	
8. Unallocated Assets/ Liabilities ⁽²⁾	-	-	-	-	-	-	-	-	-	-	-	
Total	68.234.650	1.913.131	740.264	6.407.389	83.297.300	54.433.959	45.580.377	1.269.390	50.578	10.356.218	272.283.236	

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

⁽²⁾ Assets and liabilities that are not consistently allocated.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Profile of significant exposures by sectors:

Current Period	Risk Classifications ⁽¹⁾										FC	Total	
	Conditional and unconditional exposures to central or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial or local undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to real estate property	Past due receivables	Receivables in regulatory "high-risk" categories	Other	TRY			
Agriculture	1	5	15	10,365	616,431	695,401	1,40,782	32,107	-	85,400	875,269	705,238	1,580,507
Farming and Stockbreeding	1	3	15	10,365	222,147	572,922	128,461	20,777	-	393	823,223	131,761	955,084
Forestry	-	2	-	-	272,134	89,058	1,005	9,812	-	78,714	5,520	445,205	450,725
Fishery	-	-	-	-	122,150	33,421	11,316	1,518	-	6,293	46,426	128,272	174,698
Manufacturing	764,116	64,451	1,268,425	382,597	41,173,234	12,709,085	16,119,424	874,369	-	419,292	37,959,276	35,815,717	73,774,993
Mining and Quarrying	-	-	584,772	983	1,271,114	190,474	181,561	14,881	-	16,208	706,534	1,553,459	2,259,993
Production ⁽¹⁾	764,116	64,424	664,185	381,614	30,911,345	12,455,581	14,611,325	859,488	-	400,667	34,374,980	26,737,765	61,112,745
Electricity, Gas and Water	-	27	19,468	-	8,990,775	63,030	1,326,538	-	-	2,417	2,877,762	7,524,493	10,402,255
Construction	38	2	144	133,503	13,362,849	2,309,935	1,716,747	102,175	-	116,411	10,272,919	7,468,885	17,741,804
Services	617,743	41,629	228,075	13,178,512	33,799,735	29,921,492	16,399,928	382,260	-	5,920,072	58,278,088	42,211,358	100,489,446
Wholesale and Retail Trade	176	9,272	29,098	10,165	12,931,392	19,644,944	7,802,434	190,039	-	71,925	34,394,147	6,295,298	40,689,445
Accommodation and Dining	3	128	1,667	3,645	6,052,569	1,020,038	4,423,745	67,561	-	13,654	2,307,516	9,275,494	11,583,010
Transportation and Telecom.	-	13,300	142,869	3,667	6,330,973	7,609,568	827,688	19,810	-	6,746	8,808,691	6,145,930	14,954,621
Financial Institutions	369,534	-	3,766	13,148,707	2,747,140	50,944	716,879	14	-	5,720,976	8,577,346	14,180,614	22,757,960
Real Estate and Rental Services	174,232	18,740	-	130	3,124,606	445,252	1,595,358	77,750	-	8,330	1,325,798	4,118,600	5,444,398
Professional Services	2	2	4	-	13	742,627	132,057	1,666	-	-	875,950	421	876,371
Educational Services	194	176	23,692	7,290	1,118,843	168,378	293,811	3,132	-	11,217	888,117	738,616	1,626,733
Health and Social Services	73,602	11	26,979	4,908	1,494,199	239,741	607,956	22,288	-	87,224	1,100,523	1,456,395	2,556,908
Other	85,187,618	2,961,467	164,089	12,677	9,045,116	16,286,429	23,422,326	50,249	57,407	5,692,747	97,170,942	45,709,283	142,880,125
Total	86,569,516	3,067,554	1,660,748	13,717,654	97,997,365	61,922,342	57,799,207	1,441,160	57,407	12,233,922	204,556,394	131,910,481	336,466,875

⁽¹⁾Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Risk Classifications ¹⁾										FC	Total	
	Conditional and unconditional exposures to central or local banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional exposures to retail secured by real estate property	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables in regulatory high-risk categories	Other			TRY
Agriculture	11	14	100	-	308.503	528.610	92.659	24.536	-	12	666.763	287.682	954.445
Farming and Stockbreeding	11	14	70	-	184.521	478.317	84.136	22.572	-	12	618.615	151.038	769.653
Forestry	-	-	5	-	54.730	23.917	643	759	-	-	12.015	68.039	80.054
Fishery	-	-	25	-	69.252	26.376	7.880	1.205	-	-	36.133	68.605	104.738
Manufacturing	48	55	361.455	-	35.259.454	8.593.342	13.066.982	730.962	-	69.923	25.552.883	32.529.338	58.082.221
Mining and Quarrying	-	-	139.590	-	1.097.764	149.325	168.125	18.997	-	-	406.969	1.166.832	1.573.801
Production ¹⁾	48	28	107.988	-	26.558.330	8.408.488	11.980.103	710.042	-	69.923	23.271.964	24.562.986	47.834.950
Electricity, Gas and Water	-	27	113.877	-	7.603.360	35.529	918.754	1.923	-	-	1.873.950	6.799.520	8.673.470
Construction	13	16	129	-	9.610.201	1.650.379	1.459.239	123.384	-	-	6.544.187	6.299.174	12.843.361
Services	401.823	33.266	288.624	4.984.874	27.156.931	22.598.261	13.253.355	386.604	-	3.497.401	46.308.048	26.293.091	72.601.139
Wholesale and Retail Trade	17	694	102.093	-	9.655.999	14.283.744	6.807.261	195.895	-	2.075	25.077.068	5.670.710	30.747.778
Accommodation and Dining	-	47	13	-	3.899.276	695.392	3.676.091	63.006	-	9.402	1.589.708	6.753.519	8.343.227
Transportation and Telecom.	-	17.250	172.328	-	6.980.709	6.306.663	651.510	17.851	-	184	6.986.634	7.159.861	14.146.495
Financial Institutions	202.060	-	1.189	4.984.874	3.249.029	42.636	582.349	583	-	3.483.535	9.875.901	2.670.354	12.546.255
Real Estate and Rental Services	129.739	15.237	-	-	1.963.357	320.073	916.500	73.623	-	12	858.960	2.559.581	3.418.541
Professional Services	4	6	17	-	10.469	706.050	135.471	2.086	-	-	846.435	7.668	854.103
Educational Services	25.513	-	238	-	662.189	83.452	248.809	2.374	-	2.193	438.742	586.026	1.024.768
Health and Social Services	44.490	32	12.746	-	735.903	160.251	535.364	31.186	-	-	634.600	885.372	1.519.972
Other	67.832.735	1.879.780	89.956	1.422.515	10.962.211	21.063.367	17.708.142	3.904	50.578	6.788.882	81.118.393	46.683.677	127.802.070
Total	68.234.650	1.913.131	740.264	6.407.389	83.297.300	54.433.959	45.800.377	1.269.390	50.578	10.356.218	160.190.274	112.092.962	272.283.236

¹⁾Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	1.537.354	512.331	1.200.790	2.999.040	80.320.001
2. Conditional and unconditional exposures to regional governments or local authorities	49.077	17.414	74.464	165.900	2.760.699
3 Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	725.004	5.371	7.920	109.237	813.216
4. Conditional and unconditional exposures to banks and brokerage houses	12.857.780	674.329	87.475	74.633	23.437
5. Conditional and unconditional exposures to corporates	12.376.238	6.745.485	10.755.811	17.893.970	71.588.636
6 Conditional and unconditional retail exposures	4.909.361	2.111.072	3.874.026	10.956.580	76.565.142
7. Past due items	1.433.547	-	1	2	7.610
8. Other Items	880.464	199.310	48.674	31.085	11.074.389
Total	34.768.825	10.265.312	16.049.161	32.230.447	243.153.130

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

^(**) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month
1. Conditional and unconditional exposures to central governments or central banks	431.030	65.939	408.242	923.263	66.406.156
2. Conditional and unconditional exposures to regional governments or local authorities	31.540	590	10.178	45.272	1.825.551
3 Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	380.080	164.819	8.018	181.329	6.018
4. Conditional and unconditional exposures to banks and brokerage houses	4.841.217	37.892	64.165	44.613	1.419.502
5. Conditional and unconditional exposures to corporates	12.874.283	5.354.254	8.834.772	14.636.163	59.977.646
6 Conditional and unconditional retail exposures	4.750.129	2.346.716	4.694.522	11.378.060	58.515.669
7. Past due items	1.196.810	-	-	22	72.558
8. Other Items	469.233	113.255	-	38	9.773.692
Total	24.974.322	8.083.465	14.019.897	27.208.760	197.996.792

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

^(**) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

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

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

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

In the 26th Article of the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies, IIRA grades are used in the below table of maturity in determining the credit quality level of the country grades, central government and central banks receivables. In the case of other risk classes included in the table, Fitch Ratings notes are taken into account if the rated party is a foreign resident, the supervisor of the relevant country has equivalent regulation and supervision structure, authorized in the country notes.

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

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

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Credit Quality Grade and Rating Matching Table								
Credit Quality Grade	IIIRA	Fitch	Exposures to administrative bodies and other non-commercial undertakings			Exposures to Banks and Brokerage Houses		Exposures to Corporates
	Rating	Exposures to Central Governments or Central Banks	Rating	Institutions and Organizations listed in the sections (I), (II), (III) and (IV) of Annex 5018 Public Financial Management and Control Law	Other Public Institutions and organizations	Exposures with Original Maturities Less Than 90 Days	Exposures with Original Maturities More Than 90 Days	
1	AAA	0%	AAA	0%	20%	20%	20%	20%
	AA+		AA+					
	AA		AA					
	AA-		AA-					
2	A+	20%	A+	20%	50%	20%	50%	50%
	A		A					
	A-		A-					
3	BBB+	50%	BBB+	50%	100%	20%	50%	100%
	BBB		BBB					
	BBB-		BBB-					
4	BB+	100%	BB+	100%	100%	50%	100%	100%
	BB		BB					
	BB-		BB-					
5	B+	100%	B+	100%	100%	50%	100%	150%
	B		B					
	B-		B-					
6	CCC+	150%	CCC+	150%	150%	150%	150%	150%
	CCC		CCC					
	CC		CC					
	C		C					
	D		D					

Receivables from consolidated private sector:

Country	RWA Calculations for Private Sector Loans in Banking Book	RWA Calculations for Trading Book	Total
TURKEY	168.612.011	16.096	168.628.107
MACEDONIA	2.518.316	-	2.518.316
VIRGIN ISLANDS(US)	950.316	-	950.316
TRNC	398.271	186	398.457
SERBIA	287.429	856	288.285
SWEDEN	228.463	-	228.463
KIRGHIZSTAN	66.413	-	66.413
UNITED KINGDOM	63.402	-	63.402
SWITZERLAND	53.056	-	53.056
SAUDI ARABIA	25.318	-	25.318
GERMANY	26.664	-	26.664
LUXEMBOURG	18.122	-	18.122
FRANCE	16.908	-	16.908
UNITED STATES	11.502	50.028	61.530
OTHER	16.743	-	16.743

* Countries having less than ten thousand Turkish Lira risk weighted amount are classified under "Others".

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Exposures by risk weights:

Current Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
1 Exposures before Credit Risk Mitigation	59.532.270	-	6.906.873	-	22.474.709	108.695.802	138.365.815	57.407	-	433.999	222.081
2 Exposures after Credit Risk Mitigation	78.174.802	19	8.028.877	34.775.748	48.618.780	59.842.697	106.534.546	57.407	-	433.999	222.081

Prior Period

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
1 Exposures before Credit Risk Mitigation	38.234.691	-	5.150.545	-	37.425.377	83.868.575	107.167.842	50.578	-	385.627	364.474
2 Exposures after Credit Risk Mitigation	41.396.138	832.839	5.500.768	25.862.844	56.843.514	52.918.351	88.492.576	50.578	-	385.627	364.474

Information by major sectors and type of counterparties:

Current Period

Major Sectors /Counterparties	Credits			
	Impaired Credits ⁽¹⁾	Past Due Credits ⁽²⁾	Value Adjustments	Provisions
Agriculture	92.749	12.915	226	75.549
Farming and Stockbreeding	83.371	12.205	212	67.697
Forestry	8.904	-	-	7.387
Fishery	474	710	14	465
Manufacturing	2.798.522	784.706	15.348	2.032.134
Mining and Quarrying	130.201	13.126	239	115.312
Production	2.664.709	391.994	7.524	1.913.972
Electricity, Gas and Water	3.612	379.586	7.585	2.850
Construction	1.149.091	119.290	2.023	995.733
Services	2.195.411	1.178.444	22.942	1.742.358
Wholesale and Retail Trade	1.322.062	723.120	14.007	947.799
Accommodation and Dining	145.087	73.441	1.391	118.960
Transportation and Telecommunication	102.766	173.655	3.382	65.875
Financial Institutions	11.834	941	19	10.740
Real Estate and Rental Services	537.563	163.105	3.262	532.337
Professional Services	-	26.058	521	-
Educational Services	6.885	6.620	132	3.752
Health and Social Services	69.214	11.504	228	62.895
Others	60.633	395.024	10.545	40.307
Total	6.296.406	2.490.379	51.084	4.886.081

⁽¹⁾ Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

⁽²⁾ Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Credits			
	Impaired Credits ⁽¹⁾	Past Due Credits ⁽²⁾	Value Adjustments	Provisions
Major Sectors /Counterparties				
Agriculture	95.323	14.055	273	72.418
<i>Farming and Stockbreeding</i>	86.543	11.087	214	64.851
<i>Forestry</i>	472	-	-	464
<i>Fishery</i>	8.308	2.968	59	7.103
Manufacturing	2.393.501	569.819	11.347	1.615.485
<i>Mining and Quarrying</i>	133.994	12.674	253	116.630
<i>Production</i>	2.256.485	556.663	11.084	1.497.335
<i>Electricity, Gas and Water</i>	3.022	482	10	1.520
Construction	456.166	118.552	2.355	360.921
Services	1.417.051	911.304	17.956	1.051.164
<i>Wholesale and Retail Trade</i>	982.054	537.187	10.581	790.762
<i>Accommodation and Dining</i>	148.152	84.693	1.599	98.223
<i>Transportation and Telecommunication</i>	64.355	130.222	2.593	42.969
<i>Financial Institutions</i>	11.043	959	19	11.043
<i>Real Estate and Rental Services.</i>	123.450	121.216	2.424	50.005
<i>Professional Services</i>	9.808	19.805	396	8.045
<i>Educational Services</i>	5.985	12.617	252	3.611
<i>Health and Social Services</i>	72.204	4.605	92	46.506
Others	958.471	213.800	6.242	955.400
Total	5.320.512	1.827.530	38.173	4.055.388

⁽¹⁾ Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

⁽²⁾ Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above. Movements in value adjustments and provisions:

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments ^(*)	Closing Balance
1. Specific Provisions	4.055.388	1.139.908	309.215	-	4.886.081
2. General Provisions	2.049.136	268.934	913	-	2.317.157
Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments ^(*)	Closing Balance
1. Specific Provisions	3.172.717	1.161.930	278.227	(1.032)	4.055.388
2. General Provisions	1.139.290	910.121	275	-	2.049.136

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

The table below shows the maximum risk exposure to credit risk for the components of the financial statements.

Gross Maximum Exposure	Current Period	Prior Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	36.681.377	30.211.966
Due from banks	6.313.167	1.964.850
Money Market Receivables	1.288.168	1.072.397
Financial Assets at Fair Value through profit or loss ⁽¹⁾	481.839	445.831
Financial Assets Available for Sale	17.620.079	15.421.388
Held to maturity Investments	21.987.099	18.344.626
Loans Given	205.552.595	159.323.159
Receivables form Leasing Transactions (Net)	2.671.253	2.311.330
Factoring Receivables	1.211.932	1.134.528
Total	293.807.509	230.230.075
Contingent Liabilities	58.787.658	47.877.719
Commitments	25.114.194	24.754.360
Total	83.901.852	72.632.079
Total Credit Risk Exposure	377.709.361	302.862.154

⁽¹⁾ As of 31 December 2017, TRY 10.000.429 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Overdue and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets available for sale and held to maturity investments.

The net value and type of collaterals of the loans amounting TRY 5.128.482 followed under loans and other receivables under close monitoring section is below (31 December 2016: TRY 4.591.812):

Collateral Types^{(1),(2)}	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Real estate mortgage	3.127.124	3.286.676
Salary pledge, vehicle pledge and pledge of commercial undertaking	139.087	107.555
Financial collaterals (cash, securities pledge, etc.)	1.671	2.418
Cheque / bills	11.068	38.123
Surities	808.779	881.394
Other	1.040.753	275.646
Total	5.128.482	4.591.812

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered on the table above.⁽²⁾ Income accruals amounting to TRY 74.024 (31 December 2016: TRY 62.119) are not included in the table.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

The net value and type of collaterals belongs to loans amounted TRY 6.296.406 followed under non-performing loans section is below (31 December 2016: TRY 5.302.512).

