

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

Türkiye Halk Bankası Anonim Şirketi

**Unconsolidated Financial Statements
As of and For the Six-Month Period Ended 30 June 2017
With Limited Review Report Thereon**
*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

3 August 2017

*This report contains “Limited Review Report”
comprising 2 pages and; “Unconsolidated Financial
Statements and Related Disclosures and Footnotes”
comprising 91 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 30 June 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 six-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 30 June 2017, and of the results of its operations and its unconsolidated cash flows for the six-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 six-month period then ended 30 June 2016 were audited and reviewed by another auditor who expressed an unqualified opinion and an unqualified conclusion on 13 February 2017 and 1 August 2016, 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, 3 August 2017

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED FINANCIAL REPORT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 six-month period ended financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- **Section One** : GENERAL INFORMATION ABOUT THE BANK
- **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS
- **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

Unless otherwise indicated, these unconsolidated financial statements and explanatory footnotes and disclosures as of and for the six-month period ended 30 June 2017 are prepared **in thousand Turkish Lira** and they have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

İstanbul, 3 August 2017

R. Süleyman Özdil	Sadık Tiltak	Yahya Bayraktar	Osman Arslan	Selahattin Süleymanoğlu	Kenan Deveci
<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(on commission)</i>	<i>Financial Accounting and Reporting Department Head(on commission)</i>

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

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

SECTION ONE

General Information About the Bank

	Page No
I. Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including The Changes of These Articles	3
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	3
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	4
IV. Information About the Persons and Institutions that Have Qualified Shares Attributable to the Bank	5
V. Explanations on the Bank's Functions and Lines of Activity	6
VI. Differences Between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which are Deducted From Equity or Not Included in These Three Methods	7
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	8

SECTION TWO

Unconsolidated Financial Statements

I. Balance Sheet (Statement of Financial Position)	10
II. Statement of Off-Balance Sheet Items	12
III. Statement of Income	13
IV. Statement of Income and Expense Items Accounted under Shareholders' Equity	14
V. Statement of Changes in Shareholders' Equity	15
VI. Statement of Cash Flows	16

SECTION THREE

Accounting Policies

I. Explanations on Basis of Presentation	17
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	17
III. Explanations on Forward and Option Contracts and Derivative Instruments	18
IV. Explanations on Interest Income and Expenses	18
V. Explanations on Fee and Commission Income and Expenses	18
VI. Explanations and Disclosures on Financial Assets	19
VII. Explanations on Impairment of Financial Assets	21
VIII. Explanations on Offsetting Financial Instruments	23
IX. Explanations on Sales and Repurchase Agreements and Transactions on Securities Loaned	23
X. Explanations on Assets Held For Sale, Assets of Discontinued Operations and Related Liabilities	23
XI. Explanations on Goodwill and Other Intangible Assets	23
XII. Explanations on Property, Plant and Equipment	24
XIII. Explanations on Investment Properties	24
XIV. Explanations on Leasing Transactions	25
XV. Explanations on Provisions and Contingent Liabilities	25
XVI. Explanations on Employee Benefit Liabilities	26
XVII. Explanations on Taxation	27
XVIII. Additional Explanations on Borrowings	28
XIX. Explanations on Shares Issued	28
XX. Explanations on Bill Guarantees and Acceptances	28
XXI. Explanations on Government Incentives	28
XXII. Explanations on Segment Reporting	28
XXIII. Explanations on Other Matters	28

SECTION FOUR

Information Related to Financial Position and Risk Management of the Bank

I.	Explanations on Equity	29
II.	Explanations on Currency Risk	35
III.	Explanations on Interest Rate Risk	37
IV.	Explanations on Position Risk of Shares	41
V.	Explanations on Liquidity Risk Management and Liquidity Coverage Ratio	42
VI.	Explanations on Leverage Ratio	47
VII.	Explanations Related To Business Segmentation	48
VIII.	Explanations on Risk Management and Risk Weighted Amounts	51

SECTION FIVE

Explanation and Notes to the Unconsolidated Financial Statements

I.	Explanation and Notes Related to the Assets	58
II.	Explanation and Notes Related to the Liabilities	71
III.	Explanation and Notes Related to the Off-Balance Sheet Items	78
IV.	Explanation and Notes Related to the Income Statement	79
V.	Explanations Related to the Risk Group of the Bank	83
VI.	Explanation and Notes Related to the Subsequent Events	84

SECTION SIX

Limited Review Report

I.	Explanations on the Independent Auditors' Review Report	85
II.	Explanation and Notes Prepared by the Independent Auditors	85

SECTION SEVEN

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	86
----	-----------------------------------------------------------------------------------------------------------------------------	----

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 Republic of Turkey Prime Ministry Privatization Administration.

As of 30 June 2017 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30 June 2017	%	31 December 2016	%
Türkiye Varlık Fonu A.Ş. ^(1,2)	638.276	51,06	-	-
Prime Ministry Privatization Administration	-	-	638.276	51,06
Public shares ⁽²⁾	611.640	48,93	611.639	48,93
Other shareholders ⁽³⁾	84	0,01	85	0,01
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ The shares belonging to the T.C. Prime Ministry Privatization Administration were transferred to Türkiye Varlık Fonu 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 Türkiye Varlık Fonu A.Ş. is 51,11% of the total shares.

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Yunus KARAN	Member of the Board of Directors
Cenap AŞÇI	Member of the Board of Directors
Yahya BAYRAKTAR	Independent Member of the Board of Directors, Member of the Audit Committee
Mehmet Nihat ÖMEROĞLU	Independent Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Meltem TAYLAN AYDIN	Member of the Board of Directors
Faruk ÖZÇELİK	Member of the Audit Committee
Yılmaz ÇOLAK	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
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) People mentioned above do not own any shares in the Bank's capital.

(2) After balance sheet date, 30 June 2017, coupled with the reconstruction of the Organization Scheme of the Head Office; in line with the new organization structure, it is resolved that the Deputy General Managers Murat OKTAY, Erdal ERDEM, Hasan ÜNAL, Mustafa AYDIN, Ömer Faruk ŞENEL and Salim KÖSE be released from their duties; the Deputy General Manager Mehmet Hakan ATILLA and the Chairman of the Board of Inspectors Ali Ulvi SARGON be taken into the service of General Directorate Order; Hasan TUNCAY, Levend TORUSDAĞ, Mustafa ÇÖDEK, Yusuf Duran OCAK, Ergin KAYA, Hakan ERYILMAZ and Metin KÖSTEK be appointed to fill the vacancies in the Deputy General Manager positions, and Kadir YAYLAK to be the Chairman of the Board of Inspectors by Board of Directors following the approval of the Banking Regulation and Supervision Agency.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 professionals to the Bank’s top management who have assigned to their position in 2016 are listed with titles and dates of assignment.

İsim	Unvan	Atanma Tarihi
Osman ARSLAN	Member of the Board of Director, Chief Executive Officer	8 June 2017
Mehmet Nihat ÖMEROĞLU	Member of the Board of Director	8 June 2017
Maksut SERİM	Member of the Board of Director	8 June 2017
Meltem TAYLAN AYDIN	Member of the Board of Director	8 June 2017
Yılmaz ÇOLAK	Member of the Audit Committee	8 June 2017

- b) The professionals from the Bank’s top management who have left their position in 2016 are listed with titles and dates of leaving.

Name	Title	Date of Leaving
Mehmet Ali GÖKCE	Member of the Board of Director	23 January 2017
Ali Fuat TAŞKESENLİOĞLU	Member of the Board of Director, Chief Executive Officer	8 June 2017
Ömer AÇIKGÖZ	Member of the Board of Director	8 June 2017
Mehmet AYTEKİN	Member of the Board of Director	8 June 2017
Zekeriya KAYA	Member of the Audit Committee	8 June 2017

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 Law No: 25539 regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts" which came into force as published in the Official Gazette numbered 25539 dated 31 July 2004, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler Limited Partnership and more than 500 shareholders. Pamukbank started its private banking operations as an incorporation in accordance with the decision of the Council of Ministers numbered 4/4573 dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 dated 19 June 2002 including 3rd and 4th Sub-articles in the Article 14 of the Banking Law No: 4389, the shareholders rights, excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.

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 30 June 2017, the Bank operates with a total of 969 branches consisting of 963 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 30 satellite branches. The Bank has also 3 representative office that are 1 in England, 1 in Singapore and 1 in Iran.

