

(Convenience Translation of Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

Türkiye Halk Bankası Anonim Şirketi

**Unconsolidated Financial Statements
As of and For the Three-Month Period Ended 31 March 2017
With Limited Review Report Thereon**
*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

9 May 2017

This report contains “Limited Review Report” comprising 2 pages and; “Unconsolidated Financial Statements and Related Disclosures and Footnotes” comprising 94 pages.

(CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW OF INTERIM FINANCIAL
INFORMATION ORIGINALLY ISSUED IN TURKISH)

**REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION**

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

Introduction

We have reviewed the accompanying unconsolidated statement of financial position of Türkiye Halk Bankası A.Ş. (“the Bank”) as at 31 March 2017, and the unconsolidated statement of income, unconsolidated statement of income and expense items accounted for under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity and unconsolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying unconsolidated interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this unconsolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information does not present fairly, in all material respects, the unconsolidated financial position of Türkiye Halk Bankası A.Ş. as at 31 March 2017, and of the results of its operations and its unconsolidated cash flows for the three-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

Other Matter

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2016 and as at and for the three-month period then ended 31 March 2016 were audited and reviewed by another auditor who expressed a unqualified opinion and a unqualified conclusion on 13 February 2017 and 29 April 2017, respectively

Report on Other Legal and Regulatory Requirements

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

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying unconsolidated interim financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying unconsolidated financial statements. The accounting principles used in the preparation of the accompanying unconsolidated interim 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 unconsolidated interim financial statements and IFRS.

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

Hasan Kılıç
Partner

İstanbul, 9 May 2017

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED FINANCIAL REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 three-month period ended financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- **Section One** : GENERAL INFORMATION ABOUT THE BANK
- **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES OF THE BANK
- **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** : LIMITED REVIEW REPORT
- **Section Seven** : INTERIM ACTIVITY REPORT

The unconsolidated financial statements for the three-month period and related disclosures and footnotes that are subject to independent review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in thousands of Turkish Lira (TRY).

İstanbul, 9 May 2017

R. Süleyman Özdil	Sadık Tiltak	Yahya Bayraktar	Ali Fuat Taşkesenlioğlu	Mustafa Aydın	Yusuf Duran Ocak
<i>Chairman of the Board of Directors</i>	<i>Vice Chairman of the Board of Directors, Chairman of the Audit Committee</i>	<i>Member of the Board of Directors, Member of the Audit Committee</i>	<i>Member of the Board of Directors, Chief Executive Officer</i>	<i>Financial Management and Planning Vice Chief Executive Officer</i>	<i>Financial Accounting and Reporting Department Head</i>

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

Name/Title : Arman Acar / Senior Specialist
Tel No : 0216 503 57 59
Fax No : 0212 340 09 90

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 the Türkiye Varlık Fonu A.Ş.

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

Shareholders	31 March 2017	%	31 March 2017	%
Türkiye Varlık Fonu A.Ş. ^(1,2)	638.276	51,06	-	-
Başkanlık Özelleştirme İdaresi Başkanlığı	-	-	638.276	51,06
Public shares ⁽²⁾	611.639	48,93	611.639	48,93
Other shareholders ⁽³⁾	85	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 the Türkiye Varlık Fonu A.Ş. 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 A.Ş. 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 A.Ş. is 51,11% of the total shares.

⁽³⁾ TRY 83 of the shares included in the “Other Shareholders” group belong to shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized in their own accounts) while TRY 2 of which belong to shareholders whose shares are monitored under the shares not registered under the custody of the Central Securities Depository of Turkey due to the ongoing legal action.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

III. EXPLANATIONS REGARDING THE BANK'S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE BANK, IF ANY ⁽¹⁾

Name	Title
R. Süleyman ÖZDİL	Chairman of the Board of Directors
Sadık TILTAK	Vice Chairman of the Board of Directors, Independent Member of the Board of Director, Chairman of the Audit Committee
Ali Fuat TAŞKESEN LİOĞLU	Member of the Board of Directors, Chief Executive Officer
Yunus KARAN	Independent Member of the Board of Directors
Cenap AŞÇI	Member of the Board of Directors
Mehmet AYTEKİN	Member of the Board of Directors
Ömer AÇIKGÖZ	Member of the Board of Directors
Yahya BAYRAKTAR	Independent Member of the Board of Directors, Member of the Audit Committee
Faruk ÖZÇELİK	Member of the Audit Committee
Zekeriya KAYA	Member of the Audit Committee
Selahattin SÜLEYMANOĞLU	Executive Vice President, Banking Operations (on commission)
Mehmet Akif AYDEMİR	Executive Vice President, Loan Allocation and Management
Mehmet Hakan ATILLA	Executive Vice President, International Banking
Erdal ERDEM	Executive Vice President, Artisans and SME Banking, HR and Organization (on commission)
Salim KÖSE	Executive Vice President, Legal Affairs and Proceedings
Ömer Faruk ŞENEL	Executive Vice President, Support Services, (on commission)
Murat OKTAY	Executive Vice President, Corporate and Commercial Marketing
Mehmet Sebahattin BULUT	Executive Vice President, Loan Policies and Risk Monitoring
Hasan ÜNAL	Executive Vice President, Retail Banking
Mustafa AYDIN	Executive Vice President, Financial Management and Planning, Information Systems and Technical Services (on commission)

(1) Above directors do not own any shares in the Bank's capital.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

None.

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

Name	Title	Date of Leaving
Mehmet Ali GÖKÇE	Member of the Board of Director	23 January 2017

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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.

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.

c.1 As per the Higher Council of Privatization decision numbered 2006/69 dated 11 August 2006, the public shares were transferred to the Privatization Administration and 99,9% of the Bank shares were decided to be sold before 25 May 2008 using the block sale method. 13th Department of Council of State with its decision numbered 2006/4258 dated 29 November 2006 to cease the execution of the High Council of Privatization’s decision numbered 2006/69 dated 11 August 2006. Thereupon, as per the decision of the Higher Council of Privatization numbered 2007/8 dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24,98% was completed in the first week of May 2007 and Halkbank shares were started to trade on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decision of the Higher Council of Privatization numbered 2012/150 dated 4 October 2012; 23,92% of the public shares held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

- ç) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts" which came into force as published in the Official Gazette numbered 25539 dated 31 July 2004, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler limited partnership and more than 500 shareholders. Pamukbank started its private banking operations as an incorporation in accordance with the decision of the Council of Ministers numbered 4/4573 dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 dated 19 June 2002 including 3rd and 4th Sub-articles in the Article 14 of the Banking Law No: 4389, the shareholders rights, excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.
- d) 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 March 2017, the Bank operates with a total of 966 branches consisting of 961 domestic and 5 foreign branches that are 4 in Cyprus and 1 in Bahrain. Domestic branches include 28 satellite branches. The Bank has also 3 representative office in England, Singapore and 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 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 AD Skopje, Halk Faktoring AŞ, and Halkbank A.D. Beograd 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 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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 AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

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- 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 for under Shareholders' Equity
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2016
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS	Note	Reviewed			Audited		
		Current period			Prior period		
		31 March 2017	FC	Total	31 December 2016	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	2,322.936	30.839.854	33.162.790	3.534.232	26.464.928	29.999.160
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	9.872	388.443	398.315	70.105	359.993	430.098
2.1 Trading financial assets		9.872	388.443	398.315	70.105	359.993	430.098
2.1.1 Public sector debt securities		1.921	-	1.921	62.177	-	62.177
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Financial assets held for trading		27	388.250	388.277	4	359.807	359.811
2.1.4 Other marketable securities		7.924	193	8.117	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)	207.229	1.608.786	1.816.015	196.308	1.464.722	1.661.030
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Takasbank (Clearing & Settlement Bank) Money Market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	11.798.203	4.509.663	16.307.866	10.770.662	4.219.265	14.989.927
5.1 Share certificates		69.343	39.737	109.080	66.434	34.160	100.594
5.2 Public sector debt securities		11.728.860	4.469.926	16.198.786	10.704.228	4.185.105	14.889.333
5.3 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	(5)	110.730.182	57.716.527	168.446.709	103.502.394	54.851.939	158.354.333
6.1 Loans and receivables		109.413.585	57.716.527	167.130.112	102.326.357	54.851.939	157.178.296
6.1.1 Loans extended to risk group of the Bank		369.243	857.020	1.226.263	250.131	828.283	1.078.414
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		109.044.342	56.859.507	165.903.849	102.076.226	54.023.656	156.099.882
6.2 Loans under follow-up		5.570.837	-	5.570.837	5.140.082	-	5.140.082
6.3 Specific provisions (-)		4.254.240	-	4.254.240	3.964.045	-	3.964.045
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	16.761.837	2.395.854	19.157.691	15.823.514	2.332.668	18.156.182
8.1 Public sector debt securities		16.761.837	2.395.854	19.157.691	15.823.514	2.332.668	18.156.182
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	19.083	261.711	280.794	19.083	249.574	268.657
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		19.083	261.711	280.794	19.083	249.574	268.657
9.2.1 Financial investments		12.763	261.711	274.474	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)	2.543.064	380.846	2.923.910	2,514.639	363.185	2,877.824
10.1 Unconsolidated financial subsidiaries		2,501.821	380.846	2,882.667	2,473.396	363.185	2,836.581
10.2 Unconsolidated non-financial subsidiaries		41.243	-	41.243	41.243	-	41.243
XI. JOINT VENTURES (Net)	(9)	-	-	-	-	-	-
11.1 Accounted for 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)	2,318.340	105	2,318.445	2,313.905	102	2,314.007
XV. INTANGIBLE ASSETS (Net)	(13)	85.384	-	85.384	88.593	-	88.593
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		85.384	-	85.384	88.593	-	88.593
XVI. INVESTMENT PROPERTIES (Net)	(14)	362.517	-	362.517	363.321	-	363.321
XVII. TAX ASSETS	(15)	-	-	-	-	-	-
17.1 Current tax assets		-	-	-	-	-	-
17.2 Deferred tax assets		-	-	-	-	-	-
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	740	-	740	740	-	740
18.1 Held for sale purpose		740	-	740	740	-	740
18.2 Held from discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	2,295.606	273.462	2,569.068	1,517.081	419.865	1,936.946
TOTAL ASSETS		149,454,993	98,375,251	247,830,244	140,714,577	90,726,241	231,440,818