Collateral Types⁽¹⁾	Net Value of Collateral Current Period	Net Value of Collateral Prior Period
Cash	271	475
Mortgage	1.708.612	1.341.044
Pledge	236.880	225.056
Cheque / bills	8.527	24.561
Surities	1.688.191	1.523.452
Other ⁽²⁾	2.653.925	2.205.924
Total	6.296.406	5.320.512

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

⁽²⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

III. EXPLANATIONS ON 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 Value at Risk (VAR) based values and limits are reported to the Executives on a daily basis by using internal model methods. The currency risk has been closely followed. The Parent Bank makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Parent Bank as at financial statement date and the previous 5 working days in full TRY are as follows:

	22.12.2017	25.12.2017	26.12.2017	27.12.2017	28.12.2017	29.12.2017
USD	3,7900000	3,7800000	3,7900000	3,7900000	3,7500000	3,7900000
CHF	3,8198000	3,8182000	3,8249000	3,8283000	3,8239000	3,8766000
GBP	5,0623000	5,0472000	5,0568000	5,0767000	5,0345000	5,1168000
JPY	0,0333802	0,0333230	0,0334126	0,0334082	0,0331918	0,0336338
EUR	4,4904000	4,4891000	4,4991000	4,5114000	4,4801000	4,5465000

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

	Monthly average
USD	3,8142857
CHF	3,8547333
GBP	5,1035238
JPY	0,0337186
EUR	4,5142952

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Information related to the consolidated 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	3.938.950	14.994.377	4.830.560	23.763.887
Banks	1.041.824	4.099.624	494.359	5.635.807
Financial assets at fair value through profit and loss ⁽³⁾	39.374	315.250	8.874	363.498
Money market placements	-	-	-	-
Financial assets available-for-sale	460.502	5.196.182	442.930	6.099.614
Loans ⁽²⁾	35.807.644	30.447.276	1.741.937	67.996.857
Subsidiaries, associates and entities under common control	330.548	-	-	330.548
Held-to-maturity investments	2.132	2.512.936	167.538	2.682.606
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	92.638	92.638
Intangible assets	-	-	-	-
Other assets ⁽³⁾	1.650.635	899.494	60.675	2.610.804
Total assets	43.271.609	58.465.139	7.839.511	109.576.259
Liabilities				
Bank deposits	5.958.637	4.898.648	1.099.335	11.956.620
Foreign currency deposits	29.110.566	31.623.066	4.020.404	64.754.036
Money market balances	-	5.387.762	-	5.387.762
Funds provided from other financial institutions	8.332.951	10.256.357	32.315	18.621.623
Bonds issued	-	8.640.905	0	8.640.905
Sundry creditors	96.587	63.105	19.853	179.545
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	360.776	266.412	99.064	726.252
Total liabilities	43.859.517	61.136.255	5.270.971	110.266.743
Net balance sheet position	(587.908)	(2.671.116)	2.568.540	(690.484)
Net off-balance sheet position	223.198	2.534.947	(1.995.069)	763.076
Financial derivative assets ⁽⁴⁾	1.065.746	5.996.311	1.250.482	8.312.539
Financial derivative liabilities ⁽⁴⁾	842.548	3.461.364	3.245.551	7.549.463
Non-cash loans ⁽¹⁾	12.618.873	16.362.849	1.714.234	30.695.956
Prior period				
Total assets	35.253.731	55.542.878	5.949.688	96.746.297
Total liabilities	35.268.253	57.378.976	4.543.061	97.190.290
Net balance sheet position	(14.522)	(1.836.098)	1.406.627	(443.993)
Net off-balance sheet position	(285.828)	1.925.895	(1.140.708)	499.359
Financial derivative assets	1.387.874	4.185.717	1.571.243	7.144.834
Financial derivative liabilities	1.673.702	2.259.822	2.711.951	6.645.475
Non-cash loans ⁽¹⁾	8.827.121	16.441.447	1.609.613	26.878.181

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

⁽²⁾ Includes TRY 2.070.996 of foreign currency indexed loans and their accruals (31 December 2016: TRY 1.998.635).

⁽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 in tangible assets (TRY 22.702), prepaid expenses (TRY 183) in assets; and shareholders' equity (TRY 150.528) and foreign currency minority shares (TRY 3.551) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 24.982. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.705.436. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

IV. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK

Interest rate sensitivity of assets, liabilities and off-balance sheet items are measured by the Group. The Group's interest rate risk is calculated using the general and specific interest rate risk tables in the standard method including the assets and liabilities and is considered as a part of the general market risk in the calculation of the Capital Adequacy Standard Ratio.

The priority of the Parent Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context is calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budgeting process of the Parent Bank. The effects of the fluctuations in the market interest rates on the financial position and on the cash flows are minimized by revising budget targets. The Parent Bank's funding costs of TRY and foreign exchange deposits, repurchase agreements are determined by the Treasury Vice Presidency as per authority extended by the Board of Directors.

The Parent Bank does not allow or limits interest rate mismatch and therefore, significant interest rate risk exposures is not expected.

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, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	26.154.546	-	-	-	-	10.526.831	36.681.377
Banks and financial institutions	4.962.270	78.154	4.019	-	-	1.268.724	6.313.167
Financial assets at fair value through profit and loss	70.098	20.154	20.268	253	27	10.372.708	10.483.508
Money market placements	1.285.499	-	-	-	-	2.669	1.288.168
Financial assets available-for-sale	209.656	3.283.663	1.797.894	4.690.439	7.634.250	83.276	17.699.178
Loans	92.563.366	23.010.263	46.800.052	31.070.822	7.744.943	2.952.824	204.142.270
Held-to-maturity investments	378.421	8.694.535	1.541.221	4.447.720	6.925.202	-	21.987.099
Other assets ⁽¹⁾⁽²⁾	708.980	889.929	945.432	1.493.736	418.697	9.168.215	13.624.989
Total assets	126.332.836	35.976.698	51.108.886	41.702.970	22.723.119	34.375.247	312.219.756
Liabilities							
Bank deposits	13.061.761	2.079.237	212.098	1.094	-	3.860.508	19.214.698
Other deposits	98.554.760	33.932.876	14.099.653	785.744	9.584	26.673.306	174.055.923
Money market balances	33.735.853	1.216.309	2.938	3.603	-	44.619	35.003.322
Sundry creditors	1.815.820	3.003	50.894	123.013	-	1.865.628	3.858.358
Bonds issued	777.925	2.308.085	295.215	8.510.538	-	130.367	12.022.130
Funds provided from other financial institutions ⁽⁴⁾	1.696.625	6.003.694	8.775.415	2.366.544	1.088.283	127.923	20.058.484
Other liabilities ⁽³⁾	1.325.837	2.410.526	11.375.120	-	-	32.895.358	48.006.841
Total liabilities	150.968.581	47.953.730	34.811.333	11.790.536	1.097.867	65.597.709	312.219.756
Balance sheet long position	-	-	16.297.553	29.912.434	21.625.252	-	67.835.239
Balance sheet short position	(24.635.745)	(11.977.032)	-	-	-	(31.222.462)	(67.835.239)
Off-balance sheet long position	379.000	568.500	2.919.781	819.361	1.902.329	8.939.672	15.528.643
Off-balance sheet short position	-	(568.500)	(2.532.191)	(1.424.801)	(1.902.329)	(8.985.269)	(15.413.090)
Total position	(24.256.745)	(11.977.032)	16.685.143	29.306.994	21.625.252	(31.268.059)	115.553

⁽¹⁾ TRY 87.181 of deferred tax assets is disclosed under the non-bearing interest column in other assets and TRY 574.170 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

⁽²⁾ TRY 1.410.325 of non-performing loans with no special provision are disclosed under the non-bearing interest column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	20.210.851	-	-	-	-	10.001.115	30.211.966
Banks and financial institutions	785.635	148.477	12.343	-	-	1.018.395	1.964.850
Financial assets at fair value through profit and loss	419.809	10.683	9.906	210	107	8.211	448.926
Money market placements	3.475	1.068.922	-	-	-	-	1.072.397
Financial assets available-for-sale	678.903	3.030.194	2.628.760	3.356.766	5.723.381	63.215	15.481.219
Loans	58.808.334	20.957.655	42.095.743	29.171.482	5.547.844	1.476.977	158.058.035
Held-to-maturity investments	490.573	7.595.932	1.882.417	2.518.687	5.857.017	-	18.344.626
Other assets ^{(1),(2)}	5.200.663	281.671	673.280	1.400.468	287.219	4.300.947	12.144.248
Total assets	86.598.243	33.093.534	47.302.449	36.447.613	17.415.568	16.868.860	237.726.267
Liabilities							
Bank deposits	12.234.540	2.374.878	383.750	-	-	7.867.043	22.860.211
Other deposits	72.782.836	23.195.563	9.436.652	572.900	8.534	21.542.181	127.538.666
Money market balances	16.652.570	1.478.502	891.064	-	-	-	19.022.136
Sundry creditors	1.250.040	97.688	380.694	877.669	29	260.502	2.866.622
Bonds issued	323.378	1.060.278	3.493.383	7.875.372	-	-	12.752.411
Funds provided from other financial institutions ⁽⁴⁾	4.209.850	5.060.030	8.988.390	2.615.467	696.208	19.166	21.589.111
Other liabilities ⁽³⁾	212.335	2.048.286	1.109.721	-	-	27.726.768	31.097.110
Total liabilities	107.665.549	35.315.225	24.683.654	11.941.408	704.771	57.415.660	237.726.267
Balance sheet long position	-	-	26.297.982	29.912.434	21.625.252	-	77.835.668
Balance sheet short position	(24.635.745)	(11.977.032)	-	-	-	(41.222.891)	(77.835.668)
Off-balance sheet long position	351.000	287.040	2.324.592	712.029	1.724.104	-	5.398.765
Off-balance sheet short position	-	(111.540)	(2.324.592)	(1.141.329)	(1.724.104)	-	(5.301.565)
Total position	(20.716.306)	(2.046.191)	22.618.795	24.076.905	16.710.797	(40.546.800)	97.200

⁽¹⁾ TRY 99.525 of deferred tax assets is disclosed under the non-bearing interest column in other assets and TRY 288.974 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

⁽²⁾ TRY 1.265.124 of non-performing loans with no special provision are disclosed under the non-bearing interest column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

2. Average interest rates applied to financial instruments:

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	1,25	-	4,00
Due from other banks and financial institutions ⁽¹⁾	0,08	1,41	-	13,32
Financial assets at fair value through profit and loss	1,10	1,86	-	9,86
Money market placements	-	-	-	12,78
Available-for-sale financial assets	4,60	5,46	-	15,00
Loans ⁽²⁾	4,78	6,42	0,84	13,12
Held-to-maturity investments	2,50	5,89	-	18,33
Liabilities				
Bank deposits	1,59	4,24	0,10	10,67
Other deposits ⁽⁴⁾	1,68	3,50	0,25	12,02
Money market borrowings	-	2,43	-	12,75
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	13,10
Funds provided from other financial institutions	1,14	3,03	0,84	12,22
Prior Period				
	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT	-	0,49	-	3,30
Due from other banks and financial institutions	0,03	1,34	-	9,63
Financial assets at fair value through profit and loss	-	-	-	9,56
Money market placements	-	-	-	-
Available-for-sale financial assets	5,08	5,46	-	11,61
Loans	4,40	5,59	-	12,80
Held-to-maturity investments	-	5,89	-	14,03
Liabilities				
Bank deposits	0,44	3,17	-	7,82
Other deposits	1,37	3,09	0,25	9,46
Money market borrowings	-	1,84	-	7,52
Sundry creditors	-	-	-	4,75
Bonds issued	-	4,61	-	9,35
Funds provided from other financial institutions	0,66	2,37	-	7,55

⁽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 twelve months as of 31 December 2017.

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 December 2017.

⁽⁵⁾ As of balance sheet date, required reserve ratio of the CBRT.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

Standard interest rate shock methods are being used in respect of measuring the risk arising from re-pricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

The interest rate risk of the banking book items is calculated by taking into account the worst ratio for the Parent Bank among the calculated ratios by dividing the total of the differences in terms of maturities and currencies with the shareholders' equity. The mentioned difference is the difference between the net position amounts which are derived from the cash flows of the on-balance and off-balance sheet positions included in the interest sensitive banking book items discounted by the ratios derived from the application of positive and negative shocks, and the net position amounts which are discounted by the ratios without applying the shocks. The maximum limit regarding the economic value change is 20% of shareholders' equity.

While maturity distribution of the related cash flows, remaining maturities are taken into account for fixed rate instruments and re-pricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

In defining the maturity of demand deposits, average durations which are calculated by statistical analysis are being used.

Current Period

Currency	Applied Shock (+/- x base point)	Gains/Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equities
1 TRY	500	(4.233.277)	(14,86%)
	(400)	4.242.774	14,89%
2 EUR	200	508.529	1,78%
	(200)	(410.052)	(1,44%)
3 USD	200	(652.368)	(2,29%)
	(200)	1.060.994	3,72%
Total (For negative shocks)		4.893.716	17,17%
Total (For positive shocks)		(4.377.116)	(15,37%)

Prior Period

Currency	Applied Shock (+/- x base point)	Gains/Losses	Gains/Shareholders' Equity – Losses/ Shareholders' Equities
1 TRY	500	(3.295.737)	(14,32%)
	(400)	3.353.847	14,57%
2 EUR	200	510.345	2,22%
	(200)	(553.459)	(2,40%)
3 USD	200	(86.661)	(0,38%)
	(200)	301.068	1,31%
Total (For negative shocks)		3.101.456	13,48%
Total (For positive shocks)		(2.872.053)	(12,48%)



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

V. EXPLANATIONS ON CONSOLIDATED POSITION RISK OF SHARES

Information about position risk of shares:

	Comparison			The Amount of Capital Requirement
	Balance Sheet Value	Fair Value Change	Market Value	
Equities				
Stock investment excluding A,B,C,D group	405.316 ^(*)	313.709 ^(**)	-	6.274

^(*)Includes TRY 52.178 of unconsolidated subsidiary, TRY 346.818 of associates accounted for under the equity method and TRY 6.320 of unconsolidated associates.

^(**)The financial information about the fair value of Demir-Halk Bank N.V. has been obtained from its valuation report as of 31 December 2017.

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

Portfolio	Revaluated appreciation in the fair value			Unrealized gains and losses		
	Realized gains losses in the current period	Total	Included to core capital	Total	Included to total core capital	Included to core capital
1. Private equity investments	-	-	-	-	-	-
2. Share certificates quoted on a stock exchange	-	-	-	-	-	-
3. Other share certificates	-	24.688	24.688	-	-	-
Total	-	24.688	24.688	-	-	-

VI. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT 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.

To detect liquidity risk, Parent Bank Liquidity Emergency Action Plan (LEAP) has been formed. Cash flow analysis methods include commission totals and tax totals, besides initial capital interest totals. The sections that are in the balance sheet are monitored by Risk Management Department Head and include the days until maturity which are canalized to the maturity bands that are predetermined; the liquidity availability are then detected and liquidity analysis performed. Thus, quantification of liquidity risk is established.

The Parent Bank's purpose is to have the level of liquidity to meet its obligations and commitments, which are due under the Bank liquidity planning program and aim to reach a reasonable cost with necessary liquidity. The liquidity gap analysis on the maturity remained day basis and projected ratios stated in "Liquidity Emergency Action Plan (LEAP)" are followed within the scope of liquidity risk measurement under this purpose. The Bank's liquidity risk are digitized by daily follow-ups with first and second degree warnings for determined ratios relating to balance-sheet, liquidity deficit in all maturity gap and the Bank's position against such ratios.

The upper limits of the Parent Bank consist of the following: max lending amount of TRY and FC category on all maturity in interbank OTC markets, the upper limit of repurchase and reverse repurchase transactions in TRY and FC category on all maturity in the interbank OTC markets, the maximum foreign exchange position limits that can be carried, and finally; the upper limit relating to forward and swap transactions is determined on the that the whole term of TRY and foreign currency denominated, forward and the upper limit relating to swap transactions is determined.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

The extension of the maturity structure of term deposits reflects the primary funding source for the Parent Bank; the development of new products that encourage saving 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 fund resources in parallel with the close monitoring of price/cost movements in international capital markets and compliance with the conditions are evaluated.

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

Effects of macro size balance sheet changes or important changes of market data on bank liquidity; based on legal liquidity ratio and according to liquidity emergency action plan, analysis is made on the effects of the ratios that are being followed. Whether originated from the Parent Bank or the market, under the condition that the potential stress tests are applied, the legal and internal changes on liquidity ratio and their effects of bank liquidity is quantified.

Moreover, to analyze the withdrawal rates of time deposits, the core deposit analysis is performed relating to deposit items based on each currency type.

According to the "Regulations on the Banks' Liquidity Coverage Ratio Calculation" published by the BRSA, foreign currency and total liquidity coverage ratios calculated are monitored to ensure that banks keep high levels of liquid assets to cover net cash outflows.