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2017
(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		
			30 June 2017	31 December 2016				
		TRY	FC	Total	TRY	FC	Total	
I.	CASH AND BALANCES WITH THE CENTRAL BANK	(1)	4.218.366	31.039.588	35.257.954	3.534.232	26.464.928	29.999.160
II.	FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	44.475	371.317	415.792	70.105	359.993	430.098
2.1	Trading financial assets		44.475	371.317	415.792	70.105	359.993	430.098
2.1.1	Public sector debt securities		34.111	-	34.111	62.177	-	62.177
2.1.2	Share certificates		-	-	-	-	-	-
2.1.3	Financial assets held for trading		-	371.124	371.124	4	359.807	359.811
2.1.4	Other marketable securities		10.364	193	10.557	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)	78.604	2.732.149	2.810.753	196.308	1.464.722	1.661.030
IV.	MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange Money Market placements		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	11.886.056	4.883.042	16.769.098	10.770.662	4.219.265	14.989.927
5.1	Share certificates		74.830	40.810	115.640	66.434	34.160	100.594
5.2	Public sector debt securities		11.811.226	4.842.232	16.653.458	10.704.228	4.185.105	14.889.333
5.3	Other marketable securities		-	-	-	-	-	-
VI.	LOANS AND RECEIVABLES	(5)	122.606.334	57.849.786	180.456.120	103.502.394	54.851.939	158.354.333
6.1	Loans and receivables		121.250.692	57.849.786	179.100.478	102.326.357	54.851.939	157.178.296
6.1.1	Loans extended to risk group of the Bank		297.230	894.672	1.191.902	250.131	828.283	1.078.414
6.1.2	Public sector debt securities		-	-	-	-	-	-
6.1.3	Other		120.953.462	56.955.114	177.908.576	102.076.226	54.023.656	156.099.882
6.2	Loans under follow-up		5.736.359	-	5.736.359	5.140.082	-	5.140.082
6.3	Specific provisions (-)		4.380.717	-	4.380.717	3.964.045	-	3.964.045
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD TO MATURITY INVESTMENTS (Net)	(6)	17.790.819	2.336.654	20.127.473	15.823.514	2.332.668	18.156.182
8.1	Public sector debt securities		17.790.819	2.336.654	20.127.473	15.823.514	2.332.668	18.156.182
8.2	Other marketable securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	19.083	271.087	290.170	19.083	249.574	268.657
9.1	Accounted under equity method		-	-	-	-	-	-
9.2	Unconsolidated associates		19.083	271.087	290.170	19.083	249.574	268.657
9.2.1	Financial investments		12.763	271.087	283.850	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)	2.594.229	394.490	2.988.719	2.514.639	363.185	2.877.824
10.1	Unconsolidated financial subsidiaries		2.552.986	394.490	2.947.476	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 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)	2.335.550	102	2.335.652	2.313.905	102	2.314.007
XV.	INTANGIBLE ASSETS (Net)	(13)	81.879	-	81.879	88.593	-	88.593
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		81.879	-	81.879	88.593	-	88.593
XVI.	INVESTMENT PROPERTIES (Net)	(14)	361.713	-	361.713	363.321	-	363.321
XVII.	TAX ASSET	(15)	-	-	-	-	-	-
17.1	Current tax asset		-	-	-	-	-	-
17.2	Deferred tax asset		-	-	-	-	-	-
XVIII.	ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	740	-	740	740	-	740
18.1	Held for sale purpose		740	-	740	740	-	740
18.2	Held from discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	(17)	2.695.172	216.294	2.911.466	1.517.081	419.865	1.936.946
TOTAL ASSETS			164.713.020	100.094.509	264.807.529	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 30 JUNE 2017
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	Note	Reviewed			Audited		
		Current period			Prior period		
		30 June 2017	31 December 2016		30 June 2017	31 December 2016	
LIABILITIES AND SHAREHOLDERS' EQUITY	TRY	FC	Total	TRY	FC	Total	
I. DEPOSITS	(1)	100.061.260	72.225.548	172.286.808	88.217.130	62.045.709	150.262.839
1.1 Deposits Held by the Risk Group of the Bank		2.416.074	64.807	2.480.881	1.676.769	56.764	1.733.533
1.2 Other		97.645.186	72.160.741	169.805.927	86.540.361	61.988.945	148.529.306
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	14	156.211	156.225	59	211.789	211.848
III. FUNDS BORROWED	(3)	461.547	17.123.731	17.585.278	440.955	18.527.149	18.968.104
IV. MONEY MARKET BALANCES		23.020.821	1.906.251	24.927.072	16.473.192	1.373.871	17.847.063
4.1 Interbank money market borrowings		22.907.717	-	22.907.717	7.003.306	-	7.003.306
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds from repurchase agreements		113.104	1.906.251	2.019.355	9.469.886	1.373.871	10.843.757
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	2.687.964	10.719.789	13.407.753	1.749.034	10.684.708	12.433.742
5.1 Treasury bills		2.687.964	-	2.687.964	1.749.034	-	1.749.034
5.2 Asset-backed securities		-	-	-	-	-	-
5.3 Bonds		-	10.719.789	10.719.789	-	10.684.708	10.684.708
VI. FUNDS	(5)	2.365.406	-	2.365.406	2.339.808	-	2.339.808
6.1 Borrower Funds		5.764	-	5.764	36.600	-	36.600
6.2 Other		2.359.642	-	2.359.642	2.303.208	-	2.303.208
VII. SUNDRY CREDITORS		2.826.549	92.484	2.919.033	2.621.256	79.420	2.700.676
VIII. OTHER LIABILITIES	(6)	2.599.062	498.094	3.097.156	1.289.999	401.861	1.691.860
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. FINANCE LEASE PAYABLES	(7)	39	-	39	99	-	99
10.1 Finance lease payables		46	-	46	123	-	123
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		7	-	7	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)	3.129.221	5.240	3.134.461	3.046.236	5.286	3.051.522
12.1 General loan provisions		2.154.859	-	2.154.859	2.027.964	-	2.027.964
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		697.242	-	697.242	713.732	-	713.732
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		277.120	5.240	282.360	304.540	5.286	309.826
XIII. TAX LIABILITY	(10)	1.106.875	23	1.106.898	616.298	13	616.311
13.1 Current tax liability		769.810	23	769.833	329.626	13	329.639
13.2 Deferred tax liability		337.065	-	337.065	286.672	-	286.672
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Held from discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED CAPITAL	(12)	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(13)	23.793.326	28.074	23.821.400	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		3.379.280	28.074	3.407.354	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		885.038	28.074	913.112	706.929	(224.176)	482.753
16.2.4 Tangible assets revaluation reserves		1.283.879	-	1.283.879	1.284.522	-	1.284.522
16.2.5 Intangible assets revaluation reserves		-	-	-	-	-	-
16.2.6 Revaluation reserves of real estate for investment purpose		-	-	-	-	-	-
16.2.7 Bonus shares of subsidiaries, associates and joint ventures		8.711	-	8.711	8.711	-	8.711
16.2.8 Hedging Funds (effective portion)		-	-	-	-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-	-	-	-
16.2.10 Other capital reserves		1.201.652	-	1.201.652	1.099.026	-	1.099.026
16.3 Profit reserves		16.936.107	-	16.936.107	14.633.669	-	14.633.669
16.3.1 Legal reserves		1.645.649	-	1.645.649	1.482.358	-	1.482.358
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		15.243.277	-	15.243.277	13.104.130	-	13.104.130
16.3.4 Other profit reserves		47.181	-	47.181	47.181	-	47.181
16.4 Profit/Loss		2.227.939	-	2.227.939	2.558.265	-	2.558.265
16.4.1 Prior years income/loss		-	-	-	-	-	-
16.4.2 Period profit/loss		2.227.939	-	2.227.939	2.558.265	-	2.558.265
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		162.052.084	102.755.445	264.807.529	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 30 JUNE 2017
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. STATEMENT OF INCOME

			Reviewed	Reviewed	Reviewed	Reviewed
			Current period	Prior period	Current period	Prior period
			1 January- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2017	1 April- 30 June 2016
INCOME AND EXPENSES	Note					
I.	INTEREST INCOME	(1)	10.573.035	7.966.077	5.401.630	4.020.891
1.1	Interest on loans		8.438.624	6.678.956	4.375.046	3.460.785
1.2	Interest received from reserve deposits		51.730	29.872	29.885	15.002
1.3	Interest received from banks		90.588	40.846	51.554	20.141
1.4	Interest received from money market placements		23.079	-	11.030	-
1.5	Interest income on marketable securities		1.957.095	1.212.001	930.000	523.217
1.5.1	Financial assets held for trading		352	2.521	192	1.545
1.5.2	Financial assets at fair value through profit and loss		-	-	-	-
1.5.3	Financial assets available-for-sale		784.959	480.435	383.011	229.154
1.5.4	Investments held-to-maturity		1.171.784	729.045	546.797	292.518
1.6	Finance lease income		-	-	-	-
1.7	Other interest income		11.919	4.402	4.115	1.746
II.	INTEREST EXPENSE	(2)	6.363.484	4.868.396	3.473.705	2.449.169
2.1	Interest on deposits		4.701.358	4.005.437	2.564.346	2.001.818
2.2	Interest on borrowings		187.761	174.057	88.308	86.623
2.3	Interest on money market borrowings		1.037.049	391.260	609.045	215.423
2.4	Interest on bonds issued		372.713	251.288	185.073	128.134
2.5	Other interest expense		64.603	46.354	26.933	17.171
III.	NET INTEREST INCOME [I – II]		4.209.551	3.097.681	1.927.925	1.571.722
IV.	NET FEES AND COMMISSIONS INCOME		1.046.252	616.456	508.829	324.370
4.1	Fees and commissions income		1.252.323	794.658	614.778	418.359
4.1.1	Non-cash loans		185.750	137.617	94.220	74.353
4.1.2	Other		1.066.573	657.041	520.558	344.006
4.2	Fees and commissions expenses		206.071	178.202	105.949	93.989
4.2.1	Non-cash loans		28	31	19	21
4.2.2	Other		206.043	178.171	105.930	93.968
V.	DIVIDEND INCOME	(3)	22.165	196.162	22.113	196.162
VI.	NET TRADING PROFIT (NET)	(4)	102.842	37.122	33.065	16.351
6.1	Profit/loss from capital market operations		18.264	6.908	9.512	3.623
6.2	Profit/loss from financial derivative transactions		(189.004)	(413.803)	(49.828)	(202.525)
6.3	Foreign exchange gains/losses		273.582	444.017	73.381	215.253
VII.	OTHER OPERATING INCOME	(5)	294.194	402.777	144.874	170.772
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		5.675.004	4.350.198	2.636.806	2.279.377
IX.	LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)	(6)	730.284	539.748	259.597	268.669
X.	OTHER OPERATING EXPENSES(-)	(7)	2.133.681	1.892.671	1.112.664	931.068
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		2.811.039	1.917.779	1.264.545	1.079.640
XII.	AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-	-	-
XIII.	PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-	-	-
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XV.	INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	2.811.039	1.917.779	1.264.545	1.079.640
XVI.	TAX INCOME PROVISION (±)	(9)	(583.100)	(352.099)	(255.774)	(194.043)
16.1	Current tax provision		(554.475)	(407.507)	(271.529)	(225.845)
16.2	Deferred tax provision		(28.625)	55.408	15.755	31.802
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	2.227.939	1.565.680	1.008.771	885.597
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
18.1	Property and equipment income held for sale		-	-	-	-
18.2	Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-	-	-
18.3	Other income from terminated operations		-	-	-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
19.1	Property and equipment expense held for sale		-	-	-	-
19.2	Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-	-	-
19.3	Other expenses from discontinued operations		-	-	-	-
XX.	INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-	-	-
XXI.	PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)		-	-	-	-
21.1	Current tax provision		-	-	-	-
21.2	Deferred tax provision		-	-	-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXIII.	NET PROFIT/(LOSS) (XVII+XXII)	(11)	2.227.939	1.565.680	1.008.771	885.597
	Earnings/losses per share (Full TRY)		1,78235	1,25254	0,80702	0,70848

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 30 JUNE 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-30 June 2017	1 January-30 June 2016
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	452.162	225.267
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	(677)	(316)
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	102.626	45.586
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS	-	-
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(21.768)	(48.060)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	532.343	222.477
XI. PROFIT/LOSS	2.227.939	1.565.680
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	18.260	3.772
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	2.209.679	1.561.908
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	2.760.282	1.788.157

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 30 JUNE 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
I. 1 January 2016 – 30 June 2016																	
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		-	-	-	-	-	-	-	-	-	-	177.192	-	-	-	-	177.192
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		-	-	-	-	-	-	-	-	-	-	-	(301)	-	-	-	(301)
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners).		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	45.586	-	-	-	-	-	-	-	45.586
IX. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Net profit or losses		-	-	-	-	-	-	-	-	1.565.680	-	-	-	-	-	-	1.565.680
XVIII. Profit distribution		-	-	-	-	146.493	-	1.937.289	-	(2.315.313)	-	-	-	-	-	-	(231.531)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(231.531)	-	-	-	-	-	(231.531)
18.2 Transfers to legal reserves		-	-	-	-	146.493	-	1.937.289	-	-	(2.083.782)	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(2.315.313)	2.315.313	-	-	-	-	-	-
Closing balance		1.250.000	1.220.451	-	-	1.482.358	-	13.104.130	77.478	1.565.680	-	1.144.027	1.128.134	8.711	-	-	20.980.969
I. 1 January 2017 – 30 June 2017																	
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		-	-	-	-	-	-	-	-	-	-	430.359	-	-	-	-	430.359
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		-	-	-	-	-	-	-	-	-	-	-	(643)	-	-	-	(643)
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners).		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	102.626	-	-	-	-	-	-	-	102.626
IX. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Net profit or losses		-	-	-	-	-	-	-	-	2.227.939	-	-	-	-	-	-	2.227.939
XVIII. Profit distribution		-	-	-	-	163.291	-	2.139.147	-	(2.558.265)	-	-	-	-	-	-	(255.827)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(255.827)	-	-	-	-	-	(255.827)
18.2 Transfers to legal reserves		-	-	-	-	163.291	-	2.139.147	-	-	(2.302.438)	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(2.558.265)	2.558.265	-	-	-	-	-	-
Closing balance		1.250.000	1.220.451	-	-	1.645.649	-	15.243.277	28.382	2.227.939	-	913.112	1.283.879	8.711	-	-	23.821.400