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2016
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	Note	Reviewed			Audited		
		Current period			Prior period		
		31 March 2017			31 December 2016		
LIABILITIES AND SHAREHOLDERS' EQUITY		TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	(1)	88.419.105	69.405.970	157.825.075	88.217.130	62.045.709	150.262.839
1.1 Deposits Held by the Risk Group of the Bank		1.569.373	129.859	1.699.232	1.676.769	56.764	1.733.533
1.2 Other		86.849.732	69.276.111	156.125.843	86.540.361	61.988.945	148.529.306
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	32	160.425	160.457	59	211.789	211.848
III. FUNDS BORROWED	(3)	454.369	18.328.315	18.782.684	440.955	18.527.149	18.968.104
IV. MONEY MARKET BALANCES	(3)	21.692.968	1.956.853	23.649.821	16.473.192	1.373.871	17.847.063
4.1 Interbank money market borrowings		21.306.890	-	21.306.890	7.003.306	-	7.003.306
4.2 Takasbank (Clearing & Settlement Bank) Money Market takings		-	-	-	-	-	-
4.3 Funds from repurchase agreements		386.078	1.956.853	2.342.931	9.469.886	1.373.871	10.843.757
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	2.129.592	10.969.843	13.099.435	1.749.034	10.684.708	12.433.742
5.1 Treasury bills		2.129.592	-	2.129.592	1.749.034	-	1.749.034
5.2 Asset-backed securities		-	-	-	-	-	-
5.3 Bonds		-	10.969.843	10.969.843	-	10.684.708	10.684.708
VI. FUNDS	(5)	2.287.662	-	2.287.662	2.339.808	-	2.339.808
6.1 Borrower Funds		21.578	-	21.578	36.600	-	36.600
6.2 Other		2.266.084	-	2.266.084	2.303.208	-	2.303.208
VII. SUNDRY CREDITORS		2.651.947	99.504	2.751.451	2.621.256	79.420	2.700.676
VIII. OTHER LIABILITIES	(6)	1.795.384	432.924	2.228.308	1.289.999	401.861	1.691.860
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES	(7)	55	-	55	99	-	99
10.1 Finance lease payables		66	-	66	123	-	123
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		11	-	11	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)	3.179.825	5.468	3.185.293	3.046.236	5.286	3.051.522
12.1 General loan provisions		2.113.982	-	2.113.982	2.027.964	-	2.027.964
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		793.094	-	793.094	713.732	-	713.732
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		272.749	5.468	278.217	304.540	5.286	309.826
XIII. TAX LIABILITIES	(10)	1.060.118	34	1.060.152	616.298	13	616.311
13.1 Current tax liabilities		717.329	34	717.363	329.626	13	329.639
13.2 Deferred tax liabilities		342.789	-	342.789	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 LOAN	(12)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(13)	22.882.332	(82.481)	22.799.851	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		3.221.230	(82.481)	3.138.749	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		776.616	(82.481)	694.135	706.929	(224.176)	482.753
16.2.4 Tangible assets revaluation reserves		1.284.064	-	1.284.064	1.284.522	-	1.284.522
16.2.5 Intangible assets revaluation reserves		-	-	-	-	-	-
16.2.6 Revaluation reserves of investment properties		-	-	-	-	-	-
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		1.151.839	-	1.151.839	1.099.026	-	1.099.026
16.3 Profit reserves		14.633.669	-	14.633.669	14.633.669	-	14.633.669
16.3.1 Legal reserves		1.482.358	-	1.482.358	1.482.358	-	1.482.358
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		13.104.130	-	13.104.130	13.104.130	-	13.104.130
16.3.4 Other profit reserves		47.181	-	47.181	47.181	-	47.181
16.4 Profit/Loss		3.777.433	-	3.777.433	2.558.265	-	2.558.265
16.4.1 Prior years' profits/losses		2.558.265	-	2.558.265	-	-	-
16.4.2 Period profit/loss		1.219.168	-	1.219.168	2.558.265	-	2.558.265
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		146.553.389	101.276.855	247.830.244	138.335.188	93.105.630	231.440.818

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF INCOME AS OF 31 MARCH 2017
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. STATEMENT OF INCOME

			Reviewed	Reviewed
			Current period	Prior period
INCOME AND EXPENSES		Note	1 January-31 March 2017	1 January-31 March 2016
I.	INTEREST INCOME	(1)	5.171.405	3.945.186
1.1	Interest on loans		4.063.578	3.218.171
1.2	Interest received from reserve deposits		21.845	14.870
1.3	Interest received from banks		39.034	20.705
1.4	Interest received from money market placements		12.049	-
1.5	Interest income on marketable securities		1.027.095	688.784
1.5.1	Financial assets held for trading		160	976
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Financial assets available-for-sale		401.948	251.281
1.5.4	Investments held-to-maturity		624.987	436.527
1.6	Finance lease income		-	-
1.7	Other interest income		7.804	2.656
II.	INTEREST EXPENSE	(2)	2.889.779	2.419.227
2.1	Interest on deposits		2.137.012	2.003.619
2.2	Interest on borrowings		99.453	87.434
2.3	Interest on money market borrowings		428.004	175.837
2.4	Interest on bonds issued		187.640	123.154
2.5	Other interest expense		37.670	29.183
III.	NET INTEREST INCOME [I – II]		2.281.626	1.525.959
IV.	NET FEES AND COMMISSIONS INCOME		537.423	292.086
4.1	Fees and commissions income		637.545	376.299
4.1.1	Non-cash loans		91.530	63.264
4.1.2	Other		546.015	313.035
4.2	Fees and commissions expenses		100.122	84.213
4.2.1	Non-cash loans		9	10
4.2.2	Other		100.113	84.203
V.	DIVIDEND INCOME	(3)	52	-
VI.	NET TRADING PROFIT (NET)	(4)	69.777	20.771
6.1	Profit/loss from capital market operations		8.752	3.285
6.2	Profit/loss from financial derivative transactions		(139.176)	(211.278)
6.3	Foreign exchange gains/losses		200.201	228.764
VII.	OTHER OPERATING INCOME	(5)	149.320	232.005
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		3.038.198	2.070.821
IX.	IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(6)	470.687	271.079
X.	OTHER OPERATING EXPENSES(-)	(7)	1.021.017	961.603
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		1.546.494	838.139
XII.	AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII.	PROFIT/LOSSES FROM SUBSIDIARIES ACCOUNTED FOR AT EQUITY METHOD		-	-
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	1.546.494	838.139
XVI.	TAX INCOME PROVISION (±)	(9)	(327.326)	(158.056)
16.1	Current tax charge		(282.946)	(181.662)
16.2	Deferred tax (charge) / benefit		(44.380)	23.606
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	1.219.168	680.083
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 charge		-	-
21.2	Deferred tax charge		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/(LOSS) (XVII+XXII)	(11)	1.219.168	680.083
	Earnings/losses per share (Full TRY)		0,97533	0,54407

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS
ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 31 MARCH 2017
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

	Reviewed	Reviewed
	Current period	Prior period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	1 January-31 March 2017	1 January-31 March 2016
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	223.144	288.017
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	(483)	(268)
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	52.813	28.829
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 FOR UNDER EQUITY DUE TO TAS	-	-
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(11.737)	(25.261)
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	263.737	291.317
XI. PROFIT/LOSS	1.219.168	680.083
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	8.749	3.384
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	1.210.419	676.699
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	1.482.905	971.400

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 MARCH 2017
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid in capital	Effect of inflation adjustments on paid in capital	Share premium	Share certificate cancellation profit	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net income/(loss)	Prior period net income/(loss)	Valuation changes in marketable sec.	Revaluation changes in prop. and equip. and int. assets	Bonus shares from shareholders	Hedging funds	Value change in pro. and equip. held for sale purp./term. op.	Total shareholders' equity	
1 January 2016 – 31 March 2016																		
I. Balance at end of prior period		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
Changes within the period																		
II. Increase/decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	262.742	-	-	-	-	-	262.742
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		-	-	-	-	-	-	-	-	-	-	-	(255)	-	-	-	-	(255)
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	28.829	-	-	-	-	-	-	-	-	28.829
IX. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	680.083	-	-	-	-	-	-	-	680.083
XVIII. Profit distribution		-	-	-	-	-	-	-	-	(2.315.313)	2.315.313	-	-	-	-	-	-	-
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to legal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(2.315.313)	2.315.313	-	-	-	-	-	-	-
Closing balance		1.250.000	1.220.451	-	-	1.335.865	-	11.166.841	60.721	680.083	2.315.313	1.229.577	1.128.180	8.711	-	-	-	20.395.742
1 January 2017 – 31 March 2017																		
I. Balance at end of prior period		1.250.000	1.220.451	-	-	1.482.358	-	13.104.130	(74.244)	2.558.265	-	482.753	1.284.522	8.711	-	-	-	21.316.946
Changes within the period																		
II. Increase or decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	211.382	-	-	-	-	-	211.382
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		-	-	-	-	-	-	-	-	-	-	-	(458)	-	-	-	-	(458)
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	52.813	-	-	-	-	-	-	-	-	52.813
IX. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	(2.558.265)	2.558.265	-	-	-	-	-	-	-
XVII. Net profit or losses		-	-	-	-	-	-	-	-	1.219.168	-	-	-	-	-	-	-	1.219.168
XVIII. Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to legal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance		1.250.000	1.220.451	-	-	1.482.358	-	13.104.130	(21.431)	1.219.168	2.558.265	694.135	1.284.064	8.711	-	-	-	22.799.851

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 MARCH 2017
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Reviewed	Reviewed
	Current period	Prior period
	1 January – 31 March 2017	1 January – 31 March 2016
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	1.285.900	1.871.363
1.1.1 Interest received	5.027.240	4.266.390
1.1.2 Interest paid	(2.950.335)	(2.155.935)
1.1.3 Dividend received	52	-
1.1.4 Fees and commissions received	637.545	376.299
1.1.5 Other income	68.904	164.289
1.1.6 Collections from previously written off loans	116.769	106.391
1.1.7 Cash payments to personnel and service suppliers	(489.504)	(455.313)
1.1.8 Taxes paid	(186.742)	(62.463)
1.1.9 Other	(938.029)	(368.295)
1.2 Assets and Liabilities Subject to Banking Operations	550.572	(768.626)
1.2.1 Net (increase) decrease in financial assets held for sale	60.182	(48.976)
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	4.180	11
1.2.4 Net (increase) decrease in loans	(10.051.688)	(5.817.465)
1.2.5 Net (increase) decrease in other assets	(3.150.452)	(1.457.333)
1.2.6 Net increase (decrease) in bank deposits	(2.288.817)	4.277.571
1.2.7 Net increase (decrease) in other deposits	9.753.051	(750.684)
1.2.8 Net increase (decrease) in loans borrowed	(197.826)	(866.124)
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	6.421.942	3.894.374
I. Net cash provided from banking operations	1.836.472	1.102.737
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/ (used in) investing activities	(2.524.574)	(1.214.953)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	-	-
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	-
2.3 Fixed assets purchases	(67.355)	(101.732)
2.4 Fixed assets sales	35.903	62.226
2.5 Cash paid for purchase of financial assets available for sale	(2.171.357)	(1.517.032)
2.6 Cash obtained from sale of financial assets available for sale	1.196.421	427.837
2.7 Cash paid for purchase of investment securities	(1.825.081)	(566.601)
2.8 Cash obtained from sale of investment securities	309.430	487.502
2.9 Other	(2.535)	(7.153)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash used in financing activities	860.626	(416.927)
3.1 Cash obtained from loans borrowed and securities issued	1.322.261	333.591
3.2 Cash used for repayment of loans borrowed and securities issued	(461.591)	(750.000)
3.3 Bonds issued	-	-
3.4 Dividends paid	-	-
3.5 Payments for finance leases	(44)	(35)
3.6 Other	-	(483)
IV. Effect of change in foreign exchange rate on cash and cash equivalents	348.230	(93.154)
V. Net increase / (decrease) in cash and cash equivalents	520.754	(622.297)
VI. Cash and cash equivalents at beginning of the period	14.388.793	8.874.614
VII. Cash and cash equivalents at end of the period	14.909.547	8.252.317

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. 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.