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

Throughout the current period, the Parent Bank's Liquidity Coverage Ratio's lowest and highest values and the months these values are monitored are given in the table below:

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Month	(%)	Related Month	(%)
Maximum	October	197,49	October	118,43
Minimum	December	129,61	November	85,30



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			41.538.443	27.288.632
Cash Outflows				
Retail and Small Business Customers, of which;	89.583.117	31.827.153	7.824.424	3.182.715
Stable Deposits	22.677.760	-	1.133.888	-
Less Stable Deposits	66.905.357	31.827.153	6.690.536	3.182.715
Unsecured wholesale funding , of which;	80.572.284	39.354.420	45.103.830	23.098.605
Operational Deposits	1.475.503	25.764	368.876	6.441
Non-operational Deposits	70.160.212	34.173.507	37.427.882	19.355.493
Other Unsecured Funding	8.936.570	5.155.150	7.307.072	3.736.671
Secured Funding			-	-
Other cash outflows, of which;	5.608.065	3.687.070	2.673.873	2.164.857
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	230.559	918.474	230.559	918.474
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off- balance sheet obligations	5.377.506	2.768.596	2.443.314	1.246.383
Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	77.397.763	28.958.391	5.990.250	2.309.291
Total Cash Outflows			61.592.377	30.755.469
Cash Inflows				
Secured Receivables	585	-	-	-
Unsecured Receivables	29.527.022	14.311.864	22.340.233	12.953.281
Other Cash Inflows	-	-	-	-
Total Cash Inflows	29.527.607	14.311.864	22.340.233	12.953.281
			Total Adjusted Value	
Total HQLA Stock			41.538.443	27.288.632
Total Net Cash Outflows			39.252.144	17.802.188
Liquidity Coverage Ratio (%)			106,23%	155,86%

⁽¹⁾ Calculated by simple arithmetic average, monthly consolidated average calculated for the last three months of the liquidity coverage ratio, also calculated weekly simple average of the last three months of the liquidity coverage ratio by taking the arithmetic mean.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Prior Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			40.539.495	20.101.376
Cash Outflows				
Retail and Small Business Customers, of which;	70.691.580	27.305.844	5.937.031	2.730.585
Stable Deposits	22.642.553	-	1.132.128	-
Less Stable Deposits	48.049.027	27.305.844	4.804.903	2.730.585
Unsecured wholesale funding , of which;	82.908.952	32.360.969	48.176.262	21.528.348
Operational Deposits	419.003	-	104.751	-
Non-operational Deposits	73.463.441	31.049.576	43.093.507	20.284.199
Other Unsecured Funding	9.026.508	1.311.393	4.978.004	1.244.149
Secured Funding			-	-
Other cash outflows, of which;	4.483.054	2.911.244	2.067.350	1.627.714
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	66.476	580.489	66.476	580.489
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off- balance sheet obligations	4.416.578	2.330.755	2.000.874	1.047.225
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	59.983.276	24.517.744	4.558.477	1.939.518
Total Cash Outflows			60.739.120	27.826.165
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	19.152.663	10.201.918	12.979.229	8.550.397
Other Cash Inflows	14.194	14.194	14.194	14.194
Total Cash Inflows	19.166.857	10.216.112	12.993.423	8.564.591
			Total Adjusted Value	
Total HQLA Stock			40.539.495	20.101.376
Total Net Cash Outflows			47.745.697	19.261.574
Liquidity Coverage Ratio (%)			84,91%	104,82%

⁽¹⁾ Calculated by simple arithmetic average, monthly consolidated average calculated for the last three months of the liquidity coverage ratio, also calculated weekly simple average of the last three months of the liquidity coverage ratio by taking the arithmetic mean.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

1. 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 TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	2.355.019	34.253.174	-	73.184	-	-	-	36.681.377
Banks	1.469.350	4.761.546	78.154	4.117	-	-	-	6.313.167
Financial assets at fair value through profit and loss	7.035	202.848	110.736	10.152.858	8.764	27	1.240	10.483.508
Money market placements	-	1.288.168	-	-	-	-	-	1.288.168
Financial assets available-for-sale	-	209.656	93.398	1.797.894	5.581.120	9.938.011	79.099	17.699.178
Loans ⁽²⁾	550.645	12.188.893	13.633.296	60.435.585	90.269.846	27.064.005	-	204.142.270
Held-to-maturity investments	534	378.421	164.241	1.541.221	9.293.959	10.608.723	-	21.987.099
Other assets ⁽³⁾	1.594.337	706.366	889.854	945.432	1.493.736	418.697	7.576.567	13.624.989
Total assets	5.976.920	53.989.072	14.969.679	74.950.291	106.647.425	48.029.463	7.656.906	312.219.756
Liabilities								
Bank deposits	3.813.689	13.102.252	2.084.086	213.579	1.092	-	-	19.214.698
Other deposits	25.517.747	99.176.766	34.202.985	14.315.698	821.461	18.123	3.143	174.055.923
Funds provided from other financial institutions (4)	2.548	1.557.086	2.912.245	8.197.962	4.690.232	2.698.411	-	20.058.484
Money market balances	-	33.777.024	1.219.757	2.938	3.603	-	-	35.003.322
Bonds issued	-	822.105	2.584.804	104.683	8.510.538	-	-	12.022.130
Sundry creditors	14.501	1.744.972	8.058	108.231	1.724.488	1.702	256.406	3.858.358
Other liabilities ⁽¹⁾	569.562	1.810.254	63.546	15.641.345	274.960	3.246.745	26.400.429	48.006.841
Total liabilities	29.918.047	151.990.459	43.075.481	38.584.436	16.026.374	5.964.981	26.659.978	312.219.756
Liquidity gap	(23.941.127)	(98.001.387)	(28.105.802)	36.365.855	90.621.051	42.064.482	(19.003.072)	-
Net off balance sheet position	-	(30.015)	(18.941)	11.949	152.560	-	-	115.553
Derivative financial assets	-	5.319.725	1.400.784	2.606.753	2.396.724	3.804.657	-	15.528.643
Derivative financial liabilities	-	(5.349.740)	(1.419.725)	(2.594.804)	(2.244.164)	(3.804.657)	-	(15.413.090)
Non-cash loans	19.713.335	2.090.829	4.541.264	18.634.374	12.409.276	1.098.547	300.033	58.787.658
Prior period								
Total assets	9.791.206	39.840.301	12.647.647	52.451.368	78.616.894	37.326.837	7.052.014	237.726.267
Total liabilities	30.251.982	106.793.208	30.356.470	27.055.074	14.585.267	3.803.809	24.880.457	237.726.267
Liquidity gap	(20.460.776)	(66.952.907)	(17.708.823)	25.396.294	64.031.627	33.523.028	(17.828.443)	-
Net off balance sheet position	-	6.015.467	5.724.727	2.068.327	4.529.279	6.896.416	-	25.234.216
Derivative financial assets	-	3.005.140	2.850.328	1.034.659	2.313.274	3.448.208	-	12.651.609
Derivative financial liabilities	-	(3.010.327)	(2.874.399)	(1.033.668)	(2.216.005)	(3.448.208)	-	(12.582.607)
Non-cash loans	17.590.609	2.026.427	4.602.870	13.215.750	8.319.123	1.786.226	336.714	47.877.719

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

⁽²⁾ TRY 1.410.325 of non-performing loans is disclosed under the undistributed column in other assets.

⁽³⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses, deferred tax assets and overdue loans are disclosed in other assets under the undistributed column.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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

Current Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	138.695.766	38.658.365	14.982.260	931.101	18.141	(15.012)	193.270.621
Funds provided from other financial intuitions	1.576.388	2.915.231	8.374.854	5.232.948	2.621.216	(662.153)	20.058.484
Money market borrowings	33.612.342	1.410.455	-	-	-	(19.475)	35.003.322
Securities issued	829.636	2.347.213	340.952	9.247.008	-	(742.679)	12.022.130
Funds	92.303	13.766	127.641	274.391	2.246.745	(30.212)	2.724.634
Total	174.806.435	45.345.030	23.825.707	15.685.448	4.886.102	(1.469.531)	263.079.191

Prior Period	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	114.023.770	25.757.529	10.529.290	614.505	11.011	(537.228)	150.398.877
Funds provided from other financial intuitions	1.787.510	2.219.235	10.952.226	5.043.435	2.125.296	(538.591)	21.589.111
Money market borrowings	16.660.819	1.479.146	911.132	-	-	(28.961)	19.022.136
Securities issued	333.042	1.090.794	3.801.556	8.920.337	-	(1.393.318)	12.752.411
Funds	193.660	13.548	103.576	334.913	1.719.621	(25.510)	2.339.808
Total	132.998.801	30.560.252	26.297.780	14.913.190	3.855.928	(2.523.608)	206.102.343

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

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

Current Period: ⁽¹⁾	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	3.342.111	1.450.171	1.521.700	-	-	6.313.982
Forward Contracts – Sell	1.501.823	661.607	1.518.340	-	-	3.681.770
Swaps – Buy	2.085.148	30.824	387.590	758.000	-	3.261.562
Swaps – Sell	2.083.245	29.584	379.000	605.440	-	3.097.269
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	24.982	-	-	-	-	24.982
Forward Precious Metal - Sell	1.896.450	808.986	-	-	-	2.705.436
Money Buy Options	239.927	2.822	697.462	-	-	940.211
Money Sell Options	239.926	2.822	697.462	-	-	940.210
Swaps Interest – Buy	-	-	-	1.638.724	3.804.657	5.443.381
Swaps Interest – Sell	-	-	-	1.638.724	3.804.657	5.443.381
Total	11.413.612	2.986.816	5.201.554	4.640.888	7.609.314	31.852.184

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 910.451.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period: ⁽¹⁾	Up to one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	1.118.830	2.504.618	875.467	232.448	-	4.731.363
Forward Contracts – Sell	1.118.179	467.553	874.715	230.950	-	2.691.397
Swaps – Buy	1.775.843	264.926	159.192	656.768	-	2.856.729
Swaps – Sell	1.781.941	263.813	158.953	560.998	-	2.765.705
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	-	59.714	-	-	-	59.714
Forward Precious Metal - Sell	-	2.121.975	-	-	-	2.121.975
Money Buy Options	307.574	32.550	-	-	-	340.124
Money Sell Options	307.584	32.545	-	-	-	340.129
Swaps Interest – Buy	-	-	-	-	4.872.265	4.872.265
Swaps Interest – Sell	-	-	-	-	4.872.265	4.872.265
Total	6.409.951	5.747.694	2.068.327	1.681.164	9.744.530	25.651.666

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 417.450.

VII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

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 ⁽²⁾	Prior Period ⁽²⁾
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS ⁽¹⁾	270.533.226	236.653.599
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽¹⁾	(1.145.283)	(1.072.668)
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	17.716.168	12.750.123
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	3.364.403	8.497.311
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	797.772	499.895
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	393.862.493	304.496.860

⁽¹⁾ As of reporting date, in the cause of consolidated financial statements is not published yet, the amounts are represented in the table as of 30 June 2017 and 31 December 2016.

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

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance Sheet Items		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	306.253.039	231.246.177
Assets that are deducted from core capital	(169.958)	(142.844)
Total on balance sheet exposures	306.083.081	231.103.333
Derivative exposures and credit derivatives		
Replacement cost associated with derivative financial instruments and credit derivatives	456.562	426.047
The potential amount of credit risk with derivative financial instruments and credit derivatives	236.834	169.191
The total amount of risk on derivative financial instruments and credit derivatives	693.396	595.238
Investment securities or commodity collateral financing transactions		
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.268.407	564.162
Risk amount of exchange brokerage operations	-	-
Total risks related with securities or commodity financing transactions	1.268.407	564.162
Off -Balance Sheet Items		
Gross notional amount of off-balance sheet items	86.615.381	72.734.022
Adjustments for conversion to credit equivalent amounts	(797.772)	(499.895)
The total risk of off-balance sheet items	85.817.609	72.234.127
Capital and Total Exposures		
Tier 1 Capital	24.625.572	20.935.086
Total Exposures	393.862.493	304.496.860
Leverage Ratio		
Leverage Ratio	6.25%	6.88%

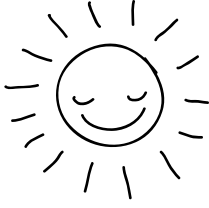
⁽¹⁾ The amounts in the table represent three-month average.**VIII. EXPLANATIONS ON CONSOLIDATED BUSINESS SEGMENTATION**

The Group's operations are grouped under the corporate, commercial, integrated 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 (SME) 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.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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 the 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.

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.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2017 are presented in the table below.

Current Period	Corporate	Commercial	Integrated	Treasury / Investment ⁽¹⁾	Other ⁽²⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	2.140.662	3.272.456	13.414.498	4.430.253	407.200	23.665.069
Interest on loans	2.138.905	3.271.343	13.148.169	502.421	-	19.060.838
Interest income on marketable securities	-	-	254.258	3.469.735	41.539	3.765.532
Interest received from banks	-	-	1	256.784	(84)	256.701
Other interest income	1.757	1.113	12.070	201.313	365.745	581.998
Interest expense	1.448.879	726.547	8.274.963	4.680.531	177.857	15.308.777
Interest on deposits	1.448.080	695.437	8.085.971	856.369	-	11.085.857
Interest on borrowings	661	6.907	27.289	359.802	145.626	540.285
Interest on money market borrowings	-	-	77.608	2.634.468	7.735	2.719.811
Interest on marketable bonds issued	-	-	-	822.173	23.362	845.535
Other interest expense ⁽²⁾	138	24.203	84.095	7.719	1.134	117.289
Net interest income	691.783	2.545.909	5.139.535	(250.278)	229.343	8.356.292
Net fees and commissions income / (expenses)	245.201	431.532	1.089.806	351.066	(196.471)	1.921.134
Net trading profit / (loss) (Net)	710	5.172	244.722	(200.270)	28.291	78.625
Dividend income	-	-	-	11.317	322	11.639
Other income	42.811	74.615	358.812	273.187	1.428.669	2.178.094
Loans and other receivables' impairment loss	17.973	443.525	581.533	462.840	-	1.505.871
Other expenses	30.307	69.703	1.822.805	2.788.638	1.174.750	5.886.203
Income before taxes	932.225	2.544.000	4.428.537	(3.066.456)	315.404	5.153.710
Income tax provision	-	-	-	(996.443)	(106.543)	(1.102.986)
Net profit for the period	932.225	2.544.000	4.428.537	(4.062.899)	208.861	4.050.724
SEGMENT ASSETS						
Marketable securities	-	-	5.489.437	44.036.225	281.607	49.807.269
Derivative financial assets held for trading	-	-	79.852	282.664	-	362.516
Banks and money market receivables	-	-	289	7.594.793	6.253	7.601.335
Associates and subsidiaries (net)	-	-	-	405.316	-	405.316
Loans	29.738.256	41.267.495	127.277.838	7.269.006	-	205.552.595
Other assets ⁽¹⁾	90.690	264.257	1.885.260	41.804.276	4.446.242	48.490.725
TOTAL ASSETS	29.828.946	41.531.752	134.732.676	101.392.280	4.734.102	312.219.756
SEGMENT LIABILITIES						
Deposits	27.081.876	16.011.238	136.068.623	14.108.884	-	193.270.621
Derivative financial liabilities held for trading	-	-	46.160	104.509	4	150.673
Money market balances	-	-	4.140.748	30.822.778	39.796	35.003.322
Borrowing funding loans	9.973	233.252	954.275	16.550.464	2.310.520	20.058.484
Bonds issued	-	-	-	11.727.130	295.000	12.022.130
Other liabilities	286.437	379.543	6.336.640	12.356.196	235.239	19.594.055
Provisions and tax payable	57.741	88.335	252.213	4.308.512	1.884.981	6.591.782
Shareholders' equity	767.670	2.565.774	4.065.401	16.797.501	1.332.343	25.528.689
TOTAL LIABILITIES	28.203.697	19.278.142	151.864.060	106.775.974	6.097.883	312.219.756
OFF BALANCE SHEET ITEMS	15.510.070	14.868.793	34.291.297	50.138.251	35.174	114.843.585
Guarantees and surety ships	15.446.074	13.990.756	17.241.640	12.109.188	-	58.787.658
Commitments	63.996	878.037	10.134.667	14.002.992	34.502	25.114.194
Derivative financial instruments	-	-	6.914.990	24.026.071	672	30.941.733

⁽¹⁾ Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Bank A.D., Skopje transactions are presented under the Treasury / Investment column. In this context net tangible assets amounting to TRY 3.751.600, deferred tax assets amounting to TRY 94.043 is presented under the Other column.

⁽²⁾ Branch interest expense is distributed in other interest income and other interest expenses.

⁽³⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are presented in other column.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Details of the segment information prepared in accordance with the Act on "Disclosure of Financial Statements of Banks and The Related Presentations and Notes" as of 31 December 2016 are presented in the table below.

Prior Period	Corporate	Commercial SME / Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Total	
OPERATING INCOME / EXPENSES						
31 December 2016						
Interest income	1.474.585	2.138.386	10.406.769	3.026.965	316.508	17.363.213
Interest on loans	1.474.545	2.137.979	10.263.159	432.183	-	14.307.866
Interest income on marketable securities	-	-	129.951	2.423.456	17.997	2.571.404
Interest received from banks	-	-	4.158	110.130	394	114.682
Other interest income ⁽²⁾	40	407	9.501	61.196	298.117	369.261
Interest expense	879.936	420.987	6.006.409	2.589.050	118.290	10.014.672
Interest on deposits	866.637	405.981	5.889.288	889.712	-	8.051.618
Interest on borrowings	833	6.909	24.491	345.535	111.874	489.642
Interest on money market borrowings	-	-	26.815	767.291	-	794.106
Interest on marketable bonds issued	-	-	-	585.219	5.529	590.748
Other interest expense ⁽²⁾	12.466	8.097	65.815	1.293	887	88.558
Net interest income	594.649	1.717.399	4.400.360	437.915	198.218	7.348.541
Net fees and commissions income / (expense)	194.413	221.663	754.129	257.443	(189.545)	1.238.103
Net trading profit / (loss)	735	6.200	312.171	(168.086)	31.946	182.966
Dividend income	-	-	-	39.873	113	39.986
Other income	8.744	26.552	254.916	352.252	1.200.749	1.843.213
Loans and other receivables' impairment loss	182.336	209.248	603.701	1.148.611	62.013	2.205.909
Other expenses	17.159	64.826	1.696.112	2.202.051	1.117.314	5.097.462
Income before taxes	599.046	1.697.740	3.421.763	(2.431.265)	62.154	3.349.438
Income tax provision	-	-	(1.980)	(797.969)	(10.033)	(809.982)
Net profit for the period	599.046	1.697.740	3.419.783	(3.229.234)	52.121	2.539.456
SEGMENT ASSETS						
(31 December 2016)						
Marketable securities	-	-	2.524.561	31.134.471	255.928	33.914.960
Derivative financial assets held for trading	-	-	75.054	284.757	-	359.811
Banks and money market receivables	-	-	244.328	2.782.330	10.589	3.037.247
Associates and subsidiaries (net)	-	-	-	333.664	-	333.664
Loans	24.281.411	32.125.832	97.373.009	5.542.907	-	159.323.159
Other assets ⁽¹⁾	81.246	441.908	1.805.746	34.519.527	3.908.999	40.757.426
TOTAL ASSETS	24.362.657	32.567.740	102.022.698	74.597.656	4.175.516	237.726.267
SEGMENT LIABILITIES						
(31 December 2016)						
Deposits	23.833.195	8.253.723	100.730.184	17.581.775	-	150.398.877
Derivative financial liabilities held for trading	-	-	42.426	169.422	12.745	224.593
Money market balances	-	-	1.373.871	17.648.265	-	19.022.136
Borrowing funding loans	1.445	187.747	830.155	18.562.250	2.007.514	21.589.111
Bonds issued	-	-	-	12.627.411	125.000	12.752.411
Other liabilities	254.825	278.741	5.100.179	1.383.137	133.689	7.150.571
Provisions and tax payable	66.549	57.621	191.543	3.450.920	1.452.415	5.219.048
Shareholders' equity	543.102	1.701.171	3.102.242	15.079.106	943.899	21.369.520
TOTAL LIABILITIES	24.699.116	10.479.003	111.370.600	86.502.286	4.675.262	237.726.267
OFF BALANCE SHEET ITEMS						
(31 December 2016)						
Guarantees and surety ships	13.605.528	10.831.393	12.513.027	10.927.771	-	47.877.719
Commitments	58.048	855.008	11.050.295	12.545.837	245.172	24.754.360
Derivative financial instruments	-	-	6.427.378	18.507.766	299.072	25.234.216

⁽¹⁾ Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Bank A.D., Skopje transactions are presented under the treasury / investment column. In this context net of tangible assets amounting TRY 3.266.984 (net), deferred tax assets amounting TRY 99.525 is presented under the other column.