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 JUNE 2017
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Reviewed	Reviewed
	Current period	Prior period
	1 January- 30 June 2017	1 January- 30 June 2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	3.425.984	1.950.643
1.1.1 Interest received	10.630.177	7.763.379
1.1.2 Interest paid	(5.693.938)	(4.851.301)
1.1.3 Dividend received	22.165	55.815
1.1.4 Fees and commissions received	1.252.323	794.658
1.1.5 Other income	124.445	282.873
1.1.6 Collections from previously written off loans	275.921	235.424
1.1.7 Cash payments to personnel and service suppliers	(966.899)	(887.398)
1.1.8 Taxes paid	(261.654)	(196.814)
1.1.9 Other	(1.956.556)	(1.245.993)
1.2 Assets and Liabilities Subject to Banking Operations	2.332.760	(5.292.222)
1.2.1 Net decrease in financial assets held for sale	25.256	(66.813)
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	5.763	(1.144.108)
1.2.4 Net (increase) decrease in loans	(22.268.921)	(12.083.595)
1.2.5 Net (increase) decrease in other assets	(3.985.644)	(2.536.835)
1.2.6 Net increase (decrease) in bank deposits	(5.990.014)	3.070.036
1.2.7 Net increase (decrease) in other deposits	27.390.763	5.153.505
1.2.8 Net increase (decrease) in loans borrowed	(1.381.989)	(1.538.929)
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	8.537.546	3.854.517
I. Net cash provided from banking operations	5.758.744	(3.341.579)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/(used in) investing activities	(3.746.959)	(326.263)
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	(143.876)	(172.789)
2.4 Fixed assets sales	66.930	88.151
2.5 Cash paid for purchase of financial assets available for sale	(3.689.038)	(1.513.553)
2.6 Cash obtained from sale of financial assets available for sale	2.675.429	367.348
2.7 Cash paid for purchase of investment securities	(2.974.241)	(266.329)
2.8 Cash obtained from sale of investment securities	316.770	1.177.756
2.9 Other	1.067	(6.847)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash used in financing activities	717.615	(127.952)
3.1 Cash obtained from loans borrowed and securities issued	3.059.860	1.854.340
3.2 Cash used for repayment of loans borrowed and securities issued	(2.086.358)	(1.750.000)
3.3 Bonds issued	-	-
3.4 Dividends paid	(255.827)	(231.531)
3.5 Payments for finance leases	(60)	(67)
3.6 Other	-	(694)
IV. Effect of change in foreign exchange rate on cash and cash equivalents	16.914	(6.760)
V. Net increase / (decrease) in cash and cash equivalents	2.746.314	(3.802.554)
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	17.135.107	5.072.060

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments at fair value through profit or loss, financial assets available for sale, real estates and investments in affiliates valued at equity basis of accounting.

Accounting policies and accounting estimates on which the accompanying financial statements based are in compliance with “The Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulation” and other regulations, circulars and pronouncements published by the BRSA and with Turkish Accounting Standards issued by Public Oversight Agency for the matters not regulated by the aforementioned legislations and have been applied consistently by the Bank as in the financial statements prepared for the year ended 31 December 2016.

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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 A.D., 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 30 June 2017, the bank has credit default swap transaction amounting to 200 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES 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 30 June 2017 and 31 December 2016.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES 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 specific provisions are allocated for those loans. Specific provisions are reflected to “820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit movement under the “Provision Expenses”, released portion of the previous period provisions are recognized under the “Other Operating Income” account.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS AND DISCLOSURES 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
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(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
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(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 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
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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. Moreover, accrued advance tax for 1 January-31 March 2017 period is paid in May 2017 and accrued advance tax for 1 April-30 June 2017 period will also be paid in August 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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 ISSUE

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

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

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

XX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXII. EXPLANATIONS ON SEGMENT REPORTING

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

The information of the Bank's business segments is explained in section four, disclosure numbered VII.

XXIII EXPLANATION ON OTHER MATTERS

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

I. EXPLANATIONS ON 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 30 June 2017, the Bank's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 14,02% (31 December 2016: 13,08%), The equity is calculated as TRY 25.454.620 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2016: TRY 23.013.281).

(1) Information on Components of Capital:

	Current Period 30 June 2017	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	16.918.274	
Other Comprehensive Income according to TAS	2.196.025	
Profit	2.227.939	
Current Period Profit	2.227.939	
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	23.821.400	
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 (-)	59.556	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	65.503	81.879
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	125.059	
Total Common Equity Tier I Capital	23.696.341	

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

I. EXPLANATIONS ON EQUITY (continued)

II. 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	16.376
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 (-)	16.376
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)	23.679.965
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)	2.074.007
Tier II Capital Before Deductions	2.074.007
Deductions From Tier II Capital	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	2.074.007
Total Equity (Total Tier I and Tier II Capital)	25.753.972
Deductions from Total Capital	
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	283.597
Other items to be defined by the BRSA (-)	15.745

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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	25.454.620
Total Risk Weighted Assets	181.581.080
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	13,05
Tier I Capital Ratio (%)	13,04
Capital Adequacy Ratio (%)	14,02
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	6,018
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	54.695
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	283.850
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	184.259
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)	2.154.859
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.074.007
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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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 I Capital	119.827	
Total Common Equity Tier I Capital	21.197.119	

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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 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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

I. EXPLANATIONS ON EQUITY (continued)

II. 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

III. EXPLANATIONS ON CURRENCY RISK

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

In accordance with “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”, the foreign currency position risk of the Bank is measured by “standard method” and is calculated daily and is reported monthly. Also 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 30 June 2017 and the previous five working days in full TRY are as follows:

	21.06.2017	22.06.2017	23.06.2017	28.06.2017	29.06.2017	30.06.2017
USD	3,5100000	3,5000000	3,4700000	3,5100000	3,5000000	3,5200000
CHF	3,5950000	3,5963000	3,5788000	3,6521000	3,6493000	3,6702000
GBP	4,4359000	4,4282000	4,4107000	4,5409000	4,5388000	4,5554000
JPY	0,0313889	0,0314078	0,0311344	0,0312351	0,0310478	0,0313240
EUR	3,9103000	3,9065000	3,8885000	3,9930000	3,9946000	4,0161000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 30 June 2017 are as follows:

	Monthly average
USD	3,4980000
CHF	3,6096550
GBP	4,4757200
JPY	0,0315198
EUR	3,9306700

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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	5.715.140	21.577.366	3.747.082	31.039.588
Banks	552.913	1.919.927	259.309	2.732.149
Financial assets at fair value through profit and loss ⁽³⁾	63.535	302.879	4.903	371.317
Money market placements	-	-	-	-
Financial assets available-for-sale ⁽⁵⁾	481.972	4.401.070	-	4.883.042
Loans ⁽²⁾	29.850.128	29.265.114	522.202	59.637.444
Subsidiaries, associates and entities under common control ⁽⁵⁾	271.087	-	394.490	665.577
Held-to-maturity investments	-	2.336.654	-	2.336.654
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	102	102
Intangible assets	-	-	-	-
Other assets ⁽³⁾	13.409	202.563	115	216.087
Total assets	36.948.184	60.005.573	4.928.203	101.881.960
Liabilities				
Bank deposits	5.756.217	3.771.099	1.333.586	10.860.902
Foreign currency deposits	21.438.887	37.581.569	2.344.190	61.364.646
Money market balances	-	1.906.251	-	1.906.251
Funds provided from other financial institutions	8.423.472	8.691.981	8.278	17.123.731
Bonds issued	-	10.719.789	-	10.719.789
Sundry creditors	4.838	87.232	414	92.484
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	245.920	361.986	51.662	659.568
Total liabilities	35.869.334	63.119.907	3.738.130	102.727.371
Net balance sheet position	1.078.850	(3.114.334)	1.190.073	(845.411)
Net off-balance sheet position				
	(1.469.226)	2.945.135	(867.327)	608.582
Financial derivative assets ⁽⁴⁾	912.424	4.825.459	1.187.565	6.925.448
Financial derivative liabilities ⁽⁴⁾	2.381.650	1.880.324	2.054.892	6.316.866
Non-cash loans ⁽¹⁾	10.390.281	15.591.420	1.368.549	27.350.250
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				
	(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 1.787.658 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 207) in assets; and shareholders' equity (TRY 28.074) 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 2.171 Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 1.653.649. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

⁽⁵⁾ Other foreign currency subsidiaries Halkbank A.D. Beograd (TRY 98.640) and Halk Banka A.D., Skopje (TRY 295.849), and EUR foreign currency associate Demir-Halk Bank NV (TRY 271.087) are included.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	24.041.258	-	-	-	-	11.216.696	35.257.954
Banks and financial institutions	1.995.655	4.254	6.390	-	-	804.454	2.810.753
Financial assets at fair value through profit and loss	4	33.373	11.252	11	30	371.122	415.792
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	659.501	3.279.564	2.599.090	3.605.285	6.510.018	115.640	16.769.098
Loans	83.435.338	17.952.259	40.934.359	28.020.193	6.399.432	2.358.897	179.100.478
Held-to-maturity investments	252.731	8.315.477	3.466.599	2.138.543	5.954.123	-	20.127.473
Other assets ⁽⁴⁾	118	7.010	13.062	40.694	7.855	10.257.242	10.325.981
Total assets	110.384.605	29.591.937	47.030.752	33.804.726	18.871.458	25.124.051	264.807.529
Liabilities							
Bank deposits	8.728.535	1.865.579	176.692	-	-	5.959.834	16.730.640
Other deposits	77.650.993	38.452.419	13.976.288	288.376	2.846	25.185.246	155.556.168
Money market balances	23.347.744	144.929	1.418.488	-	-	15.911	24.927.072
Sundry creditors	51.692	87.310	374.958	924.398	82	1.480.593	2.919.033
Bonds issued	3.386.273	1.052.338	889.209	7.901.008	-	178.925	13.407.753
Funds provided from other financial institutions ⁽³⁾	3.650.952	4.257.027	6.353.479	2.101.244	1.093.986	128.590	17.585.278
Other liabilities ^{(1),(2)}	77.930	5.233	96.827	343.422	1.842.006	31.316.167	33.681.585
Total liabilities	116.894.119	45.864.835	23.285.941	11.558.448	2.938.920	64.265.266	264.807.529
Balance sheet long position	-	-	23.744.811	22.246.278	15.932.538	-	61.923.627
Balance sheet short position	(6.509.514)	(16.272.898)	-	-	-	(39.141.215)	(61.923.627)
Off-balance sheet long position	352.000	528.000	2.324.707	714.057	1.786.650	10.624.843	16.330.257
Off-balance sheet short position	-	(176.000)	(2.324.707)	(2.845.206)	(1.786.650)	(10.121.810)	(17.254.373)
Total position	(6.157.514)	(15.920.898)	23.744.811	20.115.129	15.932.538	(38.638.182)	(924.116)