New and revised Turkish Accounting Standards effective for annual periods beginning on or after 1 January 2017 have no material effect on the financial statements, financial performance and on Bank’s accounting policies and accounting estimates. New and revised Turkish Accounting Standards issued but not yet effective have no material effect on the financial statements, financial performance and on Bank’s accounting policies and accounting estimates, except for TFRS 9 which will be effective from periods beginning on or after 1 January 2018. The Bank has started projects to comply with TFRS 9.

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.

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

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 AD, Skopje (subsidiary), Demirhalkbank 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 March 2017, the bank has credit default swap transaction amounting to 150 million USD 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.

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.

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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 March 2017 and 31 December 2016.

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

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 amortised 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 amended lastly with the regulation published in the Official Gazette No: 29267 dated 14 December 2016 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

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.

TÜRKİYE HALK BANKASI AŞ
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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

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 AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

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 2016 no technical deficit has been reported.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

Calculated corporate tax as of 31 December 2016 has been paid in February 2017 thereby setting off calculated advanced taxes in previous periods; accrued advance tax as of 31 March 2017 will also be paid in May 2017.

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. 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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.

XIX. EXPLANATIONS ON SHARES ISSUED

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

XXIII EXPLANATION ON OTHER MATTERS

None.

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

I. EXPLANATIONS ON EQUITY

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 March 2017, the Group's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 13,56% (31 December 2016: 13,08%), The equity is calculated as TRY 24.471.088 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2016: TRY 23.013.281).

	Current Period	Amounts related to
	31 March 2017	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	-	
Reserves	14.566.022	
Other Comprehensive Income according to TAS	1.977.234	
Profit	3.777.433	
Current Period Profit	1.219.168	
Prior Period Profit	2.558.265	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.711	
Common Equity Tier 1 Capital Before Deductions	22.799.851	
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 (-)	63.088	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	68.307	85.384
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	131.395	
Total Common Equity Tier I Capital	22.668.456	

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

I. EXPLANATIONS ON EQUITY (continued)

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
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	17.077
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 (-)	17.077
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)	22.651.379
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)	2.060.716
Tier II Capital Before Deductions	2.060.716
Deductions From Tier II Capital	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
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	2.060.716
Total Equity (Total Tier I and Tier II Capital)	24.712.095
Deductions from Total Capital	
Total Deductions from Total Capital	24.471.088
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	223.984
Other items to be defined by the BRSA (-)	17.013

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

I. EXPLANATIONS ON EQUITY (continued)

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital	24.471.088
Total Risk Weighted Assets	180.507.024
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	12,56
Tier I Capital Ratio (%)	12,55
Capital Adequacy Ratio (%)	13,56
BUFFERS	
Bank-specific total CET1 Capital Ratio	6,262
Capital Conservation Buffer Ratio (%)	1,250
Bank-specific Counter-Cyclical Capital Buffer Ratio (%) **	0,512
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,557
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	53.047
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	274.474
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	197.583
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)	2.113.982
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.060.716
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.

**Systemically important banks countercyclical buffers are included in Bank Specific Counter-cyclical Buffer Requirement.

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I. EXPLANATIONS ON EQUITY (continued)

	Prior Period	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	-	
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 1 Capital	119.827	
Total Common Equity Tier 1 Capital	21.197.119	

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I. EXPLANATIONS ON EQUITY (continued)

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
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 Equity (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

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

I. EXPLANATIONS ON EQUITY (continued)

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
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 1.1.2018-1.1.2022)	
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

- (2) Information about instruments that will be included in total capital calculation: None.
- (3) 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, net book value of immovables that are acquired against overdue receivables and retained more than three years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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

II. 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 Group is measured by “standard method” and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. 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 31 March 2017 and the previous five working days in full TRY are as follows:

	24.03.2017	27.03.2017	28.03.2017	29.03.2017	30.03.2017	31.03.2017
USD	3,5800000	3,5900000	3,5900000	3,6300000	3,6000000	3,6300000
CHF	3,6040000	3,6462000	3,6427000	3,6382000	3,6056000	3,6180000
GBP	4,4608000	4,5069000	4,4917000	4,5057000	4,4922000	4,5224000
JPY	0,0321488	0,0324781	0,0325032	0,0326713	0,0322906	0,0324693
EUR	3,8655000	3,9059000	3,9002000	3,9037000	3,8621000	3,8772000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 31 March 2017 are as follows:

	Monthly average
USD	3,6431818
CHF	3,6311500
GBP	4,4873045
JPY	0,0321852
EUR	3,8933409

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

II. EXPLANATIONS ON CURRENCY RISK (continued)

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	6.750.791	19.940.287	4.148.776	30.839.854
Banks	274.743	1.021.651	312.392	1.608.786
Financial assets at fair value through profit and loss ⁽³⁾	90.845	291.345	6.253	388.443
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	384.690	4.124.973	-	4.509.663
Loans ⁽²⁾	27.419.303	31.749.192	495.457	59.663.952
Subsidiaries, associates and entities under common control ⁽⁵⁾	261.711	-	380.846	642.557
Held-to-maturity investments	-	2.395.854	-	2.395.854
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	105	105
Intangible assets	-	-	-	-
Other assets ⁽³⁾	24.939	248.384	45	273.368
Total assets	35.207.022	59.771.686	5.343.874	100.322.582
Liabilities				
Bank deposits	7.345.168	2.951.703	1.413.131	11.710.002
Foreign currency deposits	17.845.045	37.845.641	2.005.282	57.695.968
Money market balances	-	1.956.853	-	1.956.853
Funds provided from other financial institutions	7.850.438	10.469.090	8.787	18.328.315
Bonds issued	-	10.969.843	-	10.969.843
Sundry creditors	17.672	81.809	23	99.504
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	256.239	287.139	55.473	598.851
Total liabilities	33.314.562	64.562.078	3.482.696	101.359.336
Net balance sheet position	1.892.460	(4.790.392)	1.861.178	(1.036.754)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	(2.248.080)	4.565.452	(1.553.797)	763.575
Financial derivative assets ⁽⁴⁾	1.185.038	7.240.940	1.638.660	10.064.638
Financial derivative liabilities ⁽⁴⁾	3.433.118	2.675.488	3.192.457	9.301.063
Non-cash loans ⁽¹⁾	9.644.384	16.766.769	1.537.534	27.948.687
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 1.947.425 TL 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", prepaid expenses (TRY 94) in assets; and shareholders' equity (TRY 82.481) 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 234.526. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.566.092. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

⁽⁵⁾ Other foreign currency subsidiaries Halkbank A.D. Beograd (TRY 95.229) and Halk Banka AD Skopje (TRY 285.617), and Euro foreign currency associate Demir-Halk Bank NV (TRY 261.711) are included.

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

III. 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.

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	21.082.633	-	-	-	-	12.080.157	33.162.790
Banks and financial institutions	1.358.027	4.000	10.000	-	-	443.988	1.816.015
Financial assets at fair value through profit and loss	4.625	3.514	1.573	240	86	388.277	398.315
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	415.239	3.867.911	1.879.896	3.912.107	6.123.633	109.080	16.307.866
Loans	70.911.337	32.110.888	32.147.801	24.990.640	5.895.314	1.074.132	167.130.112
Held-to-maturity investments	795.493	8.934.201	693.322	2.921.909	5.812.766	-	19.157.691
Other assets ⁽⁴⁾	5.572.447	3.182	13.394	42.842	9.550	4.216.040	9.857.455
Total assets	100.139.801	44.923.696	34.745.986	31.867.738	17.841.349	18.311.674	247.830.244
Liabilities							
Bank deposits	10.969.099	3.109.506	434.688	-	-	5.968.662	20.481.955
Other deposits	71.322.387	33.562.451	9.230.634	282.436	2.863	22.942.349	137.343.120
Money market balances	21.863.157	669.481	1.099.816	-	-	17.367	23.649.821
Sundry creditors	97.871	94.866	355.205	864.202	16	1.339.291	2.751.451
Bonds issued	398.771	745.929	3.706.504	8.146.274	-	101.957	13.099.435
Funds provided from other financial institutions ⁽³⁾	717.198	3.703.657	8.642.303	3.587.070	1.990.708	141.748	18.782.684
Other liabilities ^{(1),(2)}	42.966	482	13.112	94.021	343.793	31.227.404	31.721.778
Total liabilities	105.411.449	41.886.372	23.482.262	12.974.003	2.337.380	61.738.778	247.830.244
Balance sheet long position	-	3.037.324	11.263.724	18.893.735	15.503.969	-	48.698.752
Balance sheet short position	(5.271.648)	-	-	-	-	(43.427.104)	(48.698.752)
Off-balance sheet long position	363.000	2.677.270	48.400	736.372	1.807.798	11.164.325	16.797.165
Off-balance sheet short position	-	(2.495.770)	(48.400)	(1.165.671)	(1.807.798)	(11.128.645)	(16.646.284)
Total position	(4.908.648)	3.218.824	11.263.724	18.464.436	15.503.969	(43.391.424)	150.881

⁽¹⁾ TRY 342.789 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 1.316.597 of net non-performing loans is disclosed under the non-bearing interest column in other assets.

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, 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	(20.591.374)	(3.644.121)	-	-	-	(39.665.813)	(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	(20.240.374)	(3.468.621)	23.748.150	23.263.683	16.460.175	(39.665.813)	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.

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

2. Average interest rates applied to financial instruments:

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	0,78	-	4,00
Due from other banks and financial institutions ⁽¹⁾	0,01	0,95	-	10,03
Financial assets at fair value through profit and loss	-	-	-	10,87
Money market placements	-	-	-	-
Available-for-sale financial assets	4,60	5,63	-	14,67
Loans ⁽²⁾	4,50	5,71	-	12,77
Held-to-maturity investments	-	5,88	-	20,31
Liabilities				
Bank deposits	0,57	3,33	-	10,71
Other deposits ⁽⁴⁾	1,39	3,30	0,25	10,00
Money market borrowings	-	2,65	-	8,33
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,61	-	10,51
Funds provided from other financial institutions	0,63	2,54	-	7,55
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 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 March 2017.

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 March 2017.

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

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

IV. EXPLANATIONS ON THE POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Comparison			Capital Requirements
	Balance Sheet Value	Fair Value Change	Market Value	
Investment in Shares-Grade A Quoted Securities ⁽¹⁾	545.846	545.846	545.846	43.668
Investment in Shares-Grade B Quoted Securities	-	-	-	-
Investment in Shares-Grade C Quoted Securities	-	-	-	-
Investment in Shares- Grade D ⁽²⁾	368.089	368.089	-	29.447
Other	2.306.556	2.290.769	-	217.461

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

⁽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 İstanbul 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	Realized gains (losses) in the current period		Revaluation surplus in the fair value		Unrealized gains and losses	
	Total	Included in supplementary capital	Total	Included in total core capital	Total	Included in supplementary capital
1. Private equity investments	-	-	-	-	-	-
2. Share certificates quoted on a stock exchange ^{(1) (2)}	-	256.423	256.423	-	-	-
3. Other share certificates	-	986.192	986.192	-	-	-
Total	-	1.242.615	1.242.615	-	-	-

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

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

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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 Plan (LAEP)" 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.