⁽²⁾ Funds transfer pricing was distributed in other interest income and other interest expense.

⁽³⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kira İlama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are presented in other column.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Current Period
Financial Assets	292.387.846	228.959.936	304.642.951	219.320.338
Cash and Balances with the Central Bank of Turkey	36.681.377	30.211.966	36.681.377	30.211.966
Financial assets at fair value through P&L ^{(3) (4)}	472.501	440.816	472.501	440.816
Banks	6.313.167	1.964.850	6.737.620	1.965.009
Money market placements	1.288.168	1.072.397	1.288.168	1.072.397
Available for sale financial assets ⁽¹⁾	17.620.079	15.421.388	17.683.863	15.506.164
Held to maturity investments	21.987.099	18.344.626	21.483.366	18.302.970
Loans ⁽²⁾	204.142.270	158.058.035	216.412.871	148.375.158
Receivables from leasing transactions	2.671.253	2.311.330	2.671.253	2.311.330
Factoring receivables	1.211.932	1.134.528	1.211.932	1.134.528
Financial Liabilities	264.363.588	206.853.750	264.510.104	210.743.804
Deposits	193.270.621	150.398.877	193.566.995	150.538.910
Derivative financial liabilities held for trading	150.673	224.593	150.673	224.593
Funds provided from other financial intuitions	20.058.484	21.589.111	21.126.639	25.926.472
Money market borrowings	35.003.322	19.022.136	34.966.894	19.006.498
Securities issued	12.022.130	12.752.411	10.811.949	12.188.982
Miscellaneous payables	3.858.358	2.866.622	3.886.954	2.858.349

⁽¹⁾ As of 31 December 2017, TRY 79.099 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2016: TRY 59.831).

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

⁽³⁾ As of 31 December 2017, marketable securities amounting to TRY 10.578 that are valued by internal rate of return, are not included in financial assets held for trading purpose.

⁽⁴⁾ Securities lending transactions amounting to TRY 10.000.429 is not included in the financial assets at fair value through P&L.

As of 31 December 2017, fair values of Associates and Subsidiaries are shown at section 4 footnote 5. The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Classification of Fair Value Measurement

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

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

Classification requires using observable market data if possible.

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

Current Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽³⁾	109.985	362.516	-	472.501
<i>Debt securities</i>	94.898	-	-	94.898
<i>Derivative financial assets held for trading purpose</i>	-	362.516	-	362.516
<i>Stocks</i>	1.240	-	-	1.240
<i>Other Securities</i> ⁽²⁾	13.847	-	-	13.847
Available-for-sale financial assets ⁽¹⁾	17.620.079	-	-	17.620.079
<i>Debt securities</i>	17.620.079	-	-	17.620.079
<i>Other Securities</i>	-	-	-	-
Subsidiaries	-	-	52.178	52.178
Association	-	-	353.138	353.138
Total Financial Assets	17.730.064	362.516	405.316	18.497.896
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	150.673	-	150.673
Total Financial Liabilities	-	150.673	-	150.673

⁽¹⁾ As of 31 December 2017, share certificates amounting to TRY 79.099 of "securities not quoted on the stock exchange" in available for sale financial assets are not included in the above table.

⁽²⁾ As of 31 December 2017, marketable securities amounting to TRY 10.578 that are not valued at fair value, are not included in financial assets held for trading purpose.

⁽³⁾ Securities lending transactions amounting to TRY 10.000.429 is not included in the financial assets at fair value through P&L.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽²⁾	81.005	359.811	-	440.816
<i>Debt securities</i>	65.538	-	-	65.538
<i>Derivative financial assets held for trading purpose</i>	-	359.811	-	359.811
<i>Stocks</i>	3.095	-	-	3.095
<i>Other Securities⁽¹⁾</i>	12.372	-	-	12.372
Available-for-sale financial assets ⁽¹⁾	15.421.388	-	-	15.421.388
<i>Debt securities</i>	15.419.448	-	-	15.419.448
<i>Other Securities</i>	1.940	-	-	1.940
Subsidiaries	-	-	41.243	41.243
Association	-	-	292.421	292.421
Total Financial Assets	15.502.393	359.811	333.664	16.195.868
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	224.593	-	224.593
Total Financial Liabilities	-	224.593	-	224.593

⁽¹⁾ As of 31 December 2016, share certificates amounting to TRY 59.831 of "securities not quoted on the stock exchange" in available for sale financial assets are not included in the above table.

⁽²⁾ As of 31 December 2016, marketable securities amounting to TRY 8.110 that are not valued at fair value, are not included in financial assets held for trading purpose.

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

	Current Period	Prior Period
Balance at the beginning of the period	333.664	302.060
Purchases during the year	-	-
Non-paid up shares	-	-
Valuation Difference	71.652	31.604
Transfers	-	-
Period End Balance	405.316	333.664

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

The Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services. The Bank does not engage in fiduciary transactions.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS

The Parent Bank's Risk Management Approach and Risk Weighted Amounts

The Parent Bank's business model creates a comprehensive risk profile that includes all units of the Parent 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 Parent 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 Financial Crimes Investigation Board (MASAK) Compliance Unit is directly affiliated to the Audit Committee. The structure of the internal systems determines the level of risk by identifying the risks that the Parent Bank is exposed to. 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 (ISEDES). 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 A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Overview of RWA:

Requirements	Risk Weighted Amounts		Minimum Capital
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)*	187.858.563	166.783.094	15.028.685
2 Standardised approach (SA)	187.858.563	166.783.094	15.028.685
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	1.948.749	380.116	155.900
5 Standardised approach for counterparty credit (SA-CCR) risk (SA-CCR)	1.948.749	380.116	155.900
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	3.629.588	2.225.538	290.367
17 Standardised approach (SA)	3.629.588	2.225.538	290.367
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	14.724.338	12.718.488	1.177.947
20 Basic Indicator Approach	14.724.338	12.718.488	1.177.947
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	867.044	715.254	69.364
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	209.028.282	182.822.490	16.722.263

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Differences and Matching Between Asset and Liabilities' Carrying Values in Financial Statements and In Capital Adequacy Calculation

	Carrying values of items in accordance with Turkish Accounting Standards							Not subject to capital requirements or subject to deduction from capital
	Carrying values in financial statements prepared as per TAS	Carrying values for legal consolidation prepared as per TAS	Credit Risk	Counter party credit risk	Securitization positions	Market Risk		
Assests								
Cash and Balances with the Central Bank	-	36.681.377	36.681.377	-	-	-	-	-
Available-for-Sale Financial Assets	-	10.483.508	-	362.516	-	483.079	10.000.429	-
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
Banks	-	6.313.167	6.313.167	-	-	-	-	-
Receivables from Money markets	-	1.288.168	1.287.858	-	-	310	-	-
Financial assets available for sale (net)	-	17.699.178	8.617.940	-	-	9.081.238	-	-
Loans and receivables	-	205.552.595	205.538.539	-	-	-	-	14.057
Receivables from factoring	-	1.211.932	1.211.932	-	-	-	-	-
Investments held to maturity (net)	-	21.987.099	21.987.099	-	-	-	-	-
Subsidiaries (net)	-	353.138	353.138	-	-	-	-	-
Associates (net)	-	52.178	52.178	-	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-	-	-
Finance lease receivables	-	2.671.253	2.671.253	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-	-
Tangible Assets (net)	-	3.751.600	3.686.671	-	-	-	-	64.929
Intangible Assets (net)	-	143.095	-	-	-	-	-	143.095
Real estate for investment purpose (net)	-	910.378	910.378	-	-	-	-	-
Tax asset	-	94.043	94.043	-	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	-	790	790	-	-	-	-	-
Other assets	-	3.026.257	3.026.257	-	-	-	-	-
Total Assets	-	312.219.756	292.432.620	362.516	-	9.564.627	10.222.510	
Liabilities								
Deposits	-	193.270.621	-	-	-	-	-	193.270.621
Derivative financial liabilities held for trading	-	150.673	-	-	-	150.673	-	-
Loans	-	20.058.484	-	-	-	-	-	20.058.484
Money market borrowings	-	35.003.322	-	4.348.200	-	1.062.896	33.940.426	-
Securities issued	-	12.022.130	-	-	-	-	12.022.130	-
Funds	-	2.724.634	-	-	-	-	-	2.724.634
Miscellaneous payables	-	3.858.358	-	-	-	-	-	3.858.358
Other liabilities	-	12.003.616	-	-	-	202	12.003.414	-
Factoring payables	-	3.062	-	-	-	-	-	3.062
Finance lease payables	-	-	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-	-	-
Provisions	-	5.340.089	-	-	-	-	-	5.340.089
Tax Liability	-	1.251.693	-	-	-	-	-	1.251.693
Liabilities regarding assets held for sale and discontinued operations (net)	-	-	-	-	-	-	-	-
Subordinated Debt	-	1.004.385	-	-	-	-	-	1.004.385
Shareholders' equity	-	25.528.689	-	-	-	-	-	25.528.689
Total liabilities	-	312.219.756	-	4.348.200	-	1.213.771	311.005.985	

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements

	Total	Credit risk	Securitization positions	Counterparty credit risk	Market Risk
1 Asset carrying value amount under scope of regulatory consolidation	312.219.756	292.432.620	-	362.516	9.564.627
2 Liabilities carrying value amount under regulatory scope of consolidation	312.219.756	-	-	4.348.200	1.213.771
3 Total net amount under regulatory scope of consolidation	-	292.432.620	-	4.710.716	10.778.398
4 Off-balance Sheet Amounts	83.901.852	38.553.082	-	193.157	31.852.184
5 Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to prudential filters	-	-	-	-	-
9 Differences due to risk reduction	-	330.985.702	-	4.903.873	42.630.582

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

Explanations of differences between accounting and regulatory exposure amounts:

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

Explanations Related to Counterparty Credit Risk

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

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

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

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

Agreements entered into with counterparty financial institutions resulting in credit risk according to the attributes of the transaction are evaluated by taking into account ISDA framework and CSA framework for derivative transactions, GMRA framework for repurchase agreements. The risk is mitigated by receiving cash or other forms of collaterals as per the counterparty limits designated by the Board of Directors. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty limits. In cases whereby possible decreases or increases in ratings affects the current replacement cost, margin call agreements are used as a risk mitigator.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Counterparty Credit Risk (CCR) Approach Analysis

	Replacement cost	Potential Future exposure	EEPE(Effective Expected Positive Exposure)*	Alpha used for computing regulatory EAD	EAD post-CRM**	RWA
Standardised Approach - CCR (for derivatives)	362.810	193.157	-	1,4	652.538	468.964
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-		-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					4.262.269	1.237.404
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					1.323.235	242.381
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
Total					6.238.042	1.948.749

*Expected effective positive risk amount

**This amount represents the post-correction amount for the KRAT and KDA risk.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Capital requirement for credit valuation adjustment (CVA)

	EAD post-CRM	Risk weight amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3x multiplier)	-	-
(ii) Stressed VaR component (including the 3x multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	652.538	468.964
Total subject to the CVA capital obligation	652.538	468.964

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

Risk weight / Risk Classifications	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
Claims on sovereigns and Central Banks	13.903	-	-	-	-	30	-	-	13.933
Claims on regional governments or local authorities	7.455	-	-	230	-	-	-	-	7.685
Claims on administrative bodies and other non-commercial undertakings	27.540	-	-	-	-	846	-	-	28.386
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	841.963	-	3.907.975	228.107	-	781.993	-	-	5.760.038
Claims on corporates	36.571	-	-	-	-	262.407	-	-	298.978
Claims included in the regulatory retail portfolios	118.726	19	-	-	10.277	-	-	-	129.022
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	-	-	-	-	-	-	-	-	-
Total	1.046.158	19	3.907.975	228.337	10.277	1.045.276	-	-	6.238.042



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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	-	-	-	-	-	-
Cash-foreign currency	-	66.656	-	55.115	896	49.497
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	66.656	-	55.115	896	49.497

Counterparty Credit Risk-Credit Derivatives:

None.

Exposures to Central Counterparties (CCP)

	Exposure at default (post-CRM)	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)		1.331
Exposures for trades at QCCPs (excluding initial margin and default)	1.329	1.329
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	1.329	1.329
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	9.861	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	859	2
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)		-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

Securitisations:

None.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Qualitative Disclosure on Credit Risk

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

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

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

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

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

Credit Quality of Assets

	Gross carrying value as per TAS		Allowances/ amortisation and impairments **	Net values
	Defaulted *	Non-defaulted		
1 Loans	6.296.406	204.142.270	4.886.081	205.552.595
2 Debt Securities	-	40.202.914	397.314	39.805.600
3 Off-balance sheet*** exposures	-	83.901.852	-	83.901.852
4 Total	6.296.406	328.247.036	5.283.395	329.260.047

* Shows the receivables which identified non performing receivables in accordance with the regulation on "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the official gazette no.26333 dated 1 November 2006.

** Refers Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside on methods and principles for the determination of loans and other receivables qualification and the provisions for these

*** As of 31 December 2017, TRY 10.000.429 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	5.320.512
2	Loans and debt securities defaulted since the last reporting period	1.706.205
3	Receivables back to performing status	(93.949)
4	Amounts written off	(2.148)
5	Other changes	(634.214)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	6.296.406



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Additional Disclosure Related To The Credit Quality Of Assets:

Exposures Provisioned Against By Maturity

31 December 2017	Demands	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total
Loans and Advances	550.645	12.188.893	13.633.296	60.435.585	90.269.846	27.064.005	204.142.270

Exposures Provisioned Against By Major Regions

31 December 2017	Loans Under Follow-Up	Specific Provisions
Domestic	6.011.884	4.711.402
European Union (EU) Countries	27	27
OECD Countries	3	3
Off-Shore Banking Regions	-	-
USA, Canada	1	1
Other Countries	284.491	174.648
Total	6.296.406	4.886.081

Exposures Provisioned Against By Sectors

Explained in 4-II Information according to sectors and counterparties

Aging analysis of overdue but not impaired financial assets

31 December 2017	
30-60 days overdue	1.721.522
60-90 days overdue	768.857
Total	2.490.379

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

31 December 2017	
Loans Structured from Standard Loans and Other Receivables	3.598.515
Loans Composed of Follow-on Loans and Other Receivables	2.578.747
Loans Restructured from Non-Performing Loans	1.446.162

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Qualitative Disclosure on Credit Risk Mitigation Techniques

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

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

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

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

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

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

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

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

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

Credit Risk Mitigation Techniques- Overview

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans*	130.687.185	73.455.085	56.003.821	387.266	387.266	-	-
2 Debt Instruments**	49.806.029	-	-	-	-	-	-
3 Total	180.493.214	73.455.085	56.003.821	387.266	387.266	-	-
4 Of which defaulted	258.153	1.152.172	852.419	8.691	8.691	-	-

*As collateral, within the scope of the Standard Approach, collaterals to be used to mitigate credit risk, are taken into consideration.