⁽¹⁾ TRY 337.065 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 1.355.642 of net non-performing loans is disclosed under the non-bearing interest column in other assets.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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-interest bearing	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	20.210.851	-	-	-	-	9.788.309	29.999.160
Banks and financial institutions	783.753	-	16.343	-	-	860.934	1.661.030
Financial assets at fair value through profit and loss	59.998	1.450	8.522	210	107	359.811	430.098
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	667.993	2.980.838	2.444.922	3.296.251	5.499.329	100.594	14.989.927
Loans	58.545.736	20.841.578	41.619.172	28.620.319	6.078.569	1.472.922	157.178.296
Held-to-maturity investments	377.666	7.562.529	1.871.686	2.505.389	5.838.912	-	18.156.182
Other assets ⁽⁴⁾	5.146.230	4.279	13.298	44.913	11.469	3.805.936	9.026.125
Total assets	85.792.227	31.390.674	45.973.943	34.467.082	17.428.386	16.388.506	231.440.818
Liabilities							
Bank deposits	12.210.406	2.377.790	380.301	-	-	7.862.967	22.831.464
Other deposits	72.619.489	24.588.520	8.930.408	281.954	2.822	21.008.182	127.431.375
Money market balances	16.652.570	303.429	891.064	-	-	-	17.847.063
Sundry creditors	1.201.703	81.016	345.373	839.184	29	233.371	2.700.676
Bonds issued	198.378	813.673	3.546.319	7.875.372	-	-	12.433.742
Funds provided from other financial institutions ⁽³⁾	3.288.720	4.838.730	8.097.168	1.777.589	965.360	537	18.968.104
Other liabilities ⁽¹⁾⁽²⁾	212.335	2.031.637	35.160	-	-	26.949.262	29.228.394
Total liabilities	106.383.601	35.034.795	22.225.793	10.774.099	968.211	56.054.319	231.440.818
Balance sheet long position	-	-	23.748.150	23.692.983	16.460.175	-	63.901.308
Balance sheet short position	(20.591.374)	(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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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⁾	-	0,91	-	4,00
Due from other banks and financial institutions ⁽¹⁾	0,04	1,18	-	9,97
Financial assets at fair value through profit and loss	-	-	-	10,04
Money market placements	-	-	-	-
Available-for-sale financial assets	4,28	5,53	-	12,01
Loans ⁽²⁾	4,61	5,94	-	13,13
Held-to-maturity investments	-	5,89	-	14,05
Liabilities				
Bank deposits	1,20	3,31	-	11,49
Other deposits ⁽⁴⁾	1,71	3,85	0,25	12,17
Money market borrowings	-	2,73	-	9,95
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,61	-	12,20
Funds provided from other financial institutions	0,72	2,63	-	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 money placement amounts as of balance sheet date.

⁽²⁾ Interest rates for loans given as of balance sheet date are calculated using weighted average method for client's base.

⁽³⁾ Declared maximum deposits interest rate with a maturity of twelve months as of 30 June 2017.

⁽⁴⁾ Customer based calculated stock interest rates are applied to TRY and FC deposits as of 30 June 2017.

⁽⁵⁾ Required reserve ratio of the CBRT.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

IV. EXPLANATIONS ON POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Comparison		Market Value	Capital Requirements
	Balance Sheet Value	Fair Value Change		
Investment in Shares-Grade A	597.011	597.011	597.011	47.761
Quoted Securities ⁽¹⁾	597.011	597.011	597.011	47.761
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	2.329.856	2.313.788	-	220.450

⁽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	Revaluated appreciation in the fair value			Unrealized gains and losses	
	Realized gains (losses) in the current period	Total	Included to supplementary capital	Total	Included to core capital
1. Private equity investments	-	-	-	-	-
2. Share Certificates quoted on a stock exchange ⁽¹⁾⁽²⁾	-	256.423	256.423	-	-
3. Other share certificates	-	1.013.639	1.013.639	-	-
Total	-	1.270.062	1.270.062	-	-

⁽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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

V. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

To detect liquidity risk, Bank Liquidity Emergency Action Plan (LEAP) has been formed. Cash flow analysis methods include commission totals and tax totals, besides initial capital interest totals. The sections that are in the balance sheet are monitored by Risk Management Department Head and include the days until maturity which are canalized to the maturity bands that are predetermined; the liquidity availability are then detected and liquidity analysis performed. Thus, quantification of liquidity risk is established.

The Bank's purpose is to have the level of liquidity to meet its obligations and commitments, which are due under the Bank liquidity planning program and aim to reach a reasonable cost with necessary liquidity. The liquidity gap analysis on the maturity remained day basis and projected ratios stated in "Liquidity Emergency 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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

V. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT 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	05.06.2017 11.06.2017	214,61	19.06.2017 25.06.2017	105,94
Minimum	26.06.2017 02.07.2017	132,04	10.04.2017 16.04.2017	80,97

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

V. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT 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			38.646.466	22.926.511
Cash Outflows				
Retail and Small Business Customers, of which;	81.961.592	35.132.331	7.020.892	3.513.233
Stable Deposits	23.505.349	-	1.175.267	-
Less Stable Deposits	58.456.243	35.132.331	5.845.625	3.513.233
Unsecured wholesale funding , of which;	79.050.910	26.165.267	43.598.945	17.774.626
Operational Deposits	-	-	-	-
Non-operational Deposits	57.055.690	22.691.644	32.610.271	14.654.794
Other Unsecured Funding	21.995.220	3.473.623	10.988.674	3.119.832
Secured Funding			-	-
Other cash outflows, of which;	4.869.803	3.011.236	2.232.856	1.608.229
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	48.824	465.109	48.824	465.109
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	4.820.979	2.546.127	2.184.032	1.143.120
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	67.946.697	25.033.120	5.208.126	2.025.457
Total Cash Outflows			58.060.819	24.921.545
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	22.604.313	12.861.000	16.210.691	11.469.679
Other Cash Inflows	-	-	-	-
Total Cash Inflows	22.604.313	12.861.000	16.210.691	11.469.679
			Total Adjusted Value	
Total HQLA Stock			38.646.466	22.926.511
Total Net Cash Outflows			41.850.128	13.451.866
Liquidity Coverage Ratio(%)			92,65%	173,83%

⁽¹⁾ Calculated by simple arithmetic average, monthly average calculated for the last six months of the liquidity coverage ratio, also calculated weekly simple average of the last three months of the liquidity coverage ratio by taking the arithmetic mean.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

V. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT 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 average calculated for the last six months of the liquidity coverage ratio, also calculated weekly simple average of the last three months of the liquidity coverage ratio by taking the arithmetic mean.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

V. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND 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	2.271.738	32.985.888	-	328	-	-	-	35.257.954
Banks	1.034.885	1.761.034	4.254	10.580	-	-	-	2.810.753
Financial assets at fair value through profit and loss	-	19.809	82.327	57.518	148.925	107.213	-	415.792
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	441.974	285.422	1.692.092	5.746.972	8.486.998	115.640	16.769.098
Loans	973.224	11.592.698	11.818.978	52.709.305	78.619.508	23.386.765	-	179.100.478
Held-to-maturity investments	-	-	-	1.300.463	8.339.319	10.487.691	-	20.127.473
Other assets ⁽²⁾	1.358.652	1.848	2.685	13.062	40.694	7.855	8.901.185	10.325.981
Total assets	5.638.499	46.803.251	12.193.666	55.783.348	92.895.418	42.476.522	9.016.825	264.807.529
Liabilities								
Bank deposits	5.925.727	8.755.678	1.871.233	178.002	-	-	-	16.730.640
Other deposits	24.302.402	78.175.907	38.680.799	14.095.238	298.976	2.846	-	155.556.168
Funds provided from other financial institutions ⁽³⁾	-	3.681.461	1.517.584	6.283.331	3.920.074	2.182.828	-	17.585.278
Money market balances	-	23.355.736	145.407	1.425.929	-	-	-	24.927.072
Bonds issued	-	3.485.152	1.126.177	895.416	7.901.008	-	-	13.407.753
Sundry creditors	13.499	1.309.185	87.315	375.059	926.496	84	207.395	2.919.033
Other liabilities ⁽¹⁾	77.896	3.583.165	341.429	243.721	360.290	1.901.510	27.173.574	33.681.585
Total liabilities	30.319.524	122.346.284	43.769.944	23.496.696	13.406.844	4.087.268	27.380.969	264.807.529
Liquidity gap	(24.681.025)	(75.543.033)	(31.576.278)	32.286.652	79.488.574	38.389.254	(18.364.144)	-
Net off balance sheet position	-	3.023	15.551	14.224	2	98.701	-	131.501
Derivative financial assets	-	2.918.952	3.090.910	1.274.959	2.230.566	3.419.561	-	12.934.948
Derivative financial liabilities	-	(2.915.929)	(3.075.359)	(1.260.735)	(2.230.564)	(3.320.860)	-	(12.803.447)
Non-cash loans	17.481.841	1.460.126	3.194.485	17.461.640	9.553.084	1.669.157	-	50.820.333
Prior Period								
Total Assets	8.210.383	38.588.639	12.121.312	51.233.289	76.542.170	36.874.451	7.870.574	231.440.818
Total Liabilities	29.446.001	105.522.009	30.196.626	24.761.668	13.247.949	3.898.076	24.368.489	231.440.818
Liquidity Gap	(21.235.618)	(66.933.370)	(18.075.314)	26.471.621	63.294.221	32.976.375	(16.497.915)	-
Net off balance sheet position	-	(5.187)	(24.071)	991	98.699	-	-	70.432
Derivative financial assets	-	3.004.975	2.850.328	1.016.106	2.183.006	3.448.208	-	12.502.623
Derivative financial liabilities	-	(3.010.162)	(2.874.399)	(1.015.115)	(2.084.307)	(3.448.208)	-	(12.432.191)
Non-cash loans	17.683.351	2.026.427	4.604.681	13.248.606	8.367.717	1.830.046	-	47.760.828

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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)	255.965.456	226.075.095
Assets that are deducted from core capital	(142.846)	(155.000)
Total on balance sheet exposures	255.822.610	225.920.095
Derivative exposures and credit derivatives		
Replacement cost associated with derivative financial instruments and credit derivatives	415.024	425.626
The potential amount of credit risk with derivative financial instruments and credit derivatives	170.529	166.032
The total amount of risk on derivative financial instruments and credit derivatives	585.553	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)	583.216	564.131
Risk amount of exchange brokerage operations	-	-
Total risks related with securities or commodity financing transactions	583.216	564.131
Off -Balance Sheet Items		
Gross notional amount of off-balance sheet items	75.120.400	71.287.525
Adjustments for conversion to credit equivalent amounts	-	-
The total risk of off-balance sheet items	75.120.400	71.287.525
Capital and Total Exposures		
Tier 1 Capital	23.528.930	21.147.130
Total Exposures	332.111.779	298.363.409
Leverage Ratio		
Leverage Ratio	7,08%	7,09%

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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,
- Acting as a portfolio management agency.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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 30 June 2017 are presented in the table below.