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

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

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	20.03.2017 26.03.2017	203,64	09.01.2017 15.01.2017	109,24
Minimum	20.02.2017 26.02.2017	138,26	20.02.2017 26.02.2017	89,01

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

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

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			42.132.781	23.631.604
Cash Outflows				
Retail and Small Business Customers, of which;	77.629.279	33.375.780	6.603.903	3.337.578
Stable Deposits	23.180.497	-	1.159.025	-
Less Stable Deposits	54.448.782	33.375.780	5.444.878	3.337.578
Unsecured wholesale funding , of which;	75.630.732	25.152.100	44.084.385	17.354.296
Operational Deposits	-	-	-	-
Non-operational Deposits	58.230.221	23.166.162	35.825.773	15.700.952
Other Unsecured Funding	17.400.511	1.985.938	8.258.612	1.653.344
Secured Funding				
Other cash outflows, of which;	4.746.590	2.907.196	2.193.436	1.514.065
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	81.651	379.969	81.651	379.969
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	4.664.939	2.527.227	2.111.785	1.134.096
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	64.662.741	25.392.109	4.861.814	2.034.634
Total Cash Outflows			57.743.538	24.240.573
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	21.208.204	12.342.125	14.805.791	10.620.939
Other Cash Inflows	-	-	-	-
Total Cash Inflows	21.208.204	12.342.125	14.805.791	10.620.939
			Total Adjusted Value	
Total HQLA Stock			42.132.781	23.631.604
Total Net Cash Outflows			42.937.747	13.619.634
Liquidity Coverage Ratio (%)			98,28%	176,09%

⁽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.

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

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

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 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.

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

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

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	1.551.414	31.611.213	-	163	-	-	-	33.162.790
Banks	650.453	1.149.237	4.151	12.174	-	-	-	1.816.015
Financial assets at fair value through profit and loss	-	50.560	19.762	59.372	166.160	102.461	-	398.315
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	388.245	1.903.719	5.861.450	8.045.372	109.080	16.307.866
Loans ⁽²⁾	958.454	12.173.777	13.243.345	50.615.617	69.315.438	20.823.481	-	167.130.112
Held-to-maturity investments	-	-	-	363.357	8.221.871	10.572.463	-	19.157.691
Other assets ⁽²⁾	1.320.339	2.041	3.182	13.394	42.842	9.550	8.466.107	9.857.455
Total assets	4.480.660	44.986.828	13.658.685	52.967.796	83.607.761	39.553.327	8.575.187	247.830.244
Liabilities								
Bank deposits	5.935.116	10.994.667	3.114.510	437.662	-	-	-	20.481.955
Other deposits	22.333.987	71.659.313	33.720.200	9.334.674	292.083	2.863	-	137.343.120
Funds provided from other financial institutions ⁽³⁾	4.975	611.021	2.808.514	9.200.533	4.166.933	1.990.708	-	18.782.684
Money market balances	-	21.872.509	311.958	1.465.354	-	-	-	23.649.821
Bonds issued	-	398.771	773.833	3.780.557	8.146.274	-	-	13.099.435
Sundry creditors	10.851	1.183.674	94.866	427.226	864.201	16	170.617	2.751.451
Other liabilities ⁽¹⁾	384.449	2.961.277	28.966	148.525	368.763	1.844.654	25.985.144	31.721.778
Total liabilities	28.669.378	109.681.232	40.852.847	24.794.531	13.838.254	3.838.241	26.155.761	247.830.244
Liquidity gap	(24.188.718)	(64.694.404)	(27.194.162)	28.173.265	69.769.507	35.715.086	(17.580.574)	-
Net off balance sheet position	-	25.365	3.404	5.313	116.799	-	-	150.881
Derivative financial assets	-	7.089.440	1.783.457	1.988.136	2.320.535	3.615.597	-	16.797.165
Derivative financial liabilities	-	(7.064.075)	(1.780.053)	(1.982.823)	(2.203.736)	(3.615.597)	-	(16.646.284)
Non-cash loans	17.628.882	1.531.140	5.021.983	14.553.946	9.376.950	1.593.810	-	49.706.711
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 overdue loans are disclosed in other assets under the undistributed column.

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

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

VI. 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)	246.275.355	226.075.095
Assets that are deducted from core capital	(151.463)	(155.000)
Total on balance sheet exposures	246.123.892	225.920.095
Derivative exposures and credit derivatives		
Replacement cost associated with derivative financial instruments and credit derivatives	393.160	425.626
The potential amount of credit risk with derivative financial instruments and credit derivatives	190.564	166.032
The total amount of risk on derivative financial instruments and credit derivatives	583.724	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)	396.550	564.131
Risk amount of brokerage operations	-	-
Total risks related with securities or commodity financing transactions	396.550	564.131
Off -Balance Sheet Items		
Gross notional amount of off-balance sheet items	75.478.324	71.287.525
Adjustments for conversion to credit equivalent amounts		
The total risk of off-balance sheet items	75.478.324	71.287.525
Capital and Total Exposures		
Tier 1 Capital	22.138.620	21.147.130
Total Exposures	322.582.490	298.363.409
Leverage Ratio		
Leverage Ratio	%6,86	%7,09

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

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

VII. EXPLANATIONS RELATED TO 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,

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- Acting as a portfolio management agency.

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VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 March 2017 are presented in the table below.

Current Period	Corporate	Commercial	SME/ Integrated	Treasury/ Investment⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	485.859	669.065	2.903.774	1.112.707	5.171.405
<i>Interest on loans</i>	485.469	668.325	2.845.615	64.169	4.063.578
<i>Interest income on marketable securities</i>	-	-	48.982	978.113	1.027.095
<i>Interest received from banks</i>	-	-	3.060	35.974	39.034
<i>Other interest income</i>	390	740	6.117	34.451	41.698
Interest expense	347.818	98.908	1.508.498	934.555	2.889.779
<i>Interest on deposits</i>	347.501	87.053	1.463.639	238.819	2.137.012
<i>Interest on borrowings</i>	180	1.572	7.214	90.487	99.453
<i>Interest on money market borrowings</i>	-	-	10.437	417.567	428.004
<i>Interest on marketable bonds issued</i>	-	-	-	187.640	187.640
<i>Other interest expense</i>	137	10.283	27.208	42	37.670
Net interest income	138.041	570.157	1.395.276	178.152	2.281.626
Net fees and commissions income	58.502	105.337	264.509	109.075	537.423
Net trading profit / (loss)	-	-	-	69.777	69.777
Dividend income	-	-	-	52	52
Other income	24.330	23.503	83.786	17.701	149.320
Impairment losses on loans and other receivables	1.347	216.661	166.169	86.510	470.687
Other expenses	7.871	16.471	420.848	575.827	1.021.017
Income before taxes	211.655	465.865	1.156.554	(287.580)	1.546.494
Income tax provision	-	-	-	(327.326)	(327.326)
Net profit for the period	211.655	465.865	1.156.554	(614.906)	1.219.168
SEGMENT ASSETS					
Marketable securities	-	-	3.186.673	32.288.922	35.475.595
Derivative financial assets held for trading	-	-	78.840	309.437	388.277
Banks and money market receivables	-	-	313.856	1.502.159	1.816.015
Associates and subsidiaries (net)	-	-	-	3.204.704	3.204.704
Loans	28.506.683	34.794.963	101.488.756	3.656.307	168.446.709
Other assets ⁽¹⁾	81.841	438.513	1.753.226	36.225.364	38.498.944
TOTAL ASSETS	28.588.524	35.233.476	106.821.351	77.186.893	247.830.244
SEGMENT LIABILITIES					
Deposits	29.421.337	9.554.637	106.288.079	12.561.022	157.825.075
Derivative financial liabilities held for trading	-	-	45.154	115.303	160.457
Money market balances	-	-	1.956.854	21.692.967	23.649.821
Borrowing funding loans	7.549	216.152	819.349	17.739.634	18.782.684
Bonds issued	-	-	-	13.099.435	13.099.435
Other liabilities	249.616	300.476	5.322.785	1.394.599	7.267.476
Provisions and tax payable	44.720	58.860	184.340	3.957.525	4.245.445
Shareholders' equity	208.579	451.800	986.360	21.153.112	22.799.851
TOTAL LIABILITIES	29.931.801	10.581.925	115.602.921	91.713.597	247.830.244
OFF BALANCE SHEET ITEMS					
Guarantees and sureties	13.453.671	11.263.044	13.540.111	11.449.885	49.706.711
Commitments	60.127	876.964	11.677.866	12.367.574	24.982.531
Derivative financial instruments	-	-	6.646.727	26.796.722	33.443.449

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VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	354.584	473.018	2.241.963	875.621	3.945.186
Interest on loans	354.568	472.934	2.239.650	151.019	3.218.171
Interest income on marketable securities	-	-	-	688.784	688.784
Interest received from banks	-	-	-	20.705	20.705
Other interest income	16	84	2.313	15.113	17.526
Interest expense	217.828	119.152	1.558.533	523.714	2.419.227
Interest on deposits	212.555	114.042	1.532.390	144.632	2.003.619
Interest on borrowings	203	1.822	5.367	80.042	87.434
Interest on money market borrowings	-	-	-	175.837	175.837
Interest on marketable securities issued	-	-	-	123.154	123.154
Other interest expense ⁽²⁾	5.070	3.288	20.776	49	29.183
Net interest income	136.756	353.866	683.430	351.907	1.525.959
Net fees and commissions income	37.821	47.051	156.739	50.475	292.086
Net trading profit / (loss)	-	-	-	20.771	20.771
Dividend income	-	-	-	-	-
Other income	2.776	8.260	86.743	134.226	232.005
Impairment losses on loans and other receivables	13.442	31.488	136.577	89.572	271.079
Other expenses	4.168	16.713	455.317	485.405	961.603
Income before taxes	159.743	360.976	335.018	(17.598)	838.139
Income tax provision	-	-	-	(158.056)	(158.056)
Net profit for the period	159.743	360.976	335.018	(175.654)	680.083
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 ⁽¹⁾	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 sureties	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

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

VIII. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS

Explanations Related To Risk Management

The notes under this caption are prepared as per the “Regulation on Calculation of Risk Management Disclosures” published in the Official Gazette no. 29511 dated 23 October 2015.

The Bank's Risk Management Strategy 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.

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 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.