** As of 31 December 2017, TRY 10.000.429 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

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

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



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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	68.153.888	1.701.954	84.832.094	1.737.422	8.940.594	10,33%
Claims on regional governments or local authorities	2.986.510	161.052	2.986.428	81.126	1.522.659	49,64%
Claims on administrative bodies and other non-commercial undertakings	701.884	1.943.990	689.984	970.764	1.612.334	97,08%
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	11.958.837	2.952.704	11.963.914	1.753.740	5.305.936	38,68%
Claims on corporates	78.181.413	46.337.932	70.891.742	27.105.623	96.364.910	98,33%
Claims included in the regulatory retail portfolios	66.546.025	27.134.121	57.164.621	4.757.721	44.519.389	71,90%
Claims secured by residential property	34.590.317	1.259.551	34.590.091	689.643	12.523.547	35,50%
Claims secured by commercial property	21.148.630	1.869.900	21.148.630	1.370.843	11.259.736	50,00%
Overdue loans	1.407.953	66.006	1.407.953	33.207	1.302.117	90,35%
Higher risk categories decided by the Board	4.414	92.978	4.414	52.993	86.111	150,00%
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	11.807.588	-	11.807.588	-	6.290.462	53,27%
Equity share investments	426.334	-	426.334	-	946.561	222,02%
Total	297.913.793	83.520.188	297.913.793	38.553.082	190.674.356	56,64%

*Secured with real estate mortgage.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Standardised Approach- Claims By Risk Classification And Risk Weights

Risk Classification/Risk weight amount	0%	10%	20%	35%*	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
Claims on sovereigns and Central Banks	68.852.902	-	-	-	17.552.041	-	164.573	-	-	-	86.569.516
Claims on regional governments or local authorities	22.237	-	-	-	3.045.317	-	-	-	-	-	3.067.554
Claims on administrative bodies and other non-commercial undertakings	48.290	-	154	-	-	-	1.612.304	-	-	-	1.660.748
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	841.963	-	6.501.013	-	4.737.889	-	1.636.789	-	-	-	13.717.654
Claims on corporates	722.537	-	881.626	-	409.236	-	95.983.966	-	-	-	97.997.365
Claims included in the regulatory retail portfolios	2.392.650	19	232.486	-	59.297.187	-	-	-	-	-	61.922.342
Claims secured by residential property	28.734	-	8.007	34.775.748	-	467.244	1	-	-	-	35.279.734
Claims secured by commercial property	-	-	-	-	22.519.473	-	-	-	-	-	22.519.473
Overdue loans	23.030	-	-	-	232.025	-	1.186.105	-	-	-	1.441.160
Higher risk categories decided by the Board	-	-	-	-	-	-	-	57.407	-	-	57.407
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	-	-	-	-	-	-	79.516	-	-	346.818	426.334
Other receivables	5.242.459	-	405.591	-	122.799	78.266	5.871.292	-	-	87.181	11.807.588
Total	78.174.802	19	8.028.877	34.775.748	48.618.780	59.842.697	106.534.546	57.407	-	433.999	336.466.875

*Secured with real estate mortgage.

Publicly Announced Qualitative Disclosure on Market Risk

In accordance with the Bank's risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 29111 by 23 October 2015.

It is the ultimate responsibility of the Board of Directors to apply and improve risk management strategies, policies and procedures that are approved by the board of directors, inform the board of directors about the important risks the Bank is exposed to, assess internal control, internal audit and risk reports with regard to the Banks' departments and to eliminate the risks, deficiencies or defects identified in these departments or to take the necessary precautionary actions to prevent those risks, deficiencies and defects and participate in the determination of risk limits. As part of this responsibility, the Board of Directors of the Bank designated VAR limits and the interest risk that the Bank can bear is limited to a ratio of the equity.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the Bank's possibility of loss that may cause due to the general market risk, currency risk, specific risk, commodity risk, clearing risk and counterparty credit risk is calculated by using the standard method. The following table discloses the amounts that are calculated using the standard method.

The Bank measures and monitors risks that exposed to, considering methods suitable with international standards, compliant with legislation. Risk measuring and reporting are performed via advanced methods and risk management softwares. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this scope, periodic and non-periodic reports are prepared for board of directors, relevant committees and senior management.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Market Risk: Standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	2.240.950
Equity risk (general and specific)	117.975
Foreign exchange risk	1.243.838
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	26.285
Scenario approach	-
Securitization	-
Total	3.629.588

Information related to Operational Risk

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

	2 PP Amount	1 PP Amount	CP Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	6.535.163	7.344.771	9.679.007	7.852.980	15	1.177.947
Value at Operational Risk (Total * 12.5%)						14.724.338

XII. EXPLANATIONS ON REMUNERATION POLICIES

1. Disclosures related with Remuneration Committee

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

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

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

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

The Parent Bank's board members, senior management and the Parent Bank personnel deemed to perform the functions having material impact on the Parent Bank's risk profile are considered as critical key directors; and by the end of 2017, the number of critical key directors is 23.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

2. Information on the design and structure of remuneration process

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

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

Remuneration Committee at its meeting in December 2017 has revised the remuneration policy and practices. It has been observed that, total benefits paid to the members of the Parent Bank's Board of Directors, senior management and other staff are in line with the Parent Bank's ethical values, internal balances and strategic objectives in 2017.

Regardless of the performance of the units that are audited by internal audit, the benefits of are determined on the basis of the general wage increase rate set by the Parent Bank.

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

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

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

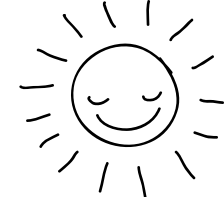
The Parent Bank's variable payments as performance bonuses are mostly made to the personnel working at the branches and Regional Directorships. The paid amounts are not exceed a certain percentage of the monthly fixed fees. No performance premium payments are made to other members of the bank that are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

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

The same rules apply for the ratios of deferral for all critical staff members regarding their variable remunerations.

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

The type and weight of non-cash instruments used in payment of variable remuneration are same for all identified staff.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION V: EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED ASSETS

(1) a) Information on cash and balances with the Central Bank of the Republic of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.155.031	1.053.099	914.278	628.818
CBRT	11.762.459	22.491.457	2.620.111	25.902.219
Other ⁽¹⁾	-	219.331	-	146.540
Total	12.917.490	23.763.887	3.534.389	26.677.577

⁽¹⁾As of 31 December 2017, required reserve deposits kept in Central Bank of Macedonia amounted TRY 78.808 and amounted TRY 140.516 kept in Central Bank of Serbia (31 December 2016: TRY 146.508).

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⁾	11.647.057	3.585.219	2.563.615	3.345.458
Time unrestricted amount	-	-	-	-
Time restricted amount	437	2.425.300	-	5.359.104
Reserve deposits ⁽²⁾	114.965	16.480.938	56.496	17.197.657
Total	11.762.459	22.491.457	2.620.111	25.902.219

⁽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 keep reserve deposits at the CBRT for their TRY and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 4%-10,5% for TRY deposits and other liabilities between 4%-24% for FC deposits for other FC liabilities. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to TRY and FC reserves.

With the amendment on 21 October 2014 the banks meeting certain conditions receive interests on Turkish Lira reserve requirements at 300 or 500 basis points less than the weighted average funding cost (W AFC) rate announced on the Central Bank website. The interest related to the reserve requirements set as TRY is paid at a rate of 400 basis points less than the 1 week repo rate of the CBRT as of 1 January 2017.

With the change dated 23 January 2015, it has been decided to apply a charge on daily account balances and two days notice account denominated in Euro, and collected on a monthly basis, on reserve requirements held by banks commencing on 1 February 2015. As of 27 July 2015 commission ratios have been announced on the CBRT website as zero percent.

With the change on 2 May 2015 made by the CBRT, interest is paid on USD denominated reserve requirements, reserve options and free reserves held at Central Bank of the Republic of Turkey. The interest rate is set on daily basis by taking global and local financial markets conditions into account.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

The applicable interest rate is 1,5% for the reporting period (announced at 18 December 2017).

With the decision No.872 dated 30 January 2014 of the Central Bank of TRNC, reserve requirement ratio is between 5% and 8% for TRY liabilities and for foreign currency liabilities.

With the Board of Directors decision No. 129 dated 2006 of the Central Bank of Macedonia, reserve requirement ratio is 8% for MKD currency liabilities and 15% for foreign currency liabilities.

According to the Official Gazette of Serbia No. 102/2015 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.

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar sec.	10.002.094	-	2.532	-
Total	10.002.094	-	2.532	-

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 sec.	18.213	-	-	-
Total	18.213	-	-	-

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Forward transactions	-	43.494	-	120.227
Swap transactions	-	318.842	-	239.460
Futures transactions	-	-	-	-
Options	118	62	4	120
Other	-	-	-	-
Total	118	362.398	4	359.807



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(3) Information on banks and other financial institutions:

(a) Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	601.804	4.126.869	192.757	26.801
Foreign banks	75.556	1.508.938	169.769	1.575.523
Branches and offices abroad	-	-	-	-
Total	677.360	5.635.807	362.526	1.602.324

b) Information on foreign banks:

	Unrestricted Balance		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	682.125	1.021.972	13.485	21.297
USA and Canada	279.816	143.531	-	8.538
OECD Countries	69.592	86.081	5.219	3.475
Offshore Banking Regions	111	190	-	-
Other	255.116	299.596	279.030	160.612
Total	1.286.760	1.551.370	297.734	193.922

(4) Information on financial assets available-for-sale:

a) Financial assets available-for-sale blocked/given as collateral or subject to repurchase agreements:

a.1. Information on financial assets available-for-sale blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar sec.	11.052.292	1.045.607	122.648	365.859
Total	11.052.292	1.045.607	122.648	365.859

a.2. Information on financial assets available-for-sale subject to repurchase agreements:

	Current Period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar sec.	154.578	4.308.531	4.789.610	728.138
Total	154.578	4.308.531	4.789.610	728.138

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

b) Information on financial assets available-for-sale portfolio:

	Current period	Prior period
Debt securities	17.990.330	15.698.700
<i>Quoted on a stock exchange</i>	17.667.333	15.692.826
<i>Not quoted</i>	322.997	5.874
Share certificates	106.162	343.595
<i>Quoted on a stock exchange</i>	67.523	53.292
<i>Not quoted</i>	38.639	290.303
Impairment provision(-)	397.314	561.076
Total	17.699.178	15.481.219

(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 loans	Non-cash loans	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	275.131	-	226.188	-
Total	275.131	-	226.188	-



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

	Standard loans and other receivables ⁽³⁾			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Agreement conditions modified		Loans and other receivables (Total)	Agreement conditions modified	
		Payment plan extensions	Other		Payment plan extensions	Other
Cash loans						
Non-specialized loans	162.943.290	3.540.177	-	4.851.861	2.541.455	-
<i>Corporation loans</i>	112.606.215	3.171.316	-	4.353.565	2.424.078	-
<i>Export loans</i>	3.459.289	-	-	970	-	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	1.384.531	-	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	38.742.338	347.547	-	333.929	28.070	-
<i>Credit cards⁽²⁾</i>	4.190.542	21.314	-	126.608	89.307	-
<i>Other</i>	2.560.375	-	-	36.789	-	-
Specialized lending	33.149.012	6.417	-	276.621	84	-
Other receivables	-	-	-	-	-	-
Accruals	2.847.462	51.921	-	74.024	37.208	-
Total	198.939.764	3.598.515	-	5.202.506	2.578.747	-

⁽¹⁾ Includes TRY 211.369 of personnel loans.

⁽²⁾ Includes TRY 63.762 of personnel credit cards.

⁽³⁾ The Bank has a cash loan exposure of USD 160.040.606 related with the company operating in the telecommunication sector with a key position are classified under "Loans and Other Receivables Under Follow-Up". Negotiations on restructuring of the loan have started among the telecommunication company's shareholders, creditor banks and related public authorities, which may also include a change in the shareholder structure of this company.

	Standard Loans and Other Receivables ⁽¹⁾	Loans and Other Receivables Under Close Monitoring ⁽²⁾
Number of modifications made to extend payment plan		
Extended by 1 or 2 times	3.509.557	2.433.238
Extended by 3,4 or 5 times	35.961	63.521
Extended by more than 5 times	1.076	44.780

⁽¹⁾Accruals amounting to TRY 51.921 are not included in the table above.

⁽²⁾Accruals amounting to TRY 37.208 are not included in the table above.

	Standard Loans and Other Receivables ⁽¹⁾	Loans and Other Receivables Under Close Monitoring ⁽²⁾
Extended period of time		
0-6 Months	486.220	326.404
6 Months - 12 Months	327.375	228.518
1-2 Years	360.410	179.629
2-5 Years	1.436.654	931.550
5 Years and over	935.935	875.438

⁽¹⁾Accruals amounting to TRY 51.921 are not included in the table above.

⁽²⁾Accruals amounting to TRY 37.208 are not included in the table above.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

c) Maturity analysis of cash loans

Current Period	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	38.945.860	571.058	529.406	276.045
Loans	38.040.669	562.819	521.779	272.062
Specialization Loans	350.807	-	107	-
Other Receivables	-	-	-	-
Discounts	554.384	8.239	7.520	3.983
Medium and Long-term Loans	159.993.904	3.027.457	4.673.100	2.302.702
Loans	124.902.621	2.977.358	4.330.082	2.269.393
Specialization Loans	32.798.205	6.417	276.514	84
Other Receivables	-	-	-	-
Discounts	2.293.078	43.682	66.504	33.225

Prior Period	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	32.383.921	207.303	677.307	225.676
Loans	31.650.019	201.323	668.077	221.000
Specialization Loans	301.548	-	171	-
Other Receivables	-	-	-	-
Discounts	432.354	5.980	9.059	4.676
Medium and Long-term Loans	121.020.183	1.969.657	3.976.624	2.390.081
Loans	91.976.995	1.930.052	3.657.948	2.356.626
Specialization Loans	27.411.514	6.895	265.616	116
Other Receivables	-	-	-	-
Discounts	1.631.674	32.710	53.060	33.339



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

d) Information on consumer loans, individual credit cards, personnel loans and credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TRY	406.948	36.405.136	36.812.084
<i>Real estate loans</i>	10.525	20.856.426	20.866.951
<i>Automobile loans</i>	4.950	275.611	280.561
<i>Consumer loans</i>	391.473	15.273.099	15.664.572
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	1.422	167.229	168.651
<i>Real estate loans</i>	11	1.172	1.183
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	1.411	166.057	167.468
<i>Other</i>	-	-	-
Consumer loans- FC	5.758	881.118	886.876
<i>Real estate loans</i>	512	288.516	289.028
<i>Automobile loans</i>	33	4.780	4.813
<i>Consumer loans</i>	4.208	523.567	527.775
<i>Other</i>	1.005	64.255	65.260
Individual credit cards-TRY	2.931.375	1.900	2.933.275
<i>Installment</i>	1.197.690	-	1.197.690
<i>Non-installment</i>	1.733.685	1.900	1.735.585
Individual credit cards-FC	495	59.339	59.834
<i>Installment</i>	204	59.339	59.543
<i>Non-installment</i>	291	-	291
Personnel loans-TRY	11.167	179.270	190.437
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	11.167	179.270	190.437
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	23	2.287	2.310
<i>Real estate loans</i>	-	7	7
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	23	2.280	2.303
<i>Other</i>	-	-	-
Personnel loans-FC	189	18.433	18.622
<i>Real estate loans</i>	16	16.061	16.077
<i>Automobile loans</i>	-	34	34
<i>Consumer loans</i>	173	2.226	2.399
<i>Other</i>	-	112	112
Personnel credit cards-TRY	62.366	-	62.366
<i>Installment</i>	20.308	-	20.308
<i>Non-installment</i>	42.058	-	42.058
Personnel credit cards-FC	34	1.362	1.396
<i>Installment</i>	2	1.362	1.364
<i>Non-installment</i>	32	-	32
Overdraft accounts-TRY (Retail customer)	953.999	-	953.999
Overdraft accounts-FC (Retail customer)	43.183	105	43.288
Total	4.416.959	37.716.179	42.133.138

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

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	835.787	26.928.317	27.764.104
<i>Business residential loans</i>	-	681.102	681.102
<i>Automobile loans</i>	8.417	393.974	402.391
<i>Consumer loans</i>	827.370	25.853.241	26.680.611
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	36.242	43.900	80.142
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	36.242	43.900	80.142
Commercial installment loans - FC	449.460	10.956.464	11.405.924
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	14.226	9.695.831	9.710.057
<i>Other</i>	435.234	1.260.633	1.695.867
Corporate credit cards-TRY	1.258.098	-	1.258.098
<i>Installment</i>	529.167	-	529.167
<i>Non-installment</i>	728.931	-	728.931
Corporate credit cards-FC	25	2.156	2.181
<i>Installment</i>	-	2.156	2.156
<i>Non-installment</i>	25	-	25
Overdraft accounts-TRY (Commercial customer)	1.239.335	-	1.239.335
Overdraft accounts-FC (Commercial customer)	10.144	-	10.144
Total	3.829.091	37.930.837	41.759.928

*Interest and income accruals are not included in table above.

e) Loans by customers:

	Current Period	Prior Period
Public	5.347.397	5.375.754
Private	198.794.873	152.682.281
Total	204.142.270	158.058.035

f) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	199.539.151	154.670.861
Foreign loans	4.603.119	3.387.174
Total	204.142.270	158.058.035

g) Loans granted to subsidiaries and associates:

None.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

h) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	356.224	528.413
Loans and receivables with doubtful collectability	483.434	320.082
Uncollectible loans and receivables	4.046.423	3.206.893
Total	4.886.081	4.055.388

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period	77.659	59.104	1.309.399
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	77.659	59.104	1.309.399
Prior period	68.585	16.658	1.281.781
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	68.585	16.658	1.281.781

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Prior period end balance	950.477	467.221	3.902.814
Additions (+)	1.544.335	34.415	127.455
Transfers from other categories of loans under follow-up (+)	-	1.601.059	1.230.296
Transfers to other categories of loans under follow-up (-)	1.627.408	1.203.947	-
Collections (-)	213.825	145.077	369.261
Write-offs (-)	-	-	2.148
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	2.148
Current period end balance	653.579	753.671	4.889.156
Specific provision (-)	356.224	483.434	4.046.423
Net balance on balance sheet	297.355	270.237	842.733

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period			
Balance at the end of the period ^(*)	162.249	195.411	1.913.175
Specific provisions(-) ^(*)	96.465	150.886	1.230.028
Net balance in the balance sheet	65.784	44.525	683.147
Prior period			
Balance at the end of the period	240.218	81.699	1.637.222
Specific provisions(-)	146.630	44.779	1.146.049
Net balance in the balance sheet	93.588	36.920	491.173

(*)Foreign currency non-performing loans amounting to TRY 189.809 and their related provisions amounting to TRY 106.109 of the consolidated foreign subsidiaries are recognized under foreign currency accounts and the foreign currency non-performing loans of the Parent Bank's and its domestic subsidiaries are recognized under TRY accounts.