Current Period	Corporate	Commercial	SME / Integrated	Treasury / Investment⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	993.768	1.437.094	5.988.353	2.153.820	10.573.035
<i>Interest on loans</i>	<i>992.042</i>	<i>1.436.132</i>	<i>5.881.436</i>	<i>129.014</i>	<i>8.438.624</i>
<i>Interest income on marketable securities</i>	-	-	<i>92.742</i>	<i>1.864.353</i>	<i>1.957.095</i>
<i>Interest received from banks</i>	-	-	<i>5.610</i>	<i>84.978</i>	<i>90.588</i>
<i>Other interest income</i>	<i>1.726</i>	<i>962</i>	<i>8.565</i>	<i>75.475</i>	<i>86.728</i>
Interest expense	746.847	270.177	3.367.232	1.979.228	6.363.484
<i>Interest on deposits</i>	<i>746.403</i>	<i>247.825</i>	<i>3.284.929</i>	<i>422.201</i>	<i>4.701.358</i>
<i>Interest on borrowings</i>	<i>306</i>	<i>3.358</i>	<i>13.748</i>	<i>170.349</i>	<i>187.761</i>
<i>Interest on money market borrowings</i>	-	-	<i>23.562</i>	<i>1.013.487</i>	<i>1.037.049</i>
<i>Interest on marketable bonds issued</i>	-	-	-	<i>372.713</i>	<i>372.713</i>
<i>Other interest expense</i>	<i>138</i>	<i>18.994</i>	<i>44.993</i>	<i>478</i>	<i>64.603</i>
Net interest income	246.921	1.166.917	2.621.121	174.592	4.209.551
Net fees and commissions income	118.858	233.972	538.695	154.727	1.046.252
Net trading profit / (loss)	(809)	2.685	51.724	49.242	102.842
Dividend income	-	-	-	22.165	22.165
Other income	33.499	49.943	166.464	44.288	294.194
Impairment losses on loans and other receivables	7.658	285.346	310.103	127.177	730.284
Other expenses	15.742	33.905	880.158	1.203.876	2.133.681
Income before taxes	375.069	1.134.266	2.187.743	(886.039)	2.811.039
Income tax provision	-	-	(1.695)	(581.405)	(583.100)
Net profit for the period	375.069	1.134.266	2.186.048	(1.467.444)	2.227.939
SEGMENT ASSETS					
Marketable securities	-	-	3.197.012	33.744.227	36.941.239
Derivative financial assets held for trading	-	-	85.909	285.215	371.124
Banks and money market receivables	-	-	239.674	2.571.079	2.810.753
Associates and subsidiaries (net)	-	-	-	3.278.889	3.278.889
Loans	28.384.291	38.528.563	109.719.909	3.823.357	180.456.120
Other assets	90.375	449.616	1.880.101	38.529.312	40.949.404
TOTAL ASSETS	28.474.666	38.978.179	115.122.605	82.232.079	264.807.529
SEGMENT LIABILITIES					
Deposits	28.701.437	14.524.838	118.937.575	10.122.958	172.286.808
Derivative financial liabilities held for trading	-	-	53.141	103.084	156.225
Money market balances	-	-	1.906.251	23.020.821	24.927.072
Borrowing funding loans	6.720	204.953	817.302	16.556.303	17.585.278
Bonds issued	-	-	-	13.407.753	13.407.753
Other liabilities	284.303	296.904	5.640.291	2.160.136	8.381.634
Provisions and tax payable	48.815	66.722	227.837	3.897.985	4.241.359
Shareholders' equity	395.026	1.135.217	1.999.332	20.291.825	23.821.400
TOTAL LIABILITIES	29.436.301	16.228.634	129.581.729	89.560.865	264.807.529
OFF BALANCE SHEET ITEMS					
Guarantees and sureties	13.240.736	12.155.675	15.257.772	10.166.150	50.820.333
Commitments	56.288	897.380	12.115.271	12.548.487	25.617.426
Derivative financial instruments	-	-	6.422.365	19.316.030	25.738.395

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

Prior Period	Corporate	Commercial	SME / Integrated	Treasury / Investment	Total
OPERATING INCOME / EXPENSES					
Interest income	715.100	991.902	4.872.296	1.386.779	7.966.077
<i>Interest on loans</i>	715.074	991.740	4.807.960	164.182	6.678.956
<i>Interest income on marketable securities</i>	-	-	58.710	1.153.291	1.212.001
<i>Interest received from banks</i>	-	-	1.412	39.434	40.846
<i>Other interest income</i>	26	162	4.214	29.872	34.274
Interest expense	418.336	214.377	3.015.180	1.220.503	4.868.396
<i>Interest on deposits</i>	412.818	204.832	2.958.328	429.459	4.005.437
<i>Interest on borrowings</i>	447	3.492	11.843	158.275	174.057
<i>Interest on money market borrowings</i>	-	-	10.089	381.171	391.260
<i>Interest on marketable bonds issued</i>	-	-	-	251.288	251.288
<i>Other interest expense</i>	5.071	6.053	34.920	310	46.354
Net interest income	296.764	777.525	1.857.116	166.276	3.097.681
Net fees and commissions income	88.387	98.569	332.775	96.725	616.456
Net trading profit / (loss)	445	2.740	3.500	30.437	37.122
Dividend income	-	-	-	196.162	196.162
Other income	4.128	16.463	153.277	228.909	402.777
Loans and other receivables' impairment loss	45.885	94.025	271.382	128.456	539.748
Other expenses	8.123	32.675	868.977	982.896	1.892.671
Income before taxes	335.716	768.597	1.206.309	(392.843)	1.917.779
Income tax provision	-	-	(1.580)	(350.519)	(352.099)
Net profit for the period	335.716	768.597	1.204.729	(743.362)	1.565.680
SEGMENT ASSETS					
Marketable securities	-	-	2.524.561	30.691.835	33.216.396
Derivative financial assets held for trading	-	-	75.054	284.757	359.811
Banks and money market receivables	-	-	244.328	1.416.702	1.661.030
Associates and subsidiaries (net)	-	-	-	3.146.481	3.146.481
Loans	25.359.824	32.125.832	97.373.010	3.495.667	158.354.333
Other assets	81.246	441.908	1.805.746	32.373.867	34.702.767
TOTAL ASSETS	25.441.070	32.567.740	102.022.699	71.409.309	231.440.818
SEGMENT LIABILITIES					
Deposits	25.575.129	8.253.723	100.730.184	15.703.803	150.262.839
Derivative financial liabilities held for trading	-	-	42.426	169.422	211.848
Money market balances	-	-	1.373.871	16.473.192	17.847.063
Borrowing funding loans	1.445	187.747	830.155	17.948.757	18.968.104
Bonds issued	-	-	-	12.433.742	12.433.742
Other liabilities	254.825	278.741	5.100.181	1.098.696	6.732.443
Provisions and tax payable	66.549	57.621	191.543	3.352.120	3.667.833
Shareholders' equity	543.102	1.701.171	3.102.242	15.970.431	21.316.946
TOTAL LIABILITIES	26.441.050	10.479.003	111.370.602	83.150.163	231.440.818
OFF BALANCE SHEET ITEMS					
Guarantees and surety ships	13.825.351	10.831.393	12.513.027	10.591.057	47.760.828
Commitments	58.048	855.008	11.050.295	11.553.330	23.516.681
Derivative financial instruments	-	-	6.427.378	18.507.436	24.934.814

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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 Approach and Risk Weighted Amounts

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

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

Overview of RWA:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	163.887.830	161.707.382	13.111.026
2	Standardized approach (SA)	163.887.830	161.707.382	13.111.026
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	1.323.142	378.320	105.851
5	Standardized approach for counterparty credit risk (SA-CCR)	1.323.142	378.320	105.851
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	2.862.813	1.947.575	229.025
17	Standardized approach (SA)	2.862.813	1.947.575	229.025
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)	709.625	655.843	56.770
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	181.581.080	175.986.593	14.526.486

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

Analysis of counterparty credit risk (CCR) exposure by approach

	Replacement cost	Potential future exposure	EEPE*	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
Standard Approach-CCR (for derivatives)	102.875	174.632		1,4	314.399	227.814
Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					2.573.428	627.636
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					1.746.598	467.692
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
Total						1.323.142

(*) Expected effective amount of risk

Credit valuation adjustment (CVA) capital charge

	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the Standardised CVA capital charge	314.399	227.814
Total subject to the CVA capital charge	314.399	227.814

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

Standardised approach – CCR exposures by regulatory portfolio and risk weights

Risk Weight /Regulatory Portfolio	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
Sovereigns and their central banks	2	20.060	-	-	-	-	-	-	20.062
Non-central government public sector entities	298	12.140	-	-	-	-	-	-	12.438
Regional governments or local authorities	566	7.648	-	-	-	-	-	-	8.214
Multilateral development banks	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-
Multilateral development banks	1.278.906	-	2.111.669	476.457	-	521.413	-	-	4.388.445
Corporate	-	2.695	-	-	-	130.493	-	-	133.188
Regulatory retail portfolios	26.807	42.360	-	-	2.911	-	-	-	72.078
Secured by residential property	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization position	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Investments on securities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	1.306.579	84.903	2.111.669	476.457	2.911	651.906	-	-	4.634.425

Composition of collateral for CCR exposure

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	-	48.576	-	22.861	-	50.618
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	48.576	-	22.861	-	50.618

Credit derivatives exposures

None.

Exposures to central counterparties

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

Credit quality of assets

		Gross Carrying Values of TAS		Allowances/ amortization and impairments**	Net Values
		Defaulted exposures*	Non-defaulted exposures		
1	Loans	5.736.359	179.100.478	4.380.717	180.456.120
2	Debt Securities	-	37.109.602	168.363	36.941.239
3	Off-balance exposure	-	76.437.759	-	76.437.759
4	Total	5.736.359	292.647.839	4.549.080	293.835.118

* Shows the receivables with identified non performing receivables in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables qualification and the provisions for these" published in the official gazette no.26333 dated 1 November 2006.

** Refers the provision, depreciation and impairment with located in the regulation on "methods and principles for the determination of loans and other receivables qualification and the provisions for these"

Changes in stock of defaulted loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	5.140.082
2	Loans and debt securities that have defaulted since the last reporting period	872.198
3	Returned to non-defaulted status	(27.364)
4	Amounts written off	-
5	Other changes	(248.557)
Defaulted loans and debt securities at end of the reporting period		
6	(1+2-3-4±5)	5.736.359

Credit risk mitigation techniques – Overview

		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	114.756.978	64.343.500	49.960.376	402.158	402.158	-	-
2	Debt Securities	36.941.239	-	-	-	-	-	-
3	Total	151.698.217	64.343.500	49.960.376	402.158	402.158	-	-
4	Of which defaulted	158.774	1.196.868	813.540	10.248	10.248	-	-

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

Risk Classes	Exposures before Credit Conversion Factor and Credit Risk Mitigation		Exposures post-Credit Conversion Factor and Credit Risk Mitigation		Risk Weighted Average and Risk Weighted Average Density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereigns and their central banks	64.635.413	156.400	75.344.342	578.306	9.412.808	12,40%
Non-central government public sector entities	2.393.083	67.883	2.393.083	33.941	1.200.468	49,46%
Regional governments or local authorities	607.311	1.540.556	607.311	766.625	1.363.917	99,27%
Multilateral development banks	-	-	-	-	-	-
International organizations	-	-	-	-	-	-
Banks and intermediary institutions	7.114.079	2.740.317	7.129.517	1.514.987	2.672.785	30,92%
Corporates	66.458.350	40.915.584	61.579.067	22.960.370	81.537.910	96,45%
Regulatory retail portfolios	56.027.659	27.449.197	50.182.677	4.984.150	39.734.894	72,03%
Secured by residential property	29.486.401	1.142.662	29.486.299	622.007	10.741.461	35,68%
Secured by commercial real estate	19.380.074	1.571.021	19.380.074	1.133.198	10.256.636	50,00%
Past-due loans	1.356.562	9.167	1.356.562	4.771	1.210.360	88,91%
Higher-risk categories	55.099	137.245	55.099	86.438	212.305	150,00%
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other assets	9.773.044	-	9.773.044	-	3.856.320	39,46%
Investment on securities	3.294.958	-	3.294.958	-	3.720.733	112,92%
Total	260.582.033	75.730.032	260.582.033	32.684.793	165.920.597	56,58%