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Overview of RWA:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	163.312.981	161.707.382	13.065.038
2	Standardized approach (SA)	163.312.981	161.707.382	13.065.038
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	858.100	378.320	68.648
5	Standardized approach for counterparty credit risk (SA-CCR)	858.100	378.320	68.648
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	2.852.088	1.947.575	228.167
17	Standardized approach (SA)	2.852.088	1.947.575	228.167
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)	686.185	655.843	54.895
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	180.507.024	175.986.593	14.440.562

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

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	979.442	571.714	914.121	562.677
CBRT	1.343.494	30.268.136	2.620.111	25.902.219
Other	-	4	-	32
Total	2.322.936	30.839.854	3.534.232	26.464.928

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⁾	1.277.519	3.621.383	2.563.615	3.345.458
Time unrestricted amount	-	-	-	-
Time restricted amount	628	6.657.600	-	5.359.104
Reserve deposits ⁽²⁾	65.347	19.989.153	56.496	17.197.657
Total	1.343.494	30.268.136	2.620.111	25.902.219

⁽¹⁾ Reserve deposits kept in Central Bank of the Republic of Turkey.

⁽²⁾ Blocked reserve deposits kept in Central Bank of the Republic of Turkey and Central Bank of Cyprus.

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 TL 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. The applicable interest rate is 1% for the reporting period (announced on 21 March 2017).

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

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

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

With the decision No.872 dated 30 January 2014 of the TRNC, reserve requirement ratio is between 5% and 8% for TRY liabilities and for foreign currency liabilities.

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

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

None.

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	-	119.995	-	120.227
Swap transactions	-	268.159	-	239.460
Futures transactions	-	-	-	-
Options	27	96	4	120
Other	-	-	-	-
Total	27	388.250	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	16.831	72.477	26.539	21.122
Foreign banks	190.398	1.536.309	169.769	1.443.600
Branches and offices abroad	-	-	-	-
Total	207.229	1.608.786	196.308	1.464.722

(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 securities	5.059.769	289.998	-	354.898
Total	5.059.769	289.998	-	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	270.505	1.759.107	4.789.610	728.138
Total	270.505	1.759.107	4.789.610	728.138

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

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

b) Information on financial assets available-for-sale portfolio:

	Current period	Prior period
Debt securities	16.585.417	15.418.926
<i>Quoted on a stock exchange</i>	<i>16.585.417</i>	<i>15.418.926</i>
<i>Not quoted</i>	-	-
Share certificates	137.653	132.077
<i>Quoted on a stock exchange</i>	<i>102.953</i>	<i>97.377</i>
<i>Not quoted</i>	<i>34.700</i>	<i>34.700</i>
Impairment provision(-)	415.204	561.076
Total	16.307.866	14.989.927

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

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

(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	220.680	-	204.282	-
Total	220.680	-	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 ⁽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	131.388.830	2.478.117	-	4.386.688	2.819.486	-
<i>Corporation loans</i>	87.588.150	1.945.190	-	3.938.003	2.697.410	-
<i>Export loans</i>	4.484.868	62.436	-	10.296	-	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	3.485.037	-	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	30.419.398	402.486	-	262.054	28.496	-
<i>Credit cards⁽²⁾</i>	3.513.294	68.005	-	127.627	93.580	-
<i>Other</i>	1.898.083	-	-	48.708	-	-
Specialized lending	28.660.352	7.422	-	246.415	144	-
Other receivables	-	-	-	-	-	-
Accruals	2.378.961	36.945	-	68.866	41.911	-
Total	162.428.143	2.522.484	-	4.701.969	2.861.541	-

⁽¹⁾ Includes TRY 167.485 personnel loans.

⁽²⁾ Includes TRY 53.195 personnel credit cards.

⁽³⁾ The Bank has a cash loan exposure of USD 160.040.606 related with the acquisition finance of a telecommunication company with a key position where the financing structure includes acquired company's shares. 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.

Number of modifications made to extend payment plan	Standard Loans and Other Receivables ⁽¹⁾	Loans and Other Receivables Under Close Monitoring ⁽²⁾
	Extended by 1 or 2 times	2.383.588
Extended by 3,4 or 5 times	38.187	12.600
Extended by more than 5 times	63.764	44.674

⁽¹⁾ Accruals amounting to TRY 36.945 are not included in the table above.

⁽²⁾ Accruals amounting to TRY 41.911 are not included in the table above.

Extended period of time	Standard Loans and Other Receivables ⁽¹⁾	Loans and Other Receivables Under Close Monitoring ⁽²⁾
	0-6 Months	348.242
6 Months - 12 Months	113.114	72.356
1-2 Years	290.683	175.446
2-5 Years	1.306.671	977.544
5 Years and over	426.829	927.463

⁽¹⁾ Accruals amounting to TRY 36.945 are not included in the table above.

⁽²⁾ Accruals amounting to TRY 41.911 are not included in the table above.

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

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

(5) Information on loans: (continued)

ç) Information on consumer loans, individual credit cards, personnel loans and credit cards:

	Short-term	Medium and long-term	Total
Consumer loans-TRY	328.520	29.387.980	29.716.500
<i>Real estate loans</i>	7.939	16.164.457	16.172.396
<i>Automobile loans</i>	2.159	184.634	186.793
<i>Consumer loans</i>	318.422	13.038.889	13.357.311
<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	2.680.714	1.455	2.682.169
<i>Installment</i>	1.166.171	-	1.166.171
<i>Non-installment</i>	1.514.543	1.455	1.515.998
Individual credit cards-FC	204	-	204
<i>Installment</i>	-	-	-
<i>Non-installment</i>	204	-	204
Personnel loans-TRY	8.738	158.747	167.485
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	8.738	158.747	167.485
<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	53.130	-	53.130
<i>Installment</i>	19.358	-	19.358
<i>Non-installment</i>	33.772	-	33.772
Personnel credit cards-FC	65	-	65
<i>Installment</i>	-	-	-
<i>Non-installment</i>	65	-	65
Overdraft accounts-TRY (Retail customers)	797.467	-	797.467
Overdraft accounts-FC (Retail customers)	-	-	-
Total	3.868.838	29.548.182	33.417.020

⁽¹⁾ Interest income accruals are not included in the table above.

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	9.561	1.041.044	1.050.605
<i>Business premises loans</i>	193	628.745	628.938
<i>Automobile loans</i>	9.368	335.779	345.147
<i>Consumer loans</i>	-	76.520	76.520
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	-	-	-
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Corporate credit cards-TRY	905.292	-	905.292
<i>Installment</i>	345.652	-	345.652
<i>Non-installment</i>	559.640	-	559.640
Corporate credit cards-FC	61	-	61
<i>Installment</i>	-	-	-
<i>Non-installment</i>	61	-	61
Overdraft accounts-TRY (Commercial customers)	972.735	-	972.735
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	1.887.649	1.041.044	2.928.693

⁽¹⁾ Interest and income accruals are not included in table above.

e) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	165.604.351	155.749.275
Foreign loans	1.525.761	1.429.021
Total	167.130.112	157.178.296

f) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	1.226.263	1.078.414
Indirect loans granted to subsidiaries and associates	-	-
Total	1.226.263	1.078.414

g) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	680.310	518.902
Loans and receivables with doubtful collectability	327.603	305.386
Uncollectible loans and receivables	3.246.327	3.139.757
Total	4.254.240	3.964.045

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

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

(5) Information on loans: (continued)

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period	36.769	7.910	1.171.938
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	36.769	7.910	1.171.938
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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance			
Additions (+)	914.463	437.175	3.788.444
Transfers from other categories of loans under follow-up (+)	501.960	4.886	40.678
Transfers to other categories of loans under follow-up (-)	-	270.892	192.636
Collections (-)	282.847	180.681	-
Write-offs (-)	45.752	21.356	49.661
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	-	-	-
Specific provision (-)	1.087.824	510.916	3.972.097
Net balance on balance sheet	680.310	327.603	3.246.327
	407.514	183.313	725.770

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	338.477	82.841	1.553.996
Specific provisions(-)	256.221	37.422	990.251
Net balance in the balance sheet	82.256	45.419	563.745
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

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

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	407.514	183.313	725.770
Loans to granted real persons and legal entities (Gross)	1.086.506	510.389	3.902.796
Specific provisions (-)	678.992	327.076	3.177.026
Loans to granted real persons and legal entities (Net)	407.514	183.313	725.770
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1.318	527	69.301
Specific provisions (-)	1.318	527	69.301
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)	-	-	-

1) 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.

i) 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.

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

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

(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	16.070.030	1.072.311	4.419.663	1.048.201
Total	16.070.030	1.072.311	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	128.323	736.456	5.079.533	933.840
Total	128.323	736.456	5.079.533	933.840

b) Information on public sector debt investments held-to-maturity:

	Current period		Prior period	
	TRY	FC	TRY	FC
Government bonds		19.157.691		18.156.182
Treasury bills		-		-
Other public sector debt securities		-		-
Total		19.157.691		18.156.182

c) Information on held-to-maturity investments:

	Current period		Prior period	
	TRY	FC	TRY	FC
Debt securities		19.157.691		18.156.182
<i>Quoted on a stock exchange</i>		<i>19.157.691</i>		<i>18.156.182</i>
<i>Not quoted</i>		-		-
Impairment provision (-)		-		-
Total		19.157.691		18.156.182

ç) Movement of held-to-maturity investments within the year:

	Current period		Prior period	
	TRY	FC	TRY	FC
Beginning balance		18.156.182		16.676.797
Foreign currency differences on monetary assets		78.350		399.176
Purchases during the year ⁽¹⁾		1.232.589		2.389.499
Disposals through sales and redemptions		(309.430)		(1.309.290)
Impairment provision (-) / provision reversal (+)		-		-
Balance at the end of the period		19.157.691		18.156.182

⁽¹⁾ Interest income accrual difference between 31 March 2017 amounting to TRY 2.216.856 and 31 December 2016 amounting to TRY 1.907.723 has been included in purchases row.

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

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

(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	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara/Turkey	31,47	33,12
3. Kredi Kayıt Bürosu AŞ	İstanbul/Turkey	18,18	18,18
4. Bankalararası Kart Merkezi AŞ	Istanbul/Turkey	18,95	18,95
5. Türk P ve I Sigorta AŞ	Istanbul/Turkey	16,67	16,67

b) Information related to the associates as shown in (a): ⁽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.	7.164.267	946.362	11.430	51.239	3.058	17.368	12.484	261.711
2.	47.681	47.045	116	514	-	(149)	28	-
3.	231.094	135.821	154.298	991	-	13.907	6.179	-
4.	79.690	44.312	51.275	359	-	3.416	4.923	-
5.	29.043	5.213	420	86	-	672	(193)	-

⁽¹⁾ The information is presented from companies' financial statements as of 31 March 2017.

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	268.657	227.320
Movements during the period	12.137	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>	12.137	41.337
<i>Provision for impairment (-) / reversals (+)</i>	-	-
Balance at the end of the period	280.794	268.657
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

ç) Sectorial information and related carrying amounts of associates:

	Current period	Prior period
Banks	261.711	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.