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
Current period (Net)			
Loans to granted real persons and legal entities (Gross)	652.752	752.744	4.819.104
Specific provisions (-)	355.395	482.509	3.976.371
Loans to granted real persons and legal entities (Net)	297.357	270.235	842.733
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	829	925	70.052
Specific provisions (-)	829	925	70.052
Other loans and receivables (Net)	-	-	-
Prior period (Net)			
Loans to granted real persons and legal entities (Gross)	949.476	466.580	3.832.429
Specific provisions (-)	527.412	319.441	3.136.508
Loans to granted real persons and legal entities (Net)	422.064	147.139	695.921
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1.001	641	70.385
Specific provisions (-)	1.001	641	70.385
Other loans and receivables (Net)	-	-	-



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

The Parent Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

k) Explanations on write-off policy:

In compliance with the "Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up" non-performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

(6) Information on held-to-maturity investments:

a) Information on held-to-maturity investments blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Held-to-maturity investments blocked/given as collateral:

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds and similar securities	43.395	-	-	-
Treasury Bills	19.146.025	1.333.136	4.471.171	1.048.201
Total	19.189.420	1.333.136	4.471.171	1.048.201

a.2. Held-to-maturity investments subject to repurchase agreements:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar sec.	34.794	1.169.918	5.079.533	933.840
Total	34.794	1.169.918	5.079.533	933.840

b) Information on public sector debt investments held-to-maturity:

	Current period	Prior period
Government bonds	21.791.279	18.198.316
Treasury bills	152.425	112.907
Other public sector debt securities	-	-
Total	21.943.704	18.311.223

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	21.987.099	18.344.626
<i>Quoted on a stock exchange</i>	21.834.674	18.231.719
<i>Not quoted</i>	152.425	112.907
Impairment provision (-)	-	-
Total	21.987.099	18.344.626

d) Movement of held-to-maturity investments within the year:

	Current period	Prior period
Beginning balance	18.344.626	16.904.877
Foreign currency differences on monetary assets	234.386	404.431
Purchases during the year ⁽¹⁾	5.884.168	3.731.489
Disposals through sales and redemptions	(2.476.081)	(2.696.171)
Impairment provision (-) / Provision Reversal (+)	-	-
Balance at the of the period	21.987.099	18.344.626

e) Information on held-to-maturity investments:

The breakdown of the held to maturity securities of the Group is as follows:

	Current Period				Prior Period			
	Historical cost		Amortised cost		Historical cost		Amortised cost	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Obtained from Undersecretariat of Treasury of Republic of Turkey	13.458.454	1.729.969	15.582.933	1.763.017	10.879.630	1.606.363	12.255.566	1.636.997
Obtained with the transfer	-	-	-	-	-	-	-	-
Reclassified from other securities portfolios	2.990.979	738.610	3.721.560	749.919	3.089.700	685.399	3.619.456	695.671
Other	-	166.607	-	169.670	-	130.619	-	136.936
Total	16.449.433	2.635.186	19.304.493	2.682.606	13.969.330	2.291.762	15.875.022	2.469.604

(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.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

b) Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul	18,18	18,18
2. Bankalararası Kart Merkezi AŞ ⁽²⁾	İstanbul	18,95	18,95

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	263.938	159.793	151.214	6.654	-	37.880	31.051	-
2	92.016	51.255	47.325	1.557	-	11.164	10.403	-

⁽¹⁾ The financial data is obtained from 31 December 2017 unreviewed financial statements.

⁽²⁾ The financial data is obtained from 31 December 2017 reviewed financial statements.

c) Information on consolidated associates: ⁽¹⁾

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

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 ⁽²⁾
1.	8.309.515	1.101.826	15.913	246.934	6.594	71.048	56.364	313.709
2.	48.955	48.402	94	3.708	-	1.208	323	-
3.	24.113	6.225	536	442	-	1.684	1.379	-

⁽¹⁾ The information is presented from financial statements subject to consolidation as 31 December 2017.

⁽²⁾ The financial information about the fair value of Demir-Halk Bank N.V. has been obtained from its valuation report as of 31 December 2017.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

d) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	292.421	264.031
Movements during the period	60.717	28.390
<i>Purchases</i>	-	-
<i>Bonus shares obtained profit from current year's share</i>	-	-
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfers</i>	-	-
<i>Revaluation decrease (-) / increase</i>	60.717	28.390
<i>Provision for impairment (-) / reversals (+)</i>	-	-
Balance at the end of the period	353.138	292.421
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

e) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	330.548	270.028
Insurance companies	1.038	1.221
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	15.232	14.852
Other non-financial investments	6.320	6.320

f) Associates quoted to a stock exchange:

None.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(8) Information on consolidated subsidiaries (Net):

a) Information on consolidated subsidiaries:⁽¹⁾

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Bank A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Vartık Kiralama AŞ
CORE CAPITAL										
Paid in Capital	82.000	187.000	412.000	820.000	272.250	18.000	147.843	70.000	53.667	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-	-
Share premium	-	98	-	49.945	-	-	11.633	-	44.552	-
Reserves	12.762	20.701	63.369	65.172	9.221	1.259	170.462	4.079	109.655	-
Other Comprehensive Income according to TAS	3.617	(872)	(9.392)	1.491	(95)	(35)	4.469	(10)	9.053	-
Profit / Loss	29.035	(87.680)	241.430	40.638	88.647	10.223	34.363	32.041	6.244	9
<i>Net Profit</i>	<i>29.035</i>	<i>66.061</i>	<i>224.197</i>	<i>40.638</i>	<i>55.443</i>	<i>9.738</i>	<i>34.363</i>	<i>32.041</i>	<i>6.244</i>	<i>9</i>
<i>Prior Period Profit/Loss</i>	<i>-</i>	<i>(153.741)</i>	<i>17.233</i>	<i>-</i>	<i>33.204</i>	<i>485</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	750	-	-	-	-	-	-	-	-	-
Leasehold Improvements (-)	-	-	102	-	-	-	6.198	190	2.653	-
Intangible Assets (-)	758	3.082	1.193	106	975	6	3.913	588	3.608	-
Total Core Capital	127.406	116.165	706.112	977.140	369.048	29.441	358.659	105.332	216.910	109
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	25.218	-	3.238	-
CAPITAL	127.406	116.165	706.112	977.140	369.048	29.441	383.877	105.332	220.148	109
NET AVAILABLE CAPITAL	127.406	116.165	706.112	977.140	369.048	29.441	383.877	105.332	220.148	109

The information is presented from financial statements subject to consolidation as 31 December 2017.

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 (foreign) has been indicated as foreign 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 third clause of first and second paragraph of 466 and 519 articles of Turkish Commercial Code no. 6102.

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

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

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

c) Information on unconsolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri AŞ ⁽¹⁾	Istanbul	100,00	100,00

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1. 48.176	32.300	6.212	1.242	1.791	7.287	4.650	52.178

⁽¹⁾ The financial information of Bileşim Alternatif Dağıtım. Kanalları ve Ödeme Sistemleri AŞ is obtained from 31 December 2017 financial statements.

⁽²⁾ The information is presented from valuation report as 31 December 2017.

d) Information on consolidated subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,96	99,96
2. Halk Sigorta AŞ ⁽⁴⁾	Istanbul	89,18	94,33
3. Halk Hayat ve Emeklilik AŞ	Istanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ ⁽³⁾	Istanbul	79,33	79,36
5. Halk Finansal Kiralama AŞ	Istanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	Istanbul	75,00	99,99
7. Halk Banka A.D., Skopje	Macedonia	99,03	99,03
8. Halk Faktoring AŞ	Istanbul	97,50	100,00
9. Halk Banka A.D. Beograd	Serbia	99,89	99,89
10. Halk Varlık Kiralama AŞ	Istanbul	100,00	100,00

e) 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 ⁽²⁾
1. 873.701	127.406	2.395	94.133	1.207	29.035	14.388	193.371
2. 1.714.987	116.165	4.699	130.547	18.858	66.061	(64.631)	426.657
3. 1.226.576	706.112	3.016	133.006	28.803	224.197	158.359	1.212.842
4. 1.451.659	977.140	569.577	7.277	-	40.638	42.217	566.571
5. 2.967.745	369.048	1.636	198.056	-	55.443	9.518	474.507
6. 31.343	29.441	314	3.206	20	9.738	7.481	39.828
7. 3.002.463	383.877	60.292	114.899	13.078	34.363	24.595	380.149
8. 1.225.777	105.332	1.254	167.874	-	32.041	16.122	123.683
9. 1.519.558	220.148	33.433	56.306	6.736	6.244	3.544	156.822
10. 100.910	109	-	-	-	9	-	100

⁽¹⁾ The financial information is obtained from 31 December 2017 financial statements used in consolidation.

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

⁽³⁾ The Banks' 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.

⁽⁴⁾ The Bank has been calculated IBNR provisions in terms of Under Secretariat for the Treasury's circular No.2014/16 and the Bank reflects this provisions gradually until 2019 in accordance with circular no: 2016/11.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

f) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period(before elimination)	2.877.824	2.685.934
Movements during the period	748.884	191.890
<i>Purchases⁽¹⁾</i>	14.994	38.158
<i>Bonus shares obtained profit from current year's share</i>	230.201	171.560
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer</i>	-	-
<i>Revaluation increase</i>	317.235	(16.043)
<i>Reversals / Provisions(-) for impairment</i>	27.562	(51.165)
<i>Currency Differences on Valuation of Foreign Subsidiaries</i>	158.892	49.380
Share capital elimination of subsidiaries	(3.574.530)	(2.836.581)
Balance at the end of the period	52.178	41.243
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ As of 31 December 2017, The Parent Bank paid TRY 14.894 for 17,42% shares of Halkbank A.D. Beograd, which is located in Serbia, and increased its shares to 99,89%.

g) Sectoral information on subsidiaries and the related carrying amounts:

	Current period	Prior period
Banks	536.971	363.185
Insurance companies	1.639.499	1.288.582
Factoring companies	123.683	95.558
Leasing companies	474.507	415.786
Financing companies	-	-
Other financial subsidiaries	799.870	673.470
Other non-financial subsidiaries	52.178	41.243

h) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ^{(1) (2)}	993.228	885.510
Quoted to foreign stock exchange	-	-

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

⁽²⁾ Halk Gayrimenkul Yatırım Ortaklığı AŞ has been public offering on 22 February 2013 and its shares are traded on the Borsa İstanbul AŞ.

(9) Information on jointly controlled entities:

None.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

(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	958.715	798.268	815.231	688.075
Between 1-4 years	1.756.371	1.446.211	1.426.002	1.220.074
More than 4 years	452.146	426.774	476.994	403.181
Total	3.167.232	2.671.253	2.718.227	2.311.330

b) Information on gross investments of financial lease:

	Current period	Prior period
Gross financial lease investment	3.167.232	2.718.227
Unearned revenues from financial lease	(495.979)	(406.897)
Total	2.671.253	2.311.330

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

	Current period	Prior period
Financial lease receivables with limited collectability	6.158	32.055
Financial lease receivables with doubtful collectability	14.353	5.418
Uncollectible financial lease receivables	282.817	249.256
Specific provisions	(226.693)	(214.397)
Total	76.635	72.332

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

None.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(12) Information on tangible assets:

The fair value of tangible assets are determined by its equivalence value method. Fair value measurement of investment properties which fair values are determined by equivalence value method, are classified as level 2.

Current Period	Balance at the end of the prior period	Current Year Additions	Revaluation Increase	Current Year Disposals	Transfers, Net	Balance at the end of the period
Cost:						
Immovable	2.498.692	89.452	288.145	54.016	-	2.822.273
Tangible assets purchased through financial lease	26.796	4	-	219	-	26.581
Office machines	498.526	169.512	-	26.702	-	641.336
Fixed assets obtained due to non-performing loans	648.547	239.184	-	144.126	-	743.605
Lease hold improvements costs	155.871	25.965	-	26.132	-	155.704
Other	313.851	25.501	-	8.616	(2.029)	328.707
Total Cost	4.142.283	549.618	288.145	259.811	(2.029)	4.718.206
Accumulated depreciation (-) :						
Immovable	194.651	14.993	6.392	11.557	-	204.479
Tangible assets purchased through financial lease	25.896	87	-	90	-	25.893
Office machines	301.662	75.856	-	7.807	-	369.711
Fixed assets obtained due to non-performing loans	17.408	6.180	-	7.364	-	16.224
Lease hold improvements costs	83.484	29.431	-	21.646	-	91.269
Other	235.356	17.275	-	7.466	-	245.165
Total accumulated depreciation	858.457	143.822	6.392	55.930	-	952.741
Provision for impairment (-)						
Immovable	5.817	397	-	1.966	-	4.248
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	11.025	988	-	2.396	-	9.617
Total provision for impairment (-)	16.842	1.385	-	4.362	-	13.865
Net Book Value	3.266.984	404.411	281.753	199.519	(2.029)	3.751.600

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Prior Period	Balance at the end of the prior period	Current Year Additions	Revaluation Increase	Current Year Disposals	Transfers, Net	Balance at the end of the period
Cost:						
Immovable	2.431.830	16.759	216.993	3.302	(163.588)	2.498.692
Tangible assets purchased through financial lease	27.741	-	-	945	-	26.796
Office machines	463.072	54.046	-	18.592	-	498.526
Fixed assets obtained due to non-performing loans	570.604	174.456	-	96.513	-	648.547
Lease hold improvements costs	143.420	16.151	-	3.443	(257)	155.871
Other	309.230	8.259	-	333	(3.305)	313.851
Total Cost	3.945.897	269.671	216.993	123.128	(167.150)	4.142.283
Accumulated depreciation (-) :						
Immovable	194.491	10.999	9.154	19.378	(615)	194.651
Tangible assets purchased through financial lease	26.412	266	-	782	-	25.896
Office machines	257.261	62.502	-	18.101	-	301.662
Fixed assets obtained due to non-performing loans	13.253	6.527	-	2.372	-	17.408
Lease hold improvements costs	72.426	14.886	-	3.828	-	83.484
Other	229.240	32.634	-	26.518	-	235.356
Total accumulated depreciation	793.083	127.814	9.154	70.979	(615)	858.457
Provision for impairment (-)						
Immovable	1.313	4.510	-	6	-	5.817
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	7.134	4.476	-	585	-	11.025
Total provision for impairment (-)	8.447	8.986	-	591	-	16.842
Net Book Value	3.144.367	132.871	207.839	51.558	(166.535)	3.266.984

(13) Information on other intangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	208.925	87.084	7.102	-	288.907
Total Cost	208.925	87.084	7.102	-	288.907
Accumulated Depreciation:					
Other intangible assets	93.696	52.343	227	-	145.812
Total Accumulated Depreciation	93.696	52.343	227	-	145.812
Net Book Value	115.229	34.741	6.875	-	143.095



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	157.462	54.071	2.608	-	208.925
Total Cost	157.462	54.071	2.608	-	208.925
Accumulated Depreciation (-) :					
Other intangible assets	55.148	38.621	73	-	93.696
Total Accumulated Depreciation	55.148	38.621	73	-	93.696
Net Book Value	102.314	15.450	2.535	-	115.229

(14) Information on investment property:

	Current Period	Prior Period
Cost		
Opening Balance	934.058	550.093
Acquisitions	55.273	7.118
Transfers	(407)	377.348
Disposals(-)	644	-
Impairment Charge / Cancellation(-)	-	501
Ending Balance	988.280	934.058
Accumulated Depreciation		
Opening Balance	69.942	64.499
Amortization Charge (-)	8.392	4.723
Disposals	25	-
Impairment Charge/Cancellation (-)	-	105
Transfers	(407)	615
Ending Balance	77.902	69.942
Net Book Value	910.378	864.116

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(15) Information on tax assets:

a) Current tax assets:

As of 31 December 2017, the Group has TRY 6.862 current tax asset. (31 December 2016: None).

b) Deferred tax assets:

Please refer to Section 5, explanations related to the liabilities footnote (10).

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

	Current period	Prior period
Cost	790	3.984
Accumulated Depreciation (-) ⁽¹⁾	-	(2.447)
Net Book Value	790	1.537
Opening Balance	1.537	2.694
Acquisitions (Transfers) (Net)	-	(547)
Disposals (-) (Net)	747	811
Revaluation Increase	-	154
Impairment Charge / Cancellation(-)	-	-
Amortization Charge (-)	-	47
Net Book Value	790	1.537

⁽¹⁾ Accumulated depreciation is attributable to the recoverable amounts which are classified as held for sale in the current period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 3.026.257 and does not exceed 10% of the balance sheet total (31 December 2016: TRY 2.752.211).