Standardised approach – exposures by asset classes and risk weights

Risk Classes/ Risk weight	0%	10%	20%	35%*	50%	75%	100%	150%	200%	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	57.080.983	20.060	-	-	18.821.605	-	-	-	-	-	75.922.648
Non-central government public sector entities	16.377	12.140	-	-	2.398.507	-	-	-	-	-	2.427.024
Regional governments or local authorities	3.013	7.648	154	-	-	-	1.363.121	-	-	-	1.373.936
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-	-	-
Banks and intermediary institutions	1.278.906	-	5.240.514	-	1.000.804	-	1.124.280	-	-	-	8.644.504
Corporates	2.073.209	2.695	879.255	-	444.977	-	81.139.301	-	-	-	84.539.437
Regulatory retail portfolios	1.987.738	42.360	221.616	-	-	52.915.113	-	-	-	-	55.166.827
Secured by residential property	35.538	-	9.477	29.519.756	-	543.535	-	-	-	-	30.108.306
Secured by commercial real estate	-	-	-	-	20.513.272	-	-	-	-	-	20.513.272
Past-due loans	13.605	-	-	-	274.736	-	1.072.992	-	-	-	1.361.333
Higher-risk categories	-	-	-	-	-	-	-	141.537	-	-	141.537
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-
Investment on securities	-	-	-	-	-	-	3.011.108	-	-	283.850	3.294.958
Other Recievables	5.050.318	-	953.166	-	160.242	95.008	3.514.310	-	-	-	9.773.044
Total	67.539.687	84.903	7.304.182	29.519.756	43.614.143	53.553.656	91.225.112	141.537	-	283.850	293.266.826

*Secured by mortgages

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

Market risk under standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	1.524.138
Equity risk (general and specific)	199.150
Foreign exchange risk	1.061.550
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	77.975
Scenario approach	-
Securitisation	-
Total	2.862.813

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

I. EXPLANATION AND NOTES RELATED TO THE ASSETS

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.111.614	1.156.371	914.121	562.677
CBRT	3.106.752	29.883.205	2.620.111	25.902.219
Other	-	12	-	32
Total	4.218.366	31.039.588	3.534.232	26.464.928

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	3.024.227	3.667.323	2.563.615	3.345.458
Time unrestricted amount	-	-	-	-
Time restricted amount	1.044	5.379.220	-	5.359.104
Reserve deposits ⁽²⁾	81.481	20.836.662	56.496	17.197.657
Total	3.106.752	29.883.205	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 TRNC.

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TRY and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 4%-10,5% for TRY deposits and other liabilities between 4%-24% for FC deposits for other FC liabilities. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to TRY and FC reserves.

With the amendment on 21 October 2014 the banks meeting certain conditions receive interests on Turkish Lira reserve requirements at 300 or 500 basis points less than the weighted average funding cost (WAFC) rate announced on the Central Bank website. The interest related to the reserve requirements set as TRY is paid at a rate of 400 basis points less than the 1 week repo rate of the CBRT as of 1 January 2017.

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

With the change on 2 May 2015 made by the CBRT, interest is paid on USD denominated reserve requirements, reserve options and free reserves held at Central Bank of the Republic of Turkey. The interest rate is set on daily basis by taking global and local financial markets conditions into account. The applicable interest rate is 1,25% for the reporting period (announced at 16 June 2017).

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

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

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

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	-	125.370	-	120.227
Swap transactions	-	245.687	-	239.460
Futures transactions	-	-	-	-
Options	-	67	4	120
Other	-	-	-	-
Total	-	371.124	4	359.807

(3) Information on banks and other financial institutions:

Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	10.746	237.790	26.539	21.122
Foreign banks	67.858	2.494.359	169.769	1.443.600
Branches and offices abroad	-	-	-	-
Total	78.604	2.732.149	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	7.233.531	292.128	-	354.898
Total	7.233.531	292.128	-	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	-	1.769.529	4.789.610	728.138
Total	-	1.759.529	4.789.610	728.138

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

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

	Current period	Prior period
Debt securities	16.798.485	15.418.926
<i>Quoted on a stock exchange</i>	16.798.485	15.418.926
<i>Not quoted</i>	-	-
Share certificates	138.976	132.077
<i>Quoted on a stock exchange</i>	104.025	97.377
<i>Not quoted</i>	34.951	34.700
Impairment provision(-)	168.363	561.076
Total	16.769.098	14.989.927

(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	231.612	-	204.282	-
Total	231.612	-	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	142.674.555	2.725.254	-	4.135.554	2.683.690	-
<i>Corporation loans</i>	96.803.617	2.256.927	-	3.679.948	2.560.942	-
<i>Export loans</i>	3.766.462	24.640	-	9.637	-	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	3.270.664	-	-	-	-	-
<i>Consumer loans⁽¹⁾</i>	32.979.364	393.059	-	267.657	29.035	-
<i>Credit cards⁽²⁾</i>	3.685.092	50.628	-	118.652	93.713	-
<i>Other</i>	2.169.356	-	-	59.660	-	-
Specialized lending	29.654.409	7.264	-	269.478	234	-
Other receivables	-	-	-	-	-	-
Accruals	2.306.846	36.911	-	59.636	36.103	-
Total	174.635.810	2.769.429	-	4.464.668	2.720.027	-

⁽¹⁾ Includes TRY 177.352 of personnel loans.

⁽²⁾ Includes TRY 54.260 of 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	2.668.987
Extended by 3,4 or 5 times	37.556	11.675
Extended by more than 5 times	25.975	44.482

⁽¹⁾ Accruals amounting to TRY 36.911 are not included in the table above.

⁽²⁾ Accruals amounting to TRY 36.103 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	297.168
6 Months - 12 Months	122.646	115.738
1-2 Years	333.256	195.753
2-5 Years	1.376.149	1.012.357
5 Years and over	603.299	945.214

⁽¹⁾ Accruals amounting to TRY 36.911 are not included in the table above.

⁽²⁾ Accruals amounting to TRY 36.103 are not included in the table above.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

(5) Information on loans: (continued)

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

	Short-term	Medium and long-term	Total
Consumer loans-TRY	354.909	31.919.986	32.274.895
<i>Real estate loans</i>	8.465	17.505.245	17.513.710
<i>Automobile loans</i>	4.398	224.192	228.590
<i>Consumer loans</i>	342.046	14.190.549	14.532.595
<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	2.755.279	2.504	2.757.783
<i>Installment</i>	1.181.471	-	1.181.471
<i>Non-installment</i>	1.573.808	2.504	1.576.312
Individual credit cards-FC	397	-	397
<i>Installment</i>	-	-	-
<i>Non-installment</i>	397	-	397
Personnel loans-TRY	9.707	167.645	177.352
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	9.707	167.645	177.352
<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	54.201	-	54.201
<i>Installment</i>	21.103	-	21.103
<i>Non-installment</i>	33.098	-	33.098
Personnel credit cards-FC	59	-	59
<i>Installment</i>	-	-	-
<i>Non-installment</i>	59	-	59
Overdraft accounts-TRY (Retail customer)	794.774	-	794.774
Overdraft accounts-FC (Retail customer)	-	-	-
Total	3.969.326	32.090.135	36.059.461

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

I. EXPLANATION 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	739.240	18.646.207	19.385.447
<i>Business residential loans</i>	49	634.539	634.588
<i>Automobile loans</i>	9.087	334.974	344.061
<i>Consumer loans</i>	730.104	17.676.694	18.406.798
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC			
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	12.080	8.101.062	8.113.142
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	12.080	8.101.062	8.113.142
<i>Other</i>	-	-	-
Corporate credit cards-TRY	991.249	-	991.249
<i>Installment</i>	387.955	-	387.955
<i>Non-installment</i>	603.294	-	603.294
Corporate credit cards-FC	55	-	55
<i>Installment</i>	-	-	-
<i>Non-installment</i>	55	-	55
Overdraft accounts-TRY (Commercial customer)	1.028.145	-	1.028.145
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	2.770.769	26.747.269	29.518.038

*Interest and income accruals are not included in table above.

e) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	177.592.115	155.749.275
Foreign loans	1.508.363	1.429.021
Total	179.100.478	157.178.296

f) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	1.191.902	1.078.414
Indirect loans granted to subsidiaries and associates	-	-
Total	1.191.902	1.078.414

g) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	475.730	518.902
Loans and receivables with doubtful collectability	526.580	305.386
Uncollectible loans and receivables	3.378.407	3.139.757
Total	4.380.717	3.964.045

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

I. EXPLANATION 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	43.210	13.264	1.163.059
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	43.210	13.264	1.163.059
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	914.463	437.175	3.788.444
Additions (+)	797.771	11.368	63.059
Transfers from other categories of loans under follow-up (+)	-	838.199	424.738
Transfers to other categories of loans under follow-up (-)	853.739	409.198	-
Collections (-)	87.867	47.294	140.760
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	770.628	830.250	4.135.481
Specific provision (-)	475.730	526.580	3.378.407
Net balance on balance sheet	294.898	303.670	757.074

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	185.167	209.996	1.589.798
Specific provisions(-)	145.171	139.341	1.006.194
Net balance in the balance sheet	39.996	70.655	583.604
Prior period			
Balance at the end of the period	204.204	51.653	1.522.852
Specific provisions(-)	137.119	30.083	1.078.913
Net balance in the balance sheet	67.085	21.570	443.939

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

I. EXPLANATION 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)	294.898	303.670	757.074
Loans to granted real persons and legal entities (Gross)	769.589	829.341	4.065.852
Specific provisions (-)	474.691	525.671	3.308.778
Loans to granted real persons and legal entities (Net)	294.898	303.670	757.074
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1.039	909	69.629
Specific provisions (-)	1.039	909	69.629
Other loans and receivables (Net)	-	-	-
Prior period (Net)	395.561	131.789	648.687
Loans to granted real persons and legal entities (Gross)	913.462	436.534	3.718.059
Specific provisions (-)	517.901	304.745	3.069.372
Loans to granted real persons and legal entities (Net)	395.561	131.789	648.687
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1.001	641	70.385
Specific provisions (-)	1.001	641	70.385
Other loans and receivables (Net)	-	-	-

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

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

The Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

l) Explanations on write-off policy:

In compliance with the "Procedure for Write Off and Procedures for Overdue Receivables for Legal Follow-Up" non-performing loans which become unrecoverable as a result of legal follow up can be written off to prevent additional legal expenses.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

I. EXPLANATION 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	17.424.726	1.049.714	4.419.663	1.048.201
Total	17.424.726	1.049.714	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	109.217	713.139	5.079.533	933.840
Total	109.217	713.139	5.079.533	933.840

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

	Current period	Prior period
Government bonds	20.127.473	18.156.182
Treasury bills	-	-
Other public sector debt securities	-	-
Total	20.127.473	18.156.182

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	20.127.473	18.156.182
<i>Quoted on a stock exchange</i>	20.127.473	18.156.182
<i>Not quoted</i>	-	-
Impairment provision (-)	-	-
Total	20.127.473	18.156.182

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

	Current period	Prior period
Beginning balance	18.156.182	16.676.797
Foreign currency differences on monetary assets	6.529	399.176
Purchases during the year ⁽¹⁾	2.281.532	2.389.499
Disposals through sales and redemptions	(316.770)	(1.309.290)
Impairment provision (-) / provision reversal (+)	-	-
Balance at the end of the period	20.127.473	18.156.182

⁽¹⁾ Interest income accrual difference between 30 June 2017 amounting to TRY 2.546.082 and 31 December 2016 amounting to TRY 1.907.723 has been included in purchases row.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

I. EXPLANATION 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. Demirhalkbank NV	Rotterdam/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 ⁽²⁾	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 sorted 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.	7.516.392	938.944	13.663	110.582	4.049	33.876	12.484	271.087
2.	47.609	47.073	106	1.116	-	(120)	211	-
3.	225.170	147.478	153.855	2.457	-	25.565	9.268	-
4.	80.785	43.157	49.254	584	-	4.167	10.606	-
5.	28.913	4.765	400	183	-	226	(266)	-

⁽¹⁾ The information is presented from companies' financial statements as of 30 June 2017.