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

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

(8) Information on subsidiaries (Net):

a) Information on 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 Bank AD, Skopje	Halk Faktoring AŞ	Halk Bank AD, Beograd
CORE CAPITAL									
Paid in Capital	82.000	129.000	277.000	790.000	272.250	11.000	147.843	55.500	53.667
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-
Share premium	-	98	-	49.945	-	-	11.633	-	44.552
Reserves	10.536	17.906	43.659	55.024	8.746	1.461	93.896	2.136	65.652
Other Comprehensive Income according to TAS	1.500	(489)	(9.441)	1.481	(95)	(22)	371	(10)	7.497
Profit / Loss	19.297	(69.787)	225.970	52.144	57.558	9.674	29.006	24.284	6.673
<i>Net Profit</i>	5.518	23.160	54.027	9.927	23.879	1.853	4.411	7.841	3.129
<i>Prior Period Profit/Loss</i>	13.779	(92.947)	171.943	42.217	33.679	7.821	24.595	16.443	3.544
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	750	-	-	-	-	-	-	-	-
Leasehold Improvements (-)	-	-	115	-	-	-	5.511	451	1.757
Intangible Assets (-)	789	3.350	905	264	914	18	3.040	328	1.812
Total Core Capital	113.294	73.378	536.168	948.330	337.545	22.095	274.198	81.131	174.472
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	17.206	-	4.377
CAPITAL	113.294	73.378	536.168	948.330	337.545	22.095	291.404	81.131	178.849
DEDUCTIONS FROM CAPITAL									
NET AVAILABLE CAPITAL⁽¹⁾	113.294	73.378	536.168	948.330	337.545	22.095	291.404	81.131	178.849

⁽¹⁾ The information is presented from companies' financial statements as of 31 March 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.

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

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

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

b) Information on subsidiaries:

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 ⁽⁴⁾⁽⁵⁾	İstanbul	89,18	94,26
3. Halk Hayat ve Emeklilik AŞ	İstanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ ⁽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	Serbia	82,47	82,47

c) Information related to the subsidiaries as shown 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 ⁽²⁾
1.	1.503.075	113.294	1.914	16.557	270	5.518	2.858	133.415
2.	1.332.636	73.378	5.163	22.101	1.059	23.160	(230.317)	368.089
3.	967.208	536.168	2.087	27.610	9.745	54.027	36.633	920.493
4.	1.175.272	948.330	508.359	1.480	-	9.927	10.739	545.846
5.	2.726.923	337.545	1.393	44.336	-	23.879	11.409	415.786
6.	23.650	22.095	340	693	4	1.853	1.521	22.634
7.	2.286.992	291.404	50.543	26.747	3.161	4.411	3.617	285.617
8.	1.083.460	81.131	1.154	38.446	-	7.841	5.491	95.558
9.	39.585	25.505	4.965	185	373	2.727	449	41.243
10.	1.069.843	178.849	26.815	12.444	1.535	3.129	3.922	95.229

⁽¹⁾ The financial data is obtained from 31 March 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 İstanbul AŞ.

⁽⁴⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company, since no transaction depth.

⁽⁵⁾ 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.

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

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

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

ç) 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	46.086	191.890
<i>Purchases</i>	-	-
<i>Bonus shares obtained profit from current year's share</i>	-	171.560
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer</i>	-	-
<i>Revaluation increase</i>	17.661	20.330
<i>Reversal of provision for impairment (-)</i>	(28.425)	-
Balance at the end of the period	2.923.910	2.877.824
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

	Current period	Prior period
Banks	380.846	363.185
Insurance companies	1.288.582	1.288.582
Factoring companies	95.558	95.558
Leasing companies	415.786	415.786
Financing companies	-	-
Other financial subsidiaries	701.895	673.470
Other non-financial subsidiaries	41.243	41.243

e) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted on domestic stock exchange ^{(1), (2)}	913.935	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 İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company since Halk Sigorta AŞ does not have transaction depth on the Borsa İstanbul AŞ.

⁽²⁾The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

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

None.

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

None.

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

None.

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

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

(12) Information on tangible assets:

Not prepared in compliance with the article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

(13) Information on intangible assets:

Not prepared in compliance with the article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

(14) Information on investment property:

	Current Period	Prior Period
Cost:		
Opening Balance	430.059	428.525
Acquisitions	-	1.534
Transfer	-	-
Disposals	-	-
Impairment Charge/Cancellation(-)	-	-
Ending Balance	430.059	430.059
Accumulated Depreciation		
Opening Balance	66.738	63.525
Amortization Charge (-)	804	3.213
Transfer	-	-
Impairment Charge/Cancellation (-)	-	-
Ending Balance	-	-
Total Accumulated Depreciation	67.542	66.738
Net Book Value	362.517	363.321

⁽⁹⁾As of December 2015 The Bank's former headquarters building in Ankara that had been evacuated depending upon the personnel moving to Istanbul and accordingly it has been leased and classified as investment property.

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

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

(15) Information on tax assets:

a) Information on the current tax asset:

As of 31 March 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 assets held for sale and held from discontinued operations:

	Current period	Prior period
Cost	802	802
Accumulated Depreciation (-) ⁽¹⁾	(62)	(62)
Net Book Value	740	740
Opening Balance	740	1.091
Acquisitions (Transfers) (Net)	-	(552)
Disposals (Net)	-	-
Impairment Charge/Cancellation	-	154
Amortization Charge	-	-
Net Book Value	-	47
	740	740

⁽¹⁾ The amount of accumulated depreciation belongs to asset held for sale in current period.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 2.569.068 and does not exceed 10% of the balance sheet total (31 December 2016: TRY 1.936.946).

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

II. EXPLANATIONS 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	6.297.141	-	668.353	30.888.786	1.145.390	368.917	532.213	111.845	40.012.645
Foreign currency deposits	7.399.663	-	3.013.714	34.417.761	5.917.535	1.629.313	3.797.007	10.882	56.185.875
<i>Residents in Turkey</i>	5.730.076	-	2.888.128	33.570.698	5.768.369	1.424.384	2.403.138	10.429	51.795.222
<i>Residents abroad</i>	1.669.587	-	125.586	847.063	149.166	204.929	1.393.869	453	4.390.653
Public sector deposits	2.375.624	-	2.717.903	4.491.703	820.290	3.876.023	52.105	-	14.333.648
Commercial inst. deposits	4.129.335	-	4.407.427	12.208.888	1.695.909	739.911	63.852	-	23.245.322
Other inst. deposits	622.131	-	304.778	927.650	76.192	46.977	77.809	-	2.055.537
Precious metals	1.510.093	-	-	-	-	-	-	-	1.510.093
Interbank deposits	5.935.116	-	4.880.431	9.039.074	193.115	28.220	405.999	-	20.481.955
<i>CBRT</i>	1	-	-	-	-	-	-	-	1
<i>Domestic banks</i>	30.284	-	665.377	5.045.618	7.558	6.227	4.272	-	5.759.336
<i>Foreign banks</i>	5.502.700	-	4.105.019	3.993.456	185.557	21.993	401.727	-	14.210.452
<i>Participation banks</i>	402.131	-	110.035	-	-	-	-	-	512.166
Total	28.269.103	-	15.992.606	91.973.862	9.848.431	6.689.361	4.928.985	122.727	157.825.075

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	6.158.073	-	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
<i>Residents in Turkey</i>	4.976.498	-	3.031.495	27.984.207	4.584.509	1.024.716	2.331.474	10.609	43.943.508
<i>Residents abroad</i>	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
<i>CBRT</i>	9	-	-	-	-	-	-	-	9
<i>Domestic banks</i>	39.076	-	1.091.898	3.908.323	-	8.227	4.167	-	5.051.691
<i>Foreign banks</i>	7.095.120	-	1.905.217	6.895.980	238.375	21.177	725.053	-	16.880.922
<i>Participation banks</i>	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

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

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

(1) Information on maturity structure of deposits: (continued)

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current period	Prior period	Current period	Prior period
Saving deposits	23.449.356	23.535.650	16.444.238	16.938.565
Foreign currency saving deposits	7.428.321	6.787.330	15.843.008	14.574.636
Other deposits in the form of saving deposits			-	-
Foreign branches' deposits under foreign authorities' insurance	173.899	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	270.580	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	2.075	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	-	-

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

(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	-	99.259	-	137.422
Swap transactions	-	60.937	-	74.112
Future transactions	-	-	-	-
Options	32	229	59	255
Other	-	-	-	-
Total	32	160.425	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	268.093	1.709.948	254.679	1.875.919
Foreign banks, institutions and funds	186.276	16.618.367	186.276	16.651.230
Total	454.369	18.328.315	440.955	18.527.149

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	273.309	3.723.965	261.008	4.077.162
Medium and long-term	181.060	14.604.350	179.947	14.449.987
Total	454.369	18.328.315	440.955	18.527.149

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 25,35% of saving deposits and 35,60% 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 57,17% of bank deposits and 42,01% of other deposits consist of foreign currency deposits.

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

- (4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills	2.129.592	-	1.749.034	-
Bonds	-	10.969.843	-	10.684.708
Total	2.129.592	10.969.843	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.

- a) Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	21.933	2.265.729	37.539	2.302.269

- (6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 2.228.308 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.

- b) Explanation on finance lease payables:

	Current period		Prior period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years ⁽¹⁾	-	-	8	8
More than 4 years	66	55	115	91
Total	66	55	123	99

⁽¹⁾ Finance lease payables are presented with respect to original maturity.

- 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.

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

(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	2.113.982	2.027.964
Provisions for first group loans and receivables	1.895.017	1.817.380
<i>Additional provisions for the loans with extended payment plan</i>	-	-
Provisions for second group loans and receivables	92.662	90.675
<i>Additional provisions for the loans with extended payment plan</i>	-	-
Provisions for non-cash loans	126.303	119.909
Other	-	-

b) Foreign exchange loss provisions on the foreign currency indexed loans and finance lease receivables:

As of 31 March 2017 the Bank's the amount of the currency differences on foreign currency indexed loans and finance lease receivables is TRY 3.545 (31 December 2016: TRY 23).

c) Specific provisions provided for unindemnified non-cash loans:

As of 31 March 2017, the Bank's specific provision for unindemnified non-cash loans balance is TRY 127.472 (31 December 2016: TRY 139.279).

ç) Information on other provisions:

Total other provision balance amounting to TRY 278.217 (31 December 2016: TRY 309.826) consists of TRY 127.472 (31 December 2016: TRY 139.279) for specific provisions for unindemnified non cash loans, TRY 88.755 (31 December 2016: TRY 90.793) for legal cases filed against the Bank and TRY 61.990 (31 December 2016: TRY 79.754) of other provisions.

d) Liabilities arising from retirement benefits:

d.1. Liabilities of pension funds founded as per the Social Security Institution:

None.

d.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 2016, it was determined that there is no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı, T.C. Ziraat Bankası and Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

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

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

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 March 2017, the Bank's corporate tax payable is amounting to TRY 285.388 and accounted for under corporate tax provision at the related date.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	285.388	41.636
Income on securities tax	312.107	157.120
Property income tax	1.537	1.402
Banking and insurance transactions tax (BITT)	64.381	84.974
Foreign exchange transactions tax	25	48
Value added tax payable	-	-
Other	23.939	24.391
Total	687.377	309.571

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	19	18
Social insurance premiums-employer	23	21
Bank social aid pension fund premium-employee	11.393	7.621
Bank social aid pension fund premium-employer	15.699	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	2.852	1.956
Total	29.986	20.068

b) Deferred tax liability:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	195.687	183.840
Revaluation of Financial Assets	(440.957)	(376.569)
Other	(97.519)	(93.943)
Deferred Tax (Asset) /Liability:	(342.789)	(286.672)
Deferred tax accounted in shareholders' equity	(12.191)	(454)
Fair value differences for available for sale financial assets	55.150	66.911
Actuarial gains and losses	241	241
Subsidiaries Valuation	-	-
Property Revaluation	(67.582)	(67.606)

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

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

(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:

None.