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

II. EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. 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	6.767.610	-	758.785	39.992.067	1.734.753	459.667	537.645	104.662	50.355.189
Foreign currency deposits	9.021.857	-	3.937.904	37.510.134	3.612.492	3.755.042	4.983.103	10.866	62.831.398
Residents in Turkey	6.816.699	-	3.464.401	34.802.545	3.232.691	2.913.211	2.590.680	10.511	53.830.738
Residents abroad	2.205.158	-	473.503	2.707.589	379.801	841.831	2.392.423	355	9.000.660
Public sector deposits	2.100.039	-	2.541.047	4.614.515	426.883	4.138.990	53.204	-	13.874.678
Commercial inst. deposits	5.235.492	-	5.853.719	19.976.270	1.714.801	2.288.182	267.237	-	35.335.701
Other inst. deposits	571.038	-	1.134.603	6.514.654	675.153	820.826	20.045	-	9.736.319
Precious metals	1.821.711	-	246	82.140	4.392	4.069	10.080	-	1.922.638
Interbank deposits	3.813.689	-	3.863.659	11.192.988	74.936	24.560	244.866	-	19.214.698
CBRT	-	-	-	-	-	-	-	-	-
Domestic banks	41.021	-	1.531.378	6.900.085	6.559	9.579	-	-	8.488.622
Foreign banks	3.763.920	-	1.974.804	3.930.882	68.377	14.981	167.973	-	9.920.937
Participation banks	8.748	-	357.477	362.021	-	-	76.893	-	805.139
Total	29.331.436	-	18.089.963	119.882.768	8.243.410	11.491.336	6.116.180	115.528	193.270.621

a.2. Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.158.114	-	581.243	31.767.115	1.076.904	361.620	541.919	104.805	40.591.720
Foreign currency deposits	6.954.391	-	3.245.776	28.684.887	4.915.876	1.531.229	4.036.778	11.016	49.379.953
Residents in Turkey	4.938.313	-	3.020.417	27.984.207	4.584.509	1.024.716	2.331.474	10.609	43.894.245
Residents abroad	2.016.078	-	225.359	700.680	331.367	506.513	1.705.304	407	5.485.708
Public sector deposits	2.184.382	-	2.417.784	1.764.160	260.540	2.976.331	87.204	-	9.690.401
Commercial inst. Deposits	4.294.379	-	4.224.273	13.055.676	1.872.533	562.730	39.505	-	24.049.096
Other inst. Deposits	586.039	-	819.701	885.372	52.798	89.853	880	-	2.434.643
Precious metals	1.392.853	-	-	-	-	-	-	-	1.392.853
Interbank deposits	7.867.130	-	3.190.685	10.801.903	238.410	32.863	729.220	-	22.860.211
CBRT	9	-	-	-	-	-	-	-	9
Domestic banks	39.076	-	1.091.898	3.908.323	-	8.227	4.167	-	5.051.691
Foreign banks	7.099.283	-	1.928.707	6.893.580	238.410	24.636	725.053	-	16.909.669
Participation banks	728.762	-	170.080	-	-	-	-	-	898.842
Total	29.437.288	-	14.479.462	86.959.113	8.417.061	5.554.626	5.435.506	115.821	150.398.877

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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	25.612.387	23.535.650	24.595.796	16.938.565
Foreign currency saving deposits	9.203.420	7.502.986	19.607.544	14.742.676
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	211.478	167.456	-	-
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	143.237	283.157
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	4.045	8.063
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	-	88.977	-	137.422
Swap transactions	-	61.405	-	86.857
Future transactions	-	-	-	-
Options	146	145	59	255
Other	-	-	-	-
Total	146	150.527	59	224.534



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	1.008.709	2.680.627	843.368	2.503.564
Foreign banks, institutions and funds	428.152	15.940.996	328.396	17.913.783
Total	1.436.861	18.621.623	1.171.764	20.417.347

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	1.261.518	5.789.308	968.495	4.927.580
Medium and long-term	175.343	12.832.315	203.269	15.489.767
Total	1.436.861	18.621.623	1.171.764	20.417.347

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 deposit, which is composed of 26,05% of saving deposits and 32,51% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Parent Bank borrows loans from interbank money markets. The Parent Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 62,23% of banks deposits and 37,20% of other deposits consist of foreign currency deposits.

Funds provided through repurchase transactions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Domestic Transactions	206.722	-	9.464.294	-
<i>Financial Institutions and Organisations</i>	<i>53.043</i>	<i>-</i>	<i>9.396.299</i>	<i>-</i>
<i>Other Institutions and Organisations</i>	<i>119.913</i>	<i>-</i>	<i>29.220</i>	<i>-</i>
<i>Individuals</i>	<i>33.766</i>	<i>-</i>	<i>38.775</i>	<i>-</i>
Foreign Transactions	520	4.127.464	460	1.365.201
<i>Financial Institutions and Organisations</i>	<i>-</i>	<i>4.127.464</i>	<i>-</i>	<i>1.365.201</i>
<i>Other Institutions and Organisations</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Individuals</i>	<i>520</i>	<i>-</i>	<i>460</i>	<i>-</i>
Discounts	210	13.284	5.987	8.670
Total	207.452	4.140.748	9.470.741	1.373.871

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills	3.280.789	-	2.067.703	-
Asset Back Securities	100.436	-	-	-
Bonds	-	8.640.905	-	10.684.708
Total	3.381.225	8.640.905	2.067.703	10.684.708

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Parent Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	1.213	2.723.421	37.539	2.302.269

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 12.003.616 and does not exceed 10% of the balance sheet total. (31 December 2016: TRY 1.943.553).

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

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

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

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "Other Assets". The Parent Bank does not have any commitments arising on the existing operational lease agreements.

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

None.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(9) Explanations on provisions:

a) Information on general provisions:

	Current period	Prior period
General provision	2.317.157	2.049.136
Provisions for first group loans and receivables	2.080.595	1.834.503
<i>Additional provisions for the loans with extended payment plan</i>	-	-
Provisions for second group loans and receivables	105.114	93.459
<i>Additional provisions for the loans with extended payment plan</i>	-	-
Provisions for non-cash loans	131.448	121.174
Other	-	-

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

As of 31 December 2017 the Parent Bank's foreign currency indexed loans and finance lease receivables amounting to losses on foreign exchange is TRY 1.923 (31 December 2016: TRY 23).

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

As of 31 December 2017, the Group's specific provision for unindemnified non-cash loans balance is TRY 123.060 (31 December 2016: TRY 139.551).

d) Information on other provisions:

Total other provision balance amounting to TRY 351.688 (31 December 2016: TRY 392.356) consists of TRY 123.060 (31 December 2016: TRY 139.551) for specific provisions for unindemnified non-cash loans, TRY 110.968 (31 December 2016: TRY 94.679) for legal cases filed against the Group, TRY 117.660 (31 December 2016: TRY 158.126) of other provisions.

e) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2017 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows:

	Current Period	Prior Period
Inflation Rate	8,90%	7,80%
Wage Growth	12,30%	11,20%
Estimated Real Wage Growth Rate	9,10%	8,00%

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	405.116	395.018
Charge for the year	39.745	37.372
Interest Expense	44.640	41.722
Actuarial gain/loss	11.258	(21.117)
Prior period service cost composed current period	52	849
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	8.229	1.546
Benefits paid within the period(-)	40.766	50.315
Total	468.274	405.075

f) Liabilities for employee benefits:

As of 31 December 2017, unused vacation accruals are TRY 161.876, personnel dividend provision is TRY 209.505, severance indemnity provision for the Parent Bank personnel is TRY 471.506 and severance indemnity provision for outsourcing firms is TRY 17.533 (31 December 2016: TRY 143.946 for unused vacation accruals; TRY 407.278 for severance indemnity provision for Bank personnel; TRY 14.007 for severance indemnity provision for outsources; TRY 166.228 for personnel dividend provision).

The Bank accounts for actuarial gains / losses under equity commencing from 1 January 2013.

g) Liabilities arising from retirement benefits:

g.1. Liabilities of pension funds founded as per the Social Security Institution:

None.

g.2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post retirement benefits for the employees:

Based on the results of the actuarial reports prepared as of 31 December 2017, it was determined that no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı, T.C. Ziraat Bankası and Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

The above mentioned actuarial review, which was made in accordance with the principles of the related law, measures the present value of the liability as of 31 December 2017, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. Actuarial assumptions used in the calculation are given below.

Assumptions	Current Period	Prior Period
Discount Rate	%9,8	%9,8
Mortality Rate	CSO 1980 woman/man	CSO 1980 woman/man

Some of the Bank's personnel are the members of T. Halk Bankası Çalışanları Emekli Sandığı Vakfı, ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. As of 31 December 2017 the number of personnel who benefit from the Fund is 34.631 (31 December 2016: TRY 33.079).



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

Below table shows the present values of premiums and salary payments as of 31 December 2017, by taking into account the health expenses within the Social Security Institution limits.

Transferable Pension and Medical Benefits:	Current Period	Prior Period
Net Present Value of Total Liabilities Other Than Health	(1.938.100)	(1.601.730)
Net Present Value of Long Term Insurance Line Premiums	2.167.717	1.781.839
Net Present Value of Total Liabilities Other Than Health	229.617	180.109
Net Present Value of Health Liabilities	(435.970)	(392.002)
Net Present Value of Health Premiums	1.354.206	1.113.143
Net Present Value of Health Liabilities	918.236	721.141
Pension Fund Assests	1.911.745	1.525.471
General Administration Expenses (1%)	(23.741)	(19.937)
Amount of Actuarial and Technical Deficit	3.035.857	2.406.784

Plan assets are comprised as follows:

Total Assets	Current Period	Prior Period
Banks	1.104.186	1.220.100
Marketable Securities	644.310	151.300
Property and Equipment	126.403	129.800
Other	36.846	24.271
Total	1.911.745	1.525.471

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follows:

Change in Assumptions (%)

Assumptions	Pension Benefits	Death Benefits	Medical Benefits	Total
Discount rate+1%	(0,1%)	(19,6%)	(19,0%)	(19,0%)
Discount rate -1%	0,1%	27,0%	26,1%	26,0%
Inflation rate +1%	0,1%	27,1%	32,4%	32,30%
Inflation rate -1%	(0,1%)	(19,9%)	(22,6%)	(22,50%)

Based on the results of the actuarial report prepared as of 31 December 2017, no technical deficit has been reported for Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı, T.C. Ziraat Bankası and T. Halk Bankası Çalışanları Emekli Sandığı Vakfı.

h) Insurance Technical Provisions (Net):

	Current period	Prior period
Life-Mathematical Provisions	330.550	255.917
Provisions for unearned premium claims	538.485	427.120
Provision for outstanding claims	932.912	696.078
Provisions for unexpired risk reserves	8.739	20.865
Other	118	168
Total	1.810.804	1.400.148

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2017, the Group's corporate tax payable is amounting to TRY 175.402 and accounted for under corporate tax provision at the related date.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	175.402	64.824
Income on securities tax	328.175	157.179
Property income tax	1.570	1.402
Banking and insurance transactions tax (BITT)	108.669	92.058
Foreign exchange transactions tax	21	48
Value added tax payable	4.727	3.797
Other	31.718	15.271
Total	650.282	334.579

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	857	768
Social insurance premiums-employer	1.785	1.419
Bank social aid pension fund premium-employee	9.221	7.621
Bank social aid pension fund premium-employer	12.800	10.452
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	60	48
Unemployment insurance-employer	174	132
Other	2.344	1.956
Total	27.241	22.396



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

b) Explanations regarding deferred tax liability:

	Current period	Prior period
Deferred Tax Asset / (Liability)		
Provisions ⁽¹⁾	301.129	277.574
Revaluation of Financial Assets	(600.353)	(375.878)
Other	(187.765)	(91.145)
Net Deferred Tax Asset / (Liability):	(486.989)	(189.449)
Deferred tax accounted in shareholders' equity	48.674	(1.535)
Fair value differences for available for sale financial assets	187.521	65.830
Actuarial gains and losses	2.633	241
Property Revaluation	(141.480)	(67.606)

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

As of 31 December 2017 net deferred tax liability represents TRY 486.989 deferred tax liability (31 December 2016: TRY 189.449), it consists of deferred tax assets which amount to TRY 87.181 (31 December 2016: TRY 99.525) and deferred tax liabilities amount to TRY 574.170 (31 December 2016: TRY 288.974).

(11) Information on liabilities regarding assets held for sale and discontinued operations:

None.

(12) Explanations on the number of subordinated liabilities the Parent Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Subordinated Liabilities:				
Domestic Banks	-	-	-	-
Other Domestic Institutions	1.004.385	-	-	-
Foreign Banks	-	-	-	-
Other Foreign Institutions	-	-	-	-
Total	1.004.385	-	-	-

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current period	Prior period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

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

There is an application of registered capital system and registered capital ceiling amount TRY 7.500.000.

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

None.

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

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 period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

f) 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 structure and equity structure. There are no uncertainties that would impact the current position.

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	19.303	5.385	10.869	39
Revaluation difference	19.303	5.385	10.869	39
Exchange rate difference	-	-	-	-
Available for sale financial assets	(386.103)	(246.346)	(302.092)	(427.744)
Revaluation difference	(386.103)	(246.346)	(302.092)	(427.744)
Exchange rate difference	-	-	-	-
Total	(366.800)	(240.961)	(291.223)	(427.705)

i) Legal Reserves

	Current Period	Prior Period
I. Legal Reserve	1.122.063	981.962
II. Legal Reserve	598.418	546.732
Special Reserves	38.460	33.478
Total	1.758.941	1.562.172



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

j) Extraordinary Reserves:

	Current Period	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	15.130.546	12.956.536
Retained Earnings	-	-
Accumulated Losses	-	-
Total	15.130.546	12.956.536

(14) Information on minority interest shares:

a) Information on minority interest shares:

	Current Period	Prior Period
Paid-in Capital	158.228	159.066
Export Premium	10.451	15.538
Marketable Securities Revaluation Fund	52	1.327
Legal Reserves	3.889	8.218
Extraordinary Reserves	10.906	9.161
Retained Earnings	12.500	8.006
Other Profit Reserves	1.613	5.993
Net Period Income / Loss	12.485	5.849
Closing Balance	210.124	213.158

b) Movement of minority interest shares:

	Current Period	Prior Period
Beginning Balance	213.158	201.426
Change in Minority Interest	(15.519)	5.883
Net Period Income / Loss	12.485	5.849
Closing Balance	210.124	213.158

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

III. EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED 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	11.599.896	10.824.073
Payment commitments for cheques	3.269.281	5.805.008
Loan granting commitments	4.685.365	3.580.800
Two days forward foreign exchange buy/sell transactions	910.451	417.450
Commitments for credit cards and banking services promotions	32.736	44.328
Tax and fund liabilities from export commitments	38.072	28.864
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	3.653.304	3.462.296
Total	24.189.105	24.162.819

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

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

	Current period	Prior period
Letters of credit	4.148.121	4.019.100
Bank acceptance loans	3.693.507	2.825.466
Other guarantees	1.285.922	914.248
Total	9.127.550	7.758.814

b.2. Certain guarantees, tentative guarantees, surety ships and similar transactions:

	Current period	Prior period
Letters of certain guarantees	14.683.821	14.917.475
Letters of advance guarantees	4.296.948	3.501.034
Letters of tentative guarantees	744.300	512.981
Letters of guarantee given to customs offices	1.327.615	887.159
Other letters of guarantee	28.607.424	20.300.256
Total	49.660.108	40.118.905

b.3. Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	3.315.807	2.256.883
<i>Within one year or less original maturity</i>	824.244	414.973
<i>Within more than one year maturity</i>	2.491.563	1.841.910
Other non-cash loans	55.471.851	45.620.836
Total	58.787.658	47.877.719



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

d.1. Sectoral risk concentration of non-cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	37.475	0,13	57.214	0,19	40.378	0,19	24.718	0,09
<i>Farming and Stockbreeding</i>	30.793	0,11	10.754	0,04	36.311	0,17	22.308	0,08
<i>Forestry</i>	183	-	-	-	199	-	-	-
<i>Fishery</i>	6.499	0,02	46.460	0,15	3.868	0,02	2.410	0,01
Manufacturing	7.184.357	25,58	14.044.051	45,75	5.006.181	23,84	14.017.581	52,15
<i>Mining and Quarrying</i>	113.424	0,40	40.293	0,13	140.712	0,67	66.010	0,25
<i>Production</i>	4.043.858	14,40	13.680.317	44,57	3.113.471	14,83	11.910.161	44,30
<i>Electricity, Gas and Water</i>	3.027.075	10,78	323.441	1,05	1.751.998	8,34	2.041.410	7,60
Construction	8.039.874	28,62	8.736.570	28,46	6.112.235	29,11	7.020.483	26,12
Services	12.511.669	44,54	7.683.503	25,03	9.676.704	46,08	5.498.471	20,46
<i>Wholesale and Retail Trade</i>	6.465.350	23,01	2.928.813	9,54	4.837.193	23,03	2.364.286	8,80
<i>Accommodation and Dining</i>	82.979	0,30	816.097	2,66	83.860	0,40	178.138	0,67
<i>Transportation and Telecom.</i>	306.795	1,09	1.744.681	5,68	186.011	0,89	505.600	1,88
<i>Financial Institutions</i>	3.210.202	11,43	312.975	1,02	3.214.131	15,31	544.054	2,02
<i>Real Estate and Rental Services</i>	2.155.546	7,67	1.792.249	5,84	1.187.469	5,65	1.836.181	6,83
<i>Professional Services</i>	20.133	0,07	839	-	17.781	0,08	370	-
<i>Educational Services</i>	89.042	0,32	49.462	0,16	26.483	0,13	45.486	0,17
<i>Health and Social Services</i>	181.622	0,65	38.387	0,13	123.776	0,59	24.356	,09
Other	318.327	1,13	174.618	0,57	164.040	0,78	316.928	1,18
Total	28.091.702	100,00	30.695.956	100,00	20.999.538	100,00	26.878.181	100,00

d.2. Non-cash loans classified under Group I and II

	Group I		Group II	
	TRY	FC	TRY	FC
Non-Cash Loans	27.948.099	30.657.193	143.603	38.763
Letters of Guarantee	26.741.931	22.737.735	143.603	36.839
Bills of Exchange and Bank Acceptances	16.829	3.676.678	-	-
Letters of Credit	47.204	4.098.993	-	1.924
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	1.142.135	143.787	-	-

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

e) Information on derivative financial instruments:

Types of trading transactions	Derivative transactions according to purposes			
	Trading Derivatives		Derivative Financial Instruments held for Risk Management	
	Current Period	Prior Period	Current Period	Prior Period
Foreign Currency related Derivative Transactions (I):	17.324.553	13.307.997	-	-
Currency Forwards-Purchases/Sales	9.085.301	7.005.310	-	-
Currency Swaps-Purchases/Sales	6.358.831	5.622.434	-	-
Currency Futures-Purchases/Sales	-	-	-	-
Currency Options-Purchases/Sales	1.880.421	680.253	-	-
Interest Rate related Derivative Transactions (II)	10.886.762	9.744.530	-	-
Interest Rate Contracts	-	-	-	-
Interest Rate Swaps-Purchases/Sales	10.886.762	9.744.530	-	-
Interest Rate Options-Purchases/Sales	-	-	-	-
Interest Rate Futures-Purchases/Sales	-	-	-	-
Other Trading Derivatives (III) ⁽¹⁾	2.730.418	2.181.689	-	-
Total Trading Derivatives (I+II+III)	30.941.733	25.234.216	-	-
Derivative Financial Instruments held for Risk Management	-	-	-	-
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
A. Total Derivative Financial Instruments held for Risk Management	-	-	-	-
Total Derivative Transactions (A+B)	30.941.733	25.234.216	-	-

⁽¹⁾ Other trading derivatives consist of forward buying and selling precious contracts amounting to TRY 24.982 and TRY 2.705.436, respectively.

h) Information on contingent liabilities and assets:

Bank's commitments for the cheques given to customers are TRY 3.269.281 (31 December 2016: TRY 5.805.008).

i) Services provided on behalf of others:

None.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

IV. EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

(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	4.454.399	225.871	3.753.474	198.481
Medium and long term loans	11.044.967	3.199.222	7.994.235	2.285.880
Interest on non-performing loans	133.052	3.327	69.789	6.007
Premiums from resource utilization support fund	-	-	-	-
Total	15.632.418	3.428.420	11.817.498	2.490.368

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
CBRT	99.640	83.263	69.911	13.189
Domestic banks	44.116	8.122	22.500	1.329
Overseas banks	8.409	13.151	4.071	3.682
Head office and branches	-	-	-	-
Total	152.165	104.536	96.482	18.200

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets held for trading	3.180	29	6.954	647
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	1.284.569	297.838	847.799	234.243
Held-to-maturity investments	2.038.882	141.034	1.361.916	119.845
Total	3.326.631	438.901	2.216.669	354.735

d) Interest income from associates:

None.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	137.592	388.334	119.290	355.292
<i>CBRT</i>	-	279	-	-
<i>Domestic banks</i>	99.716	51.369	69.297	32.803
<i>Overseas banks</i>	37.876	336.686	49.993	322.489
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	12	14.347	13	15.047
Total	137.604	402.681	119.303	370.339

b) Interest expenses to associates:

	Current period	Prior period
Interest expenses to associates	4.283	3.003

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	379.126	466.409	171.121	419.627
Total	379.126	466.409	171.121	419.627

d) Maturity structure of interest expenses on deposits:

Account name	Demand deposits	Time deposits					Cumulative deposit	Total
		Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
Turkish Lira								
Bank deposits	318	336.521	309.222	914	558	-	-	647.533
Saving deposits	6	74.481	3.997.373	150.964	45.425	45.682	8.751	4.322.682
Public deposits	47	178.874	298.891	66.829	392.510	4.394	-	941.545
Commercial deposits	25	411.283	1.870.278	265.515	254.904	15.738	-	2.817.743
Other deposits	-	62.220	371.336	78.037	52.286	8.526	-	572.405
7 days call accounts	-	-	-	-	-	-	-	-
Total	396	1.063.379	6.847.100	562.259	745.683	74.340	8.751	9.301.908
Foreign currency								
Deposits	207	76.500	1.164.740	212.884	54.129	65.406	354	1.574.220
Bank deposits	242	191.700	230	509	2.305	14.554	36	209.576
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	153	-	-	-	-	-	-	153
Total	602	268.200	1.164.970	213.393	56.434	79.960	390	1.783.949
Grand total	998	1.331.579	8.012.070	775.652	802.117	154.300	9.141	11.085.857



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(3) Explanations on dividend income:

	Current period	Prior period
From trading financial assets	194	81
From financial assets at fair value through Profit and loss	24	-
From available for sale financial assets	4.003	30.448
Other	7.418	9.457
Total	11.639	39.986

(4) a) Explanations on trading profit/loss (Net):

	Current period	Prior period
Profit	45.384.051	15.307.780
Profit from the capital market operations	48.558	21.425
Profit on derivative financial instruments	1.824.452	1.703.255
Foreign exchange gains	43.511.041	13.583.100
Loss (-)	45.305.426	15.124.814
Loss from the capital market operations	13.481	1.144
Loss on derivative financial instruments	2.020.170	1.692.097
Foreign exchange losses	43.271.775	13.431.573

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	1.824.452	1.703.255
Effect of the change in foreign exchange on profit	1.768.357	1.652.809
Effect of the change in interest rate on profit	56.095	50.446
Loss on derivative financial instruments (-)	2.020.170	1.692.097
Effect of the change in foreign exchange on loss	1.971.201	1.642.832
Effect of the change in interest rate on loss	48.969	49.265
Profit/loss on derivative financial instruments	(195.718)	11.158

(5) Explanations on other operating income:

	Current period	Prior period
Adjustments for prior period expenses	442.260	375.295
Insurance technical income	1.414.967	1.116.931
Income from the asset sale on credit terms	112.497	130.562
Rent income	49.417	51.930
Other income	137.442	151.186
Total	2.156.583	1.825.904

TÜRKİYE HALK BANKASI A.Ş.**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	1.139.908	1.161.930
<i>Group - III loans and receivables</i>	373.220	534.454
<i>Group - IV loans and receivables</i>	528.643	313.230
<i>Group - V loans and receivables</i>	238.045	314.246
General loan provision expenses	268.934	910.121
Provision expenses for possible losses	-	-
Marketable securities impairment losses	-	-
<i>Financial assets at fair value through profit and loss</i>	-	-
<i>Financial assets available for sale</i>	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Jointly controlled entities (joint ventures)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Other	97.029	133.858
Total	1.505.871	2.205.909

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	2.153.948	1.876.103
Reserve for employee termination benefits	96.833	83.517
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	410	4.713
Depreciation expenses of fixed assets	115.012	120.804
Intangible assets impairment expense	-	-
Goodwill Impairment	-	-
Amortization expenses of intangible assets	48.893	35.853
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	-	4.319
Amortization expenses of assets that will be disposed of	13.437	13.372
Impairment expense for property and equipment held for sale	-	95
Other operating expenses	2.305.737	1.305.467
Operational leasing expenses	204.389	214.401
Maintenance expenses	49.046	31.573
Advertisement expenses	226.048	165.782
Other expenses	1.826.254	893.711
Loss on sales of assets	363	1.330
Other	1.151.570	1.651.889
Total	5.886.203	5.097.462



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

The banks income before taxes consists of net interest income amounting to TRY 8.356.292 net fees and commission income amounting to TRY 1.921.134, and operating profit before taxes is TRY 5.153.710.

(9) Information on tax provisions for continuing and discontinued operations:

As of 31 December 2017, the Group's tax provision amounting to TRY 1.102.986 consists of TRY 855.655 of current tax charge and TRY 247.331 of deferred tax charge.

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

For the period ended 31 December 2017, Banks' net operating income after tax is TRY 4.050.724.

(11) Information on net profit/loss:

a) Income and expenses from ordinary banking operations:

None.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss: There is no issue to be disclosed.

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was previously recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

(1) Disclosures for the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement:

The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 17.670.819 (31 December 2016: TRY 11.388.032) increase for the year 2017. The "others" item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TRY 6.134.162 decrease for the year 2017 (31 December 2016: TRY 6.189.949 decrease)

For the year ended 31 December 2017, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 908.274 increase (31 December 2016: TRY 1.403.627 increase). The average exchange rates of last five weekdays were taken into consideration as of the balance sheet date when calculating the effect of change in the exchange rates.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(2) Items used in determination of cash and cash equivalents, accounting policies used in the determination of those items:

Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.

(3) The effect of any change in accounting policies:

None.

(4) Cash and cash equivalents balance at the beginning of the period:

	Current period	Prior period
Cash	30.211.966	23.500.539
Cash in TRY and foreign currency	1.543.096	1.258.794
Central Bank and others ⁽¹⁾	28.668.870	22.241.745
Cash equivalents	3.010.590	2.671.525
Demand and Time Deposits Up to 3 Months	1.938.193	2.617.651
Money Market Placements	1.072.397	53.874
Total cash and cash equivalents	33.222.556	26.172.064
Reserve deposits in Central Bank of Turkey	(17.363.786)	(17.068.977)
Banks Blocked Amount ⁽¹⁾	(290.080)	(224.139)
Accruals on reserve deposits in Central Bank of Turkey	(36.875)	(21.204)
Due from Money Markets Placements	-	-
Accruals on banks	(1.219)	(1.842)
Total Cash and Cash Equivalents	15.530.596	8.855.902

⁽¹⁾ Others items include cheques received.

⁽²⁾ Blocked amount of TRY 248.138 given by the Undersecretariat of Treasury of the Republic of Turkey as collateral for technical provisions of Halk Hayat ve Emeklilik AŞ. In addition, blocked amount of TRY 41.492 is given by Halk Hayat Emeklilik AŞ to the Undersecretariat of Treasury of the Republic of Turkey as collateral.

⁽¹⁾ Disclosures for the "other" and "the effect of foreign exchange differences on cash and cash equivalents" items of cash flow statement:

(5) Cash and cash equivalents balance at the end of the period:

	Current Period	Prior Period
Cash	36.681.377	30.211.966
Cash in TRY and foreign currency	2.208.130	1.543.096
Central Bank and others ⁽¹⁾	34.473.247	28.668.870
Cash Equivalents	7.597.218	3.010.590
Demand and Time Deposits Up to 3 Months	6.309.050	1.938.193
Money Market Placements	1.288.168	1.072.397
Cash and Banks	44.278.595	33.222.556
Reserve deposits in Central Bank of Turkey	(16.725.443)	(17.363.786)
Banks Blocked Amount ⁽¹⁾	(325.226)	(290.080)
Accruals on reserve deposits in Central Bank of Turkey	(89.784)	(36.875)
Due from Money Markets Placements	2.669	-
Accruals on banks	(18.620)	(1.219)
Total Cash and Cash Equivalents	27.122.191	15.530.596

⁽¹⁾ Others items include cheques received.

⁽²⁾ Blocked amount of TRY 278.506 given by the Undersecretariat of Treasury of the Republic of Turkey as collateral for technical provisions of Halk Hayat ve Emeklilik AŞ. In addition, blocked amount of TRY 46.720 is given by Halk Hayat Emeklilik AŞ to the Undersecretariat of Treasury of the Republic of Turkey as collateral.



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

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

a) Current period:

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

Prior period:

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

b) Information on deposits held by the Parent Bank's risk group:

Risk group of the Parent Bank	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	8.771	5.823	-	-	-	-
Closing Balance	21.542	8.771	-	-	-	-
Interest expense on deposits	1.296	393	-	-	-	-

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

None.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

(2) Disclosures for risk group:

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. In addition, the Parent Bank is an intermediary for brokerage services of Halk Yatırım Menkul Değerler A.Ş. within scope of "Brokerage Order Contract". Parent Bank intermediates in sales of funds, are established and managed by Halk Portföy Yönetimi AŞ.

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:

	% compared to the amounts in the Amount financial statements	
Cash loans	-	-
Non-cash loans	-	-
Deposits	21.542	0,01%
Forward and option contracts	11.936	0,11%
Banks and financial institutions	-	-

Pricing of these transactions are in accordance with the general pricing policies of the Parent Bank and are in line with market rates.

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:

Explained in b).

d) Transactions accounted under the equity method:

Demir-Halk Bank N.V., operating in Netherlands, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta AŞ qualified as investments in associates of the Parent Bank, are accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel by the Group are TRY 23.873 as of 31 December 2017 (31 December 2016: TRY 21.020).



TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

(1) Explanations on the Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of Employees	Countries	Total Assets	Capital Legal
Domestic Branches	963	17.788			
Abroad Agencies	3	4	Teheran/IRAN London/ENGLAND Singapore/ SINGAPORE		
Overseas Branches	5	28	Nicosia/ TRNC 8 Gazimagosa/ TRNC 8 Kyrenia/ TRNC 2 Paşakoy/ TRNC 10 Gonyeli/ TRNC	634.479 113.735 102.402 145 294.476	- - - - -
Off-shore Branches	1	3	Manama/BAHREYN	15.101.525	-

(2) Explanations on branch and agency openings or closings of the Bank:

The Bank opened 4 domestic and 1 overseas branch during the year 2017.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

TÜRKİYE HALK BANKASI A.Ş.

EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

SECTION VI: OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS ON BANK'S OTHER ACTIVITIES

One of the Bank's directors has been convicted for some of the charges in the first phase of the trial by the jury in the United States of America (the USA) of the violation of the USA sanctions involving Iran. The subsequent legal process is not yet completed but ongoing for the defendant director of the Bank such as appeal and other legal rights following the first phase of the trial.

The Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Bank.

The Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and Money transfers are open and transparent, and easily be monitored by authorities. The Bank will continue to adopt the same policies of transparency and compliance with international regulations.

The Bank placed a high importance on this matter and established a separate "Compliance Department". The Bank is receiving advisory services from an international expert firm in forming effectiveness of this department's policies and control procedures and processes.

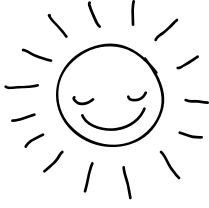
SECTION VII: AUDITORS' REPORT

I. EXPLANATIONS ON THE AUDITORS' REPORT

The consolidated financial statements as of and for the year ended 31 December 2017 were audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and Auditors' Report dated 14 February 2018 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE AUDITORS

None.



DIRECTORY

Trade Registration Number

862070

Istanbul Trade Registry Office

Web Site

www.halkbank.com.tr

Corporate e-mail

halkbank.ir@halkbank.com.tr

Call Center

Halkbank Dialog 0850 222 0 400

SME Dialog 0850 222 0 401

Head Office (Main)

Barbaros Mahallesi, Şebboy Sokak

No: 4 34746

Ataşehir/Istanbul-TURKEY

Telephone: +90 (216) 503 70 70

- Department of Asset-Liability Management and Economic Research
- Department of Budget and Reporting
- Department of Support and Construction
- Department of Staff Training
- Department of Artisans Banking
- Department of Financial Institutions and Investor Relations
- Department of Financial Accounting
- Department of Treasury Operations
- Department of Treasury Management
- Department of Legal Affairs
- Department of Human Resources
- Department of SME Loans-1
- Department of SME Marketing-1
- Department of SME Marketing-2
- Department of SME Product and Process Management
- Department of Loan Policies and Practices
- Department of Loan Risk Monitoring
- Department of Loan Risk Liquidation-1
- Department of Loan Risk Liquidation-2
- Department of Loan and Foreign Operations
- Department of Corporate Communications

- Department of Corporate and Commercial Loans - 1
- Department of Corporate and Commercial Loans -2
- Department of Corporate and Commercial Marketing - 1
- Department of Corporate and Commercial Marketing 2
- Department of Cash Flow Management
- Department of Organization
- Department of Associations Coordination
- Department of Performance Management
- Department of Loan and Project Evaluation
- Department of International Banking and Structured Finance
- Department of Tax Management and Payments
- Department of Board of Directors Office Services

Head Office (Support Unit)

İçerenköy Mahallesi, Karaman Çiftlik Yolu Caddesi

No: 49 34752

Ataşehir/Istanbul

- Department of Retail Loans
- Department of Retail Products Marketing
- Department of Digital Banking and Channel Management
- Department of Internal Control
- Department of Payment Card Systems
- Department of Risk Management
- Department of the Board of Inspectors
- Department of the Compliance

Head Office (Support Unit)

Barbaros Mahallesi, Mor Sümbül Sokak

No:7/2A Blok 34746

Ataşehir/Istanbul

- Department of Infrastructure Operation and Management
- Department of Branch Operations
- Department of Technological Architecture Management
- Department of Software Development

Söğütözü Mah. 2180 Cad. No: 63 C Blok Kat: 1

Çankaya/Ankara

- Department of SME Loans-2

DIRECTORY

INTERNATIONAL NETWORK OF HALKBANK

TRNC Company Management

Cebeci Sok. No: 4 Kat: 2 Yenikent-Gönyeli/KKTC
Telephone: (392) 680 40 20
Fax: (392) 223 89 95

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Almoayyed Tower, 33rd Floor, Suite 3302, Al Seef District, P.O.
Box 11378 Manama/Kingdom of Bahrain
Telephone: (+973) 175 37711
Fax: (+973) 175 35463

Lefkoşa Branch

Köşklü Çiftlik Mah. Osmanpaşa Cad. No: 1
Lefkoşa/KKTC
Telephone: (+392) 228 8545
Fax: (+392) 227 4571

Gazimağusa Branch

İsmet İnönü Bulvarı Hasipoğlu Residence ve Güney Business
Center A Blok No: 7 Gazimağusa/KKTC
Telephone: (+392) 365 6701
Fax: (+392) 365 6706

Girne Branch

Yukarı Girne Mah. Hakkı Borataş Cad. Girne/KKTC
Telephone: (+392) 816 0230
Fax: (+392) 816 0234

Gönyeli Branch

Cebeci Sok. No:4
Yenikent-Gönyeli/KKTC
Telephone: (392) 680 40 00
Fax: (392) 223 93 74

Paşaköy Satellite Branch

28'inci Mknz. P. Tüm. K.lığı
Paşaköy-Lefkoşa/KKTC
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Fax: (+392) 236 9153

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Tehran Representative Office







3rd Floor, Building 114, Ghaem Magham Farahani Avenue
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Singapore Representative Office

10 Collyer Quay, #40-09/10, Ocean
Financial Centre, Singapore 049315
Telephone: (65) 6808 6430
Fax: (65) 6808 6299



Halkbank Social Media Accounts

-  <https://www.facebook.com/halkbank>
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-  <https://plus.google.com/+halkbank>



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