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	268.657	227.320
Movements during the period	21.513	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>	21.513	41.337
<i>Provision for impairment (-) / reversals (+)</i>	-	-
Balance at the end of the period	290.170	268.657
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	271.087	249.574
Insurance companies	1.245	1.245
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518
Other non- financial investments	6.320	6.320

e) Associates quoted to a stock exchange:

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

(8) Information on subsidiaries (Net):

a) Information on subsidiaries⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Bank A.D., Skopje	Halk Faktörin g AŞ	Halkbank A.D. 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	129.148	2.136	80.736
Other Comprehensive Income according to TAS	1.894	(568)	(9.100)	1.481	(96)	(35)	371	(10)	7.614
Profit / Loss	25.574	(78.430)	283.146	61.811	78.137	11.534	16.381	32.965	6.103
<i>Net Profit</i>	<i>11.795</i>	<i>14.517</i>	<i>111.203</i>	<i>22.510</i>	<i>44.458</i>	<i>3.713</i>	<i>16.381</i>	<i>16.496</i>	<i>6.103</i>
<i>Prior Period Profit/Loss</i>	<i>13.779</i>	<i>(92.947)</i>	<i>171.943</i>	<i>39.301</i>	<i>33.679</i>	<i>7.821</i>	-	<i>16.469</i>	-
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	750	-	-	-	-	-	-	-	-
Leasehold Improvements (-)	-	-	86	-	-	-	5.746	219	1.779
Intangible Assets (-)	691	3.141	872	216	883	14	3.186	340	1.447
Total Core Capital	120.063	64.865	593.747	958.045	358.154	23.946	296.444	90.032	189.446
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	20.307	-	4.559
CAPITAL	120.063	64.865	593.747	958.045	358.154	23.946	316.751	90.032	194.005
NET AVAILABLE CAPITAL	120.063	64.865	593.747	958.045	358.154	23.946	316.751	90.032	194.005

⁽¹⁾ The information is presented from companies' financial statements as of 30 June 2017.

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

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

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

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

Legal reserves are the status reserves which have been appropriated from distributable profit in accordance with the third clause of first and second paragraph of 466 and 519 articles of Turkish Commercial Code no. 6102.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

(8) Information on subsidiaries (continued)

b) Information on subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,96	99,96
2. Halk Sigorta AŞ ⁽⁴⁾	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 A.D., 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 sorted in (b): ⁽¹⁾

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1	1.949.045	120.063	1.772	41.502	537	11.795	4.815	133.415
2 ⁽⁵⁾	1.572.938	64.865	4.889	50.410	7.797	14.517	(92.504)	368.089
3	1.066.228	593.747	2.047	60.034	17.868	111.203	75.391	920.493
4 ⁽²⁾	1.196.645	958.045	525.268	3.811	-	22.510	22.035	597.011
5	2.736.302	358.154	1.321	90.862	-	44.458	21.947	415.786
6	25.633	23.946	319	1.339	5	3.713	3.171	22.634
7	2.473.605	316.751	52.313	54.141	6.609	16.381	8.105	295.850
8	1.126.151	90.032	1.099	80.519	-	16.496	11.195	95.558
9	41.642	28.264	3.311	456	841	4.184	1.648	41.243
10	1.193.081	194.005	27.586	25.429	3.017	6.103	10.209	98.640

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

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

d) Movement of the subsidiaries:

	Current period	Prior period
Balance at the beginning of the period	2.877.824	2.685.934
Movements during the period	110.895	191.890
<i>Purchase</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>	59.730	20.330
<i>Reversal of provision for impairment (-)</i>	(51.165)	-
Balance at the end of the period	2.988.719	2.877.824
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

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

	Current period	Prior period
Banks	394.490	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	753.060	673.470
Other non-financial subsidiaries	41.243	41.243

f) Subsidiaries quoted in the stock exchange:

	Current period	Prior period
Quoted to domestic stock ^{(1),(2)}	965.100	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:

None.

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

None.

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

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

I. EXPLANATION 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 (-)	1.608	3.213
Transfer	-	-
Impairment Charge/Cancellation (-)	-	-
Ending Balance	-	-
Total Accumulated Depreciation	68.346	66.738
Net Book Value	361.713	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; has been leased and classified as investment.

(15) Information on tax assets:

a) Information on the current tax asset:

As of 30 June 2017, the Bank has no current tax assets. (31 December 2016: None).

b) Information on deferred tax asset:

Please refer to Section 5, explanations related to the liabilities footnote 10.

(16) Information on non-current assets held for sale:

	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)	-	-
Revaluation	-	154
Impairment Charge/Cancellation	-	-
Amortization Charge	-	47
Net Book Value	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 2.911.466 and does not exceed 10% of the balance sheet total (31 December 2016: TRY 1.936.946).

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

II. EXPLANATION AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits:

a) For deposit banks:

a.1. Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.767.621	-	526.971	34.442.434	1.612.791	490.048	551.878	113.179	44.504.922
Foreign currency deposits	8.320.369	-	2.411.077	34.611.334	7.717.758	2.635.660	3.833.249	10.544	59.539.991
<i>Residents in Turkey</i>	6.486.088	-	2.241.316	33.185.194	7.555.097	2.364.092	2.429.237	10.084	54.271.108
<i>Residents abroad</i>	1.834.281	-	169.761	1.426.140	162.661	271.568	1.404.012	460	5.268.883
Public sector deposits	2.439.322	-	2.204.035	3.713.313	975.570	3.869.609	52.825	-	13.254.674
Commercial inst. deposits	4.320.565	-	3.400.216	18.014.970	3.285.194	2.500.657	172.489	-	31.694.091
Other inst. deposits	629.870	-	851.077	1.902.271	829.285	442.178	83.154	-	4.737.835
Precious metals	1.824.655	-	-	-	-	-	-	-	1.824.655
Interbank deposits	5.925.727	-	3.096.378	7.076.244	187.235	25.674	419.382	-	16.730.640
<i>CBRT</i>	1	-	-	-	-	-	-	-	1
<i>Domestic banks</i>	33.608	-	15.170	4.090.649	7.293	4.256	2.124	-	4.153.100
<i>Foreign banks</i>	5.876.278	-	3.081.208	2.985.595	179.942	21.418	417.258	-	12.561.699
<i>Participation banks</i>	15.840	-	-	-	-	-	-	-	15.840
Total	30.228.129	-	12.489.754	99.760.566	14.607.833	9.963.826	5.112.977	123.723	172.286.808

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

II. EXPLANATION 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	24.267.981	23.535.650	20.111.140	16.938.565
Foreign currency saving deposits	8.085.065	6.787.330	17.675.991	14.574.636
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	190.428	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	254.316	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	2.368	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	-	-

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

II. EXPLANATION 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	-	84.538	-	137.422
Swap transactions	-	71.502	-	74.112
Future transactions	-	-	-	-
Options	14	171	59	255
Other	-	-	-	-
Total	14	156.211	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	275.271	1.896.249	254.679	1.875.919
Foreign banks, institutions and funds	186.276	15.227.482	186.276	16.651.230
Total	461.547	17.123.731	440.955	18.527.149

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	281.538	3.453.195	261.008	4.077.162
Medium and long-term	180.009	13.670.536	179.947	14.449.987
Total	461.547	17.123.731	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 25,83% of saving deposits and 34,56% 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 64,92% of bank deposits and 39,45% of other deposits consist of foreign currency deposits.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills ⁽¹⁾	2.687.964	-	1.749.034	-
Bonds ⁽²⁾	-	10.719.789	-	10.684.708
Total	2.687.964	10.719.789	1.749.034	10.684.708

(5) Explanations to the funds:

Funds are granted as loans in conformity with the protocols between the Bank and fund owner ministry or institutions. These funds include funds from the Ministry of Industry and Trade, Treasury Natural Disasters Credit Fund, Under Secretariat of Treasury and Foreign Trade Funds, Turkish Treasury Incentive Certificated SMEs Credit Fund, Housing Development Administration Fund and other funds.

Maturity structure of funds:

Current period		Prior Period	
Short-term	Long-term	Short-term	Long-term
6.962	2.358.444	37.539	2.302.269

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 3.097.156 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	46	39	115	91
Total	46	39	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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

II. EXPLANATION 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	2.154.859	2.027.964
Provisions for first group loans and receivables	1.940.248	1.817.380
<i>Additional provisions for the loans with extended payment plan</i>	-	-
Provisions for second group loans and receivables	88.101	90.675
<i>Additional provisions for the loans with extended payment plan</i>	-	-
Provisions for non cash loans	126.510	119.909
Other	-	-

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

As of 30 June 2017 the Bank's foreign currency indexed loans and finance lease receivables amounting to losses on foreign exchange is TRY 7.585 (31 December 2016: TRY 23).

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

As of 30 June 2017, the Bank's specific provision for unindemnified non-cash loans balance is TRY 121.531 (31 December 2016: TRY 139.279).

d) Information on other provisions:

Total other provision balance amounting to TRY 282.360 (31 December 2016: TRY 309.826) consists of TRY 121.531 (31 December 2016: TRY 139.279) for specific provisions for unindemnified non cash loans, TRY 88.088 (31 December 2016: TRY 90.793) for legal cases filed against the Bank and TRY 72.741 (31 December 2016: TRY 79.754) of other provisions.

e) Liabilities arising from retirement benefits:

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

None.

e.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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

II. EXPLANATION 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 30 June 2017, the Bank's corporate tax payable is amounting to TRY 308.388 and accounted for under corporate tax provision at the related date.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	308.388	41.636
Income on securities tax	267.179	157.120
Property income tax	1.770	1.402
Banking and insurance transactions tax (BITT)	79.462	84.974
Foreign exchange transactions tax	23	48
Value added tax payable	-	-
Other	57.228	24.391
Total	714.050	309.571

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	18	18
Social insurance premiums-employer	22	21
Bank social aid pension fund premium-employee	21.286	7.621
Bank social aid pension fund premium-employer	29.470	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	4.987	1.956
Total	55.783	20.068

b) Deferred tax liability:

	Current period	Prior period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	180.569	183.840
Revaluation of Financial Assets	(416.913)	(376.569)
Other	(100.721)	(93.943)
Deferred Tax Liability:	(337.065)	(286.672)
Deferred tax accounted in shareholders' equity	(22.222)	(454)
Fair value differences for available for sale financial assets	45.110	66.911
Actuarial gains and losses	241	241
Subsidiaries Valuation	-	-
Property Revaluation	(67.573)	(67.606)

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

II. EXPLANATION 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.

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

None.