(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.

ç) Information on additions from capital reserves to capital in the current period:

None.

d) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

e) 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 and equity structure. There are no uncertainties that would impact the current position.

f) Information on preferred shares:

None.

g) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.032.682	209.933	1.004.257	203.841
Valuation differences of financial assets available for sale	(256.066)	(292.414)	(297.328)	(428.017)
Exchange rate difference	-	-	-	-
Total	776.616	(82.481)	706.929	(224.176)

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

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	11.053.849	10.794.813
Payment commitments for cheques	6.191.181	5.805.008
Loan granting commitments	3.719.394	3.551.904
Two days forward foreign exchange buy/sell transactions	927.927	417.450
Commitments for credit cards and banking services promotions	41.895	44.328
Tax and fund liabilities from export commitments	29.087	28.864
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	3.019.198	2.874.314
Total	24.982.531	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
Letters of credit	4.292.927	4.011.308
Bank acceptances	2.385.933	2.825.466
Other guarantees	989.372	956.523
Total	7.668.232	7.793.297

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

	Current period	Prior period
Letters of certain guarantees	15.013.011	14.917.475
Letters of advance guarantees	3.458.319	3.430.728
Letters of tentative guarantees	845.035	512.981
Letters of guarantee given to customs offices	882.264	887.159
Other letters of guarantee	21.839.850	20.219.188
Total	42.038.479	39.967.531

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	2.225.842	1.920.169
<i>Within one year or less original maturity</i>	425.671	287.627
<i>Within more than one year maturity</i>	1.800.171	1.632.542
Other non-cash loans	47.480.869	45.840.659
Total	49.706.711	47.760.828

d) Information on contingent liabilities and assets:

Bank's commitments due to cheques given to client is TRY 6.191.181 (31 December 2016: TRY 5.805.008).

e) Services supplied on behalf of others:

None.

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

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	995.311	47.975	882.834	37.373
Medium and long term loans	2.264.847	740.886	1.829.840	452.131
Interest on non-performing loans	14.559	-	15.993	-
Premiums from resource utilization support fund	-	-	-	-
Total	3.274.717	788.861	2.728.667	489.504

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
CBRT	17.419	13.751	16.931	2.262
Domestic banks	500	962	72	202
Overseas banks	2.961	3.441	754	484
Head office and branches	-	-	-	-
Total	20.880	18.154	17.757	2.948

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets held for trading	160	-	766	210
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	334.937	67.011	199.699	51.582
Held-to-maturity investments	589.826	35.161	409.373	27.154
Total	924.923	102.172	609.838	78.946

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	6.916	9.699

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

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks	8.007	87.881	13.091	68.231
<i>Domestic banks</i>	4.698	6.226	5.180	4.896
<i>Overseas banks</i>	3.309	81.655	7.911	63.335
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	3	3.562	3	6.109
Total	8.010	91.443	13.094	74.340

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	47.057	27.890

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	46.576	141.064	39.909	83.245
Total	46.576	141.064	39.909	83.245

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits						Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY								
Bank deposits	117	154.798	60.812	655	215	-	-	216.597
Saving deposits	2	14.723	785.317	25.326	8.045	10.748	2.362	846.523
Public deposits	34	49.320	45.291	10.295	3.402	277	-	108.619
Commercial deposits	17	91.987	310.417	45.351	17.706	1.798	-	467.276
Other deposits	-	10.641	32.076	2.738	79.511	2.090	-	127.056
7 days call accounts	-	-	-	-	-	-	-	-
Total	170	321.469	1.233.913	84.365	108.879	14.913	2.362	1.766.071
Foreign currency								
Deposits	8	14.404	245.961	48.872	6.419	14.511	-	330.175
Bank deposits	-	40.766	-	-	-	-	-	40.766
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	8	55.170	245.961	48.872	6.419	14.511	-	370.941
Grand total	178	376.639	1.479.874	133.237	115.298	29.424	2.362	2.137.012

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IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)

(3) Information on dividend income:

Not prepared in compliance with the article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

(4) a) Information on trading profit/loss (Net):

	Current period	Prior period
Profit	7.415.465	3.523.664
Profit from the capital market operations	8.901	3.554
Profit on derivative financial instruments	362.323	353.918
Foreign exchange gains	7.044.241	3.166.192
Loss (-)	7.345.688	3.502.893
Loss from the capital market operations	149	269
Loss on derivative financial instruments	501.499	565.196
Foreign exchange losses	6.844.040	2.937.428

(5) Information on other operating income:

	Current period	Prior period
Adjustments for prior period expenses ⁽¹⁾	112.284	199.023
Receivable from the asset sale on credit terms	19.300	17.792
Rent income	7.728	5.795
Other income	10.008	9.395
Total	149.320	232.005

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	370.611	173.429
<i>Group - III loans and receivables</i>	344.349	148.940
<i>Group - IV loans and receivables</i>	7.135	3.241
<i>Group - V loans and receivables</i>	19.127	21.248
General loan provision expenses	86.018	58.646
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	14.058	39.004
Total	470.687	271.079

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IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	481.685	449.732
Reserve for employee termination benefits	29.516	25.996
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	24.241	26.871
Intangible assets impairment expense	-	-
<i>Goodwill impairment expense</i>	-	-
Amortization expenses of intangible assets	9.259	6.379
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	353	410
Amortization expenses of assets that will be disposed of	3.536	982
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	314.356	271.981
<i>Operational leasing expenses</i>	56.412	51.902
<i>Maintenance expenses</i>	12.057	4.870
<i>Advertisement expenses</i>	21.245	17.063
<i>Other expenses</i>	224.642	198.146
Loss on sales of assets	73	565
Other	157.998	178.687
Total	1.021.017	961.603

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

Not prepared in compliance with the article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

(9) Information on tax provisions for continuing and discontinued operations:

For the period ended 31 March 2017, the Bank’s tax provision amounting to TRY 327.326 (31 March 2016: TRY 158.056) consists of TRY 282.946 of current tax charge (31 March 2016: TRY 181.662) and TRY 44.380 of deferred tax charge (31 March 2016: TRY 23.606 benefit).

(10) Information on net operating income/expense from continuing and discontinued operations after tax:

Not prepared in compliance with the article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

(11) Information on net profit/loss from continuing and discontinued operations:

- a) Effects of changes in accounting estimates on the current and future periods’ profit/loss: There is no issue to be disclosed.
- b) “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.

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

V. EXPLANATION 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	1.226.263	227.916	-	-	-	-
Interest and commissions income	6.892	177	-	-	-	-

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	9.699	183	-	-	-	-

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	1.699.232	1.733.533	-	-	-	-
Interest expense on deposits	46.451	27.242	-	-	-	-

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	2.358	-	-	-	-	-
Total Profit/Loss	26	-	-	-	-	-

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

VII. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK (continued)

(2) Disclosures for risk group:

a) The relations of the Bank with the entities controlled by the 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”. Additionally, Halk Portföy Yönetimi AŞ is engaging in fund management of Bank’s funds.

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

	Amount	% compared to the amounts in the financial statements
Cash loans	1.226.263	0,74
Non-cash loans	227.916	0,46
Deposits	1.699.232	1,08
Forward and option contracts	2.358	0,01

Pricing of these transactions are in accordance with the general pricing policies of the 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:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 2.213 as of 31 March 2017 (31 March 2016: TRY 2.343).

VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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SECTION VI: LIMITED REVIEW REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITORS' REVIEW REPORT

The Bank's publicly available unconsolidated financial statements and footnotes have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' review report dated 9 May 2017 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

TÜRKİYE HALK BANKASI AŞ
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SECTION VII: INFORMATION ON INTERIM ACTIVITY REPORT

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESMENTS FOR THE INTERIM ACTIVITIES

Assessment of Chairman of the Board of Directors

Esteemed Stakeholders,

This new year, which we started with great hopes, comes with an intense agenda filled with items directly affecting the world economy. At the end of the first quarter, factors influencing monetary policy have caused investors worldwide to focus their sights on the central bank meetings of developed countries. This process saw the uncertainties that prevail in foreign exchange markets increase their impact on developing countries such as Turkey and an interest rate hike by the Fed.

The EU, our primary export market, is showing significant signs of economic recovery, but remains fragile due to the Brexit decision, the most momentous event of the last year, and the unpredictable nature of elections in countries such as Germany and France, the core countries of the Eurozone. Increasingly important issues such as anti-refugee and anti-free trade sentiment are being felt across the continent and transform political risks into economic ones.

China is another actor making its presence felt in markets. The nation is experiencing a serious inflation problem and is frequently revising its growth figures, while its bilateral relations with the U.S. is directly influencing world trade. China and the U.S. are still the primary players in global economic growth. The delicate equilibrium between the two countries, both of which are changing their economic policies, concerns not only the Asia-Pacific region but the entire international financial market.

The growth in crude oil reserves has generated ongoing pressure on OPEC member countries. Oil exporting nations have reduced their production and, as a consequence, are being seriously challenged economically. This complex outlook for external markets forces us to develop new strategies for our export-oriented economic plan.

Despite all these developments in international markets, Turkey achieved significant success, and in March exports were 13.7 percent higher than the same month last year. The exports were worth \$14.5 billion, the highest value in a single month in the last three years. The public policies that were put into practice in the second half of last year to encourage economic activity have allowed our economy to rapidly recover.

The banking sector became integral in this period, and incentives that boost exports have become all the more crucial. At the same time, to facilitate financing for SMEs and exporters, a loan guarantee mechanism worth 250 billion Turkish lira in total was introduced through an agreement between the Secretariat of the Treasury and the Credit Guarantee Fund, further enlarging the responsibility of the sector.

Our bank went on with its pioneering work in the sector, continuing to add value for Turkey despite the destructive efforts of certain overseas individuals and organizations. The brand name Halkbank has retained its value in the face of these efforts against Turkey and our institution. Our 79-year history, effective risk management, and strong financial position have power that goes beyond borders. In this context, we will expand across Europe and continue to proudly represent Turkey in every corner the Halkbank name reaches. We will strengthen our relationships with our investors, employees, and customers to write new success stories.

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SECTION VII: INFORMATION ON INTERIM ACTIVITY REPORT

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESMENTS FOR THE INTERIM ACTIVITIES (continued)

Assessment of Chairman of the Board of Directors (continued)

Esteemed Stakeholders,

Recent research has shown us that European banks are facing two major risks; low returns on equity and high level of capital expenditures. Certain banks have roughly 3 percent return on equity, and capital expenditures running at around 10 percent. However, Turkish banks have preserved their high performance through efficiency and profit-driven activity. Regardless of the global economic and political environments, we intend to retain this level of achievement, and be the leading support of the real economy.

The first quarter of 2017 was the banking sector's best start of the last five years with respect to year-on-year nominal growth in loans. This the result of well-managed structuring carried out to complement economic reforms, and it bolsters the real economy. At Halkbank, we will continue to raise the bar even higher. We are building a powerful Turkey together with our stakeholders, who place their trust in us and stay by our side.

Yours faithfully,
R. Süleyman ÖZDİL
Chairman of the Board of Directors

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SECTION VII: INFORMATION ON INTERIM ACTIVITY REPORT

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)

Assessment of General Manager ⁽¹⁾

Esteemed Stakeholders,

The arrival of 2017 in itself did not refresh the global economy, which was still under the influence of the stagnation of 2016. The world entered a cloud of fog at the same time it entered 2017 following the ending of quantitative easing in the U.S., interest rate hikes by the Fed, economic and political issues in Europe that gave rise to concerns about the future of the EU, and the uncertainty surrounding Donald Trump and the strategies that he will pursue.

As for domestic markets, the treacherous attempt of July 15 and the terror nourished by war in our region besieged our country last year, not only negatively impacting our internal harmony, but also affecting the economy and financial statements. Adverse developments, both internal and external, placed considerable pressure on investments, exports, and tourism. However, contrary to the uncertainty prevailing in the rest of the world, Turkey will be entering 2017 with guarded optimism.

Despite all the unfavorable experiences we have been through, macroeconomic balances, including the public finance and budgetary balances, the balance of payments, and inflation levels, have remained resolutely unperturbed. Although developments in the global economy are expected to cause a slight increase in borrowing costs, this will make Turkey even more attractive for investors seeking higher returns. Among other initiatives, efforts such as those to improve the investment environment and increase personal savings will have a positive impact on our economy.

The first quarter figures of our bank were finalized in a period in which our economy needed stability in the financial markets more than ever, and the results justified once more all those who believed in us. We work hard to deserve this trust. We are working on new financial support mechanisms that will contribute to the growth of the real economy, enabling our bank to maintain the support we are providing it in 2017, and contributing to a powerful Turkey. We will carry out research this year to take steps towards diversifying our financial resources and minimizing our borrowing costs. We will help markets to breathe easy through campaigns that offer favorable conditions.

Our backing of medium and high technology investment is helping to bring about rapid transformation in the sector, the number one prerequisite for strengthening our country's international competitiveness. We believe that our continued investment in SMEs will significantly contribute to Turkey's economic growth targets. With this in mind, this year we will give priority to supporting those of our customers in export-driven industries.

We added 1,000 new faces to the Halkbank team in the first quarter of the year, to both bolster the employment drive and to raise the bar we set in the banking sector to an even higher level. In coming together to secure the growth targets of our country, we again demonstrated to the world that we have full confidence in the future of Turkey.

Our journey into Europe, which started in 2011 with the purchase of shares in IK Bank, has now expanded into a network of 65 branches. We are confident that with the new steps we are about to take we will become one of the three largest banks in Macedonia and one of the five largest in Serbia. Our ownership of Halkbank A.D. Skopje and Halkbank A.D. Beograd in the Balkans is very important to us as the first part of our European growth strategy. We are enjoying the well-deserved pride of offering our speed and quality internationally as a global brand.

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SECTION VII: INFORMATION ON INTERIM ACTIVITY REPORT

II. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESMENTS FOR THE INTERIM ACTIVITIES (continued)

Assessment of General Manager (continued)

As we take our activities to the four corners of our country, efficiency will be one of our main focus points. We will show our difference through the productive employment of our resources, power, and energy. With this in mind, we are moving forward in sustainability, developing our financial and human resources in the area of energy efficiency. We became the first Turkish bank to establish methods and procedures for effective energy management, and set up an ISO 50001 Energy Management System to reduce greenhouse gas emissions.

We aim to incorporate principles of sustainability within every aspect of operations. Accordingly, we sponsored the Special Athletes Swimming Championship organized in Alanya by the Turkish Special Athletes Sport Federation. Three hundred and eleven athletes with autism or Down syndrome participated. During the competition, these youngsters with mental and physical challenges showed us what they were capable of achieving after the proper management of differences. We are the people's bank, and we will continue to encourage and embrace our people's children.

Esteemed Stakeholders,

Vested with the power given to us by our nation, we have dedicated ourselves to promoting the sons and daughters of this land for the last 79 years, and have carried out some of the largest projects in the history of the republic. We stand beside our artisans, SMEs, and major investors, offering loans and energizing the market. We believe that in the second half of 2017, markets will be more dynamic, and as long as we take full advantage of opportunities, we will achieve significant returns.

We must proceed with the economic mobilization in domestic markets declared after the July 15 coup attempt with the very same awareness. We are fully conscious that certain disloyal groups, nourished with the ambitions of internal and external forces, will not miss a single chance to halt Turkey's progress. We will not permit these groups to create pressure on anyone intending to invest in our nation, our exporters, or tourism.

We started 2017 with great hopes, and the projects we have engaged in so far have helped us move closer to our targets. Our bank completed the first quarter of the year a net profit of 1,219 million Turkish lira and a 22.4 percent return on equity. Total assets increased to 248 billion Turkish lira, rising 7.1 percent from the end of 2016, while total deposits reached 158 billion Turkish lira. Our bank did not compromise its successful balance sheet figures in the first quarter of the year, with cash loans growing 6.4 percent to 168 billion Turkish lira.

We are pleased to see our operations reflected positively in the financial results from the first quarter of 2017, when we continued to be pioneers in SME banking. Our bank's commercial loan volume, which includes SME loans, grew 6.6 percent, reaching 135 billion Turkish lira by the end the first quarter. The value of our total loans increased to 218 billion Turkish lira, up 5.8 percent. Our loans to cooperatives were worth 21 billion Turkish lira. We will maintain growth in this area for the rest of the year with the help of our innovative products and service approach.

By focusing on customer satisfaction and developing customized services in every area of operation, our operations in retail banking were successful in the first three months of this year. By the end of March, our retail loans were valued at 33,428 million Turkish lira, and the number of Paraf holders hit 3.9 million. In the same time frame, our POS installations increased to 320,000, while member businesses increased to 303,000.

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III. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)

Assessment of General Manager (continued)

We will work with loyalty to the values and the future of our nation, and will succeed in reaching our 2017 annual goals by giving it all we have during the rest of the year.

Yours faithfully,
Ali Fuat Taşkesenlioğlu
General Manager

⁽¹⁾ Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

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SECTION VII: INFORMATION ON INTERIM ACTIVITY REPORT

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)

Major Unconsolidated Financial Information

Summary Balance Sheet (Million TRY)			
	March 2017	December 2016	Change (%)
Total Assets	247.830	231.441	7,1
Loans	168.447	158.354	6,4
<i>TRY</i>	<i>110.730</i>	<i>103.502</i>	<i>7,0</i>
<i>FC</i>	<i>57.717</i>	<i>54.852</i>	<i>5,2</i>
Marketable Securities	35.476	33.216	6,8
Deposit	157.825	150.263	5,0
<i>TRY</i>	<i>88.419</i>	<i>88.217</i>	<i>0,2</i>
<i>FC</i>	<i>69.406</i>	<i>62.046</i>	<i>11,9</i>
Total Equity	22.800	21.317	7,0

Summary Income Statement (Million TRY)			
	March 2017	March 2016	Change (%)
Interes Income	5.171	3.945	31,1
<i>On Loan</i>	<i>4.064</i>	<i>3.218</i>	<i>26,3</i>
<i>On Securities</i>	<i>1.027</i>	<i>689</i>	<i>49,1</i>
Interest Expense	2.890	2.419	19,5
<i>On Deposit</i>	<i>2.137</i>	<i>2.004</i>	<i>6,7</i>
Net Interest Income	2.282	1.526	49,5
Net Fee and Commission	537	292	84,0
Operating Income	3.038	2.071	46,7
Profit Before Tax	1.546	838	84,5
Net Profit	1.219	680	79,3

Ratio (%)	March 2017	December 2016
Interst Bearing Assets /Total Assets	82,1	82,5
Loans/Total Asset	68,0	68,4
Non-Performing Loans/Total Loans (Gross)	3,2	3,2
Demand Deposit/Total Deposit	17,9	19,2
Loan/Deposit Ratio	106,7	105,4
Average Return on Asset (ROA)	2,1	1,2
Average Return on Equity (ROE)	22,4	12,6
Capital Adequacy Ratio	13,56	13,08

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SECTION VII: INFORMATION ON INTERIM ACTIVITY REPORT

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)

2017 First Quarter Interim Developments

Important Developments

- In accordance with Resolution No. 2017/1, dated February 3, 2017, shares amounting to 51.11 percent of the bank's paid up capital, representing a nominal value of 638.82 million Turkish lira and owned by the Republic of Turkey Prime Ministry Privatization Administration, were taken out of the privatization scope and program and transferred to the Turkey Wealth Fund administered by Türkiye Varlık Fonu Yönetimi A.Ş. on March 10, 2017.
- Our bank sold bonds with the nominal value of 650 million Turkish lira to qualified investors on January 9, 2017, and March 27, 2017.
- Additionally, after book building that took place on February 13–15, 2017, bonds with a total nominal value of 750 million Turkish lira and a term of 175 days were offered to the public. The total subscription from the public offering amounted to a nominal value of 865.86 million Turkish lira. At the end of the book building, domestic retail investors were allocated bonds with a total nominal value of 630 million Turkish lira, and domestic institutional investors were allocated a nominal value of 120 million Turkish lira. The simple and compound interest rates for the bonds were 11.21 and 11.54 percent, respectively. Accordingly, the sale price of a bank bond with a nominal value of 1 Turkish lira was determined to be 0.94898 Turkish lira.

New Products and Campaigns

- A Hajj and Umrah interest-free personal finance credit campaign was organized to help individuals meet the cost of Hajj and Umrah trips, with repayments made in short-term installments without accruing interest.
- A retail finance loan campaign was organized for health sector workers in recognition of Doctor's Day on March 14 and World Health Day on April 7.
- To meet the cash needs of our retired customers, we implemented a Kardelen Pensioner Loan campaign.

Corporate Social Responsibility Projects

- Our bank is sponsoring TEDAŞ Sports Club activities in 2017.
- Our bank has been a solutions partner for the "Turkish Exporters' Assembly," (TIM) supporting its "Common Mind Meetings," which will feature 10 sectors, and its "Target Market Meetings," which will be held across 10 provinces.
- Our bank sponsors SERÇEV Magazine.
- We are sponsoring the events and activities of the TEDAŞ Sports Club in 2017.
- Our bank is supporting the publication of the "Safety and Children" journal to generate awareness of the importance of traffic rules in the daily lives of primary and junior high school students.
- Our bank sponsored the "Tradespeople and Artisans Meeting of Turkey" in Istanbul, coordinated by the Ministry of Customs and Commerce.

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2017 First Quarter Interim Developments (continued)

- We provided financial backing for the filming of ten episodes of an African and Mediterranean nations documentary.
- Our bank is providing for the swimming and volleyball competitions of the Turkish Special Athletes Sport Federation.