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

None.

f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The Bank has sustainable profitability structure and equity structure. There are no uncertainties that would impact the current position.

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current period		Prior period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.083.848	214.639	1.004.257	203.841
Valuation differences	1.083.848	214.639	1.004.257	203.841
Exchange rate difference	-	-	-	-
Financial assets available for sale	(198.810)	(186.565)	(297.328)	(428.017)
Valuation differences	(198.810)	(186.565)	(297.328)	(428.017)
Exchange rate difference	-	-	-	-
Total	885.038	28.074	706.929	(224.176)

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current period	Prior period
Commitments for credit card expenditure limits	11.248.687	10.794.813
Payment commitments for cheques	6.119.896	5.805.008
Loan granting commitments	4.051.607	3.551.904
Two days forward foreign exchange buy/sell transactions	902.381	417.450
Commitments for credit cards and banking services promotions	39.708	44.328
Tax and fund liabilities from export commitments	32.895	28.864
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	3.222.252	2.874.314
Total	25.617.426	23.516.681

b) Amount and nature of probable losses and commitments from the off-balance sheet items including the below mentioned:

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current period	Prior period
Bank acceptance loans	4.040.676	4.011.308
Letters of credit	2.166.992	2.825.466
Other guarantees	1.068.112	956.523
Total	7.275.780	7.793.297

b.2. Certain guarantees, tentative guarantees, surety ships and similar transactions:

	Current period	Prior period
Letters of certain guarantees	14.219.735	14.917.475
Letters of advance guarantees	3.425.972	3.430.728
Letters of tentative guarantees	948.428	512.981
Letters of guarantee given to customs offices	924.044	887.159
Other letters of guarantee	24.026.374	20.219.188
Total	43.544.553	39.967.531

c) Total non-cash loans:

	Current period	Prior period
Non-cash loans for providing cash loans	2.311.764	1.920.169
<i>Within one year or less original maturity</i>	<i>411.283</i>	<i>287.627</i>
<i>Within more than one year maturity</i>	<i>1.900.481</i>	<i>1.632.542</i>
Other non-cash loans	48.508.569	45.840.659
Total	50.820.333	47.760.828

d) Information on contingent liabilities and assets:

Bank's commitments due to cheques given to client is TRY 6.119.896 (31 December 2016: TRY 5.805.008).

e) Services supplied on behalf of others:

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

IV. EXPLANATION AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	2.035.987	94.813	1.830.417	78.775
Medium and long term loans	4.824.563	1.452.448	3.787.328	950.826
Interest on non-performing loans	30.813	-	31.610	-
Premiums from resource utilization support fund	-	-	-	-
Total	6.891.363	1.547.261	5.649.355	1.029.601

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

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
CBRT	39.278	34.811	33.422	4.639
Domestic banks	819	3.068	147	276
Overseas banks	5.385	7.227	1.395	967
Head office and branches	-	-	-	-
Total	45.482	45.106	34.964	5.882

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial Assets Held for Trading	352	-	2.097	424
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available-for-Sale Financial Assets	655.650	129.309	376.660	103.775
Held-to-Maturity Investments	1.104.110	67.674	674.623	54.422
Total	1.760.112	196.983	1.053.380	158.621

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	26.062	27.119

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

IV. EXPLANATION 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	15.999	164.761	22.243	142.924
<i>Domestic banks</i>	9.276	11.487	10.182	9.899
<i>Overseas banks</i>	6.723	153.274	12.061	133.025
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	8	6.993	9	8.881
Total	16.007	171.754	22.252	151.805

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	103.443	62.856

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	111.985	260.728	82.211	169.077
Total	111.985	260.728	82.211	169.077

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	183	226.281	150.937	684	381	-	-	378.466
Saving deposits	3	29.133	1.695.688	58.974	17.273	21.885	4.645	1.827.601
Public deposits	53	86.307	121.063	32.571	178.052	1.617	-	419.663
Commercial deposits	22	186.165	809.012	125.432	53.113	4.605	-	1.178.349
Other deposits	-	26.746	78.644	17.566	7.664	4.135	-	134.755
7 days call accounts	-	-	-	-	-	-	-	-
Total	261	554.632	2.855.344	235.227	256.483	32.242	4.645	3.938.834
Foreign currency								
Deposits	23	29.092	514.991	94.018	16.544	28.627	-	683.295
Bank deposits	-	79.229	-	-	-	-	-	79.229
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
Total	23	108.321	514.991	94.018	16.544	28.627	-	762.524
Grand total	284	662.953	3.370.335	329.245	273.027	60.869	4.645	4.701.358

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

IV. EXPLANATION 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	33.349.030	6.978.935
Profit from the capital market operations	18.446	7.424
Profit on derivative financial instruments	664.505	650.483
Foreign exchange gains	32.666.079	6.321.028
Loss (-)	33.246.188	6.941.813
Loss from the capital market operations	182	516
Loss on derivative financial instruments	853.509	1.064.286
Foreign exchange losses	32.392.497	5.877.011

(5) Information on other operating income:

	Current period	Prior period
Adjustments for Prior Period Expenses	212.832	262.692
Receivable from the asset sale on credit terms	45.100	106.679
Rent income	16.496	13.472
Other income	19.766	19.934
Total	294.194	402.777

(6) Impairment losses on loans and other receivables:

	Current period	Prior period
Specific provisions on loans and receivables	586.421	384.600
<i>Group - III loans and receivables</i>	482.361	333.198
<i>Group - IV loans and receivables</i>	55.794	17.295
<i>Group - V loans and receivables</i>	48.266	34.107
General loan provision expenses	126.895	103.343
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	16.968	51.805
Total	730.284	539.748

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

(7) Information on other operating expenses:

	Current period	Prior period
Personnel expenses	951.495	876.269
Reserve for employee termination benefits	58.798	51.958
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	49.066	53.728
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	18.613	13.525
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	737	886
Amortization expenses of assets that will be disposed of	7.312	2.158
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	743.902	561.067
<i>Operational leasing expenses</i>	<i>112.917</i>	<i>102.947</i>
<i>Maintenance expenses</i>	<i>19.812</i>	<i>11.492</i>
<i>Advertisement expenses</i>	<i>80.630</i>	<i>45.812</i>
<i>Other expenses</i>	<i>530.543</i>	<i>400.816</i>
Loss on sales of assets	182	609
Other	303.576	332.471
Total	2.133.681	1.892.671

(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:

As of 30 June 2017, the Bank’s tax provision amounting to TRY 583.100 (30 June 2016: TRY 352.099) consists of TRY 554.475 (30 June 2016: TRY 407.507) of current tax charge and TRY 28.625 of deferred tax charge (30 June 2016: TRY 55.408 of deferred tax income).

(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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

V. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK

(1) Volume of the Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	1.078.414	219.823	-	-	-	-
Closing balance	1.191.902	207.834	-	-	-	-
Interest and commissions income	26.062	436	-	-	-	-

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	27.119	446	-	-	-	-

c) Deposits held by the Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Deposits						
Beginning balance	1.733.533	1.019.114	-	-	-	-
Closing Balance	2.480.881	1.733.533	-	-	-	-
Interest expense on deposits	101.860	61.419	-	-	-	-

d) 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	23.978	-	-	-	-	-
Total Profit/Loss	46	-	-	-	-	-

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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

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

(2) Disclosures for risk group:

a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates. In addition, the Bank is an intermediary for brokerage services of Halk Yatırım Menkul Değerler A.Ş. within scope of "Brokerage Order Contract". Bank intermediates in sales of funds, are established and managed by Halk Portföy Yönetimi AŞ.

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

	Amount	% compared to the amounts in the financial statements
Cash loans	1.191.902	0,67
Non-cash loans	207.834	0,41
Deposits	2.480.881	1,44
Forward and option contracts	23.978	0,09

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 4.723 as of 30 June 2017 (30 June 2016: TRY 4.527).

VI. EXPLANATION AND NOTES RELATED TO THE SUBSEQUENT EVENTS

Coupled with the reconstruction of the Organization Scheme of the Head Office; in line with the new organization structure, it is resolved that the Deputy General Managers Murat OKTAY, Erdal ERDEM, Hasan ÜNAL, Mustafa AYDIN, Ömer Faruk ŞENEL and Salim KÖSE be released from their duties; the Deputy General Manager Mehmet Hakan ATILLA and the Chairman of the Board of Inspectors Ali Ulvi SARGON be taken into the service of General Directorate Order; Hasan TUNCAY, Levend TORUSDAĞ, Mustafa ÇÖDEK, Yusuf Duran OCAK, Ergin KAYA, Hakan ERYILMAZ and Metin KÖSTEK be appointed to fill the vacancies in the Deputy General Manager positions, and Kadir YAYLAK to be the Chairman of the Board of Inspectors by the Board of Directors following the approval of the Banking Regulation and Supervision Agency.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

SECTION VI: LIMITED REVIEW REPORT

I. EXPLANATION ON LIMITED 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 limited review report dated 3 August 2017 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENT AUDITORS

None.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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,

Over the last few years, the global economy has been dominated by political uncertainties and economic recessions; now, however, we are entering a period of recovery. As the world restores confidence in markets, the World Bank has projected a global growth rate of 2,7 percent in its Global Economic Prospects report. According to World Bank, the developed economies will grow by 1,9 percent in 2017, while the largest seven EMDEs (Brazil, China, India, Indonesia, Mexico, the Russian Federation, and Turkey) will play a crucial role in the global recovery.

These seven countries closely monitor the monetary policies of the developed countries. Economic strategies of the institutions shaping the monetary expansion program have become increasingly important for global funding, mainly that of the Fed. The Fed raised interest rates in June, and is likely to do so once again in the coming period. On the other hand, the eurozone continues to increase the money supply by purchasing assets, and to reduce interest rates, overall creating a limited economic recovery.

The economic implications of the political crisis among the Gulf countries remain a matter of concern. How long the Gulf rift will last is uncertain, which in return, threatens international trade and feeds a downward trend in oil prices.

On the contrary, the stable Turkish economy provides a safe harbor thanks to a vigorous management approach and the development plan shaped by the 2023 vision. In the short and medium term, we expect the Turkish economy to advance further. In the first half of the year, the Turkish economy has grown by 5 percent, the Istanbul Stock Exchange has approached a record high, and our exporters have increasingly performed well.

In this same period, the private sector focused on industrial investments, and incentives that boost exports have become more crucial. These developments have increased the banking industry's responsibilities even further. At the same time, to facilitate financing for SMEs and exporters, a loan guarantee mechanism worth 250 billion Turkish lira was introduced through an agreement between the Undersecretariat of the Treasury and the Credit Guarantee Fund (CGF), stimulating strong growth. Halkbank is a founding partner of CGF, which significantly removed the burden on the private sector, especially on SMEs, and facilitated access to financing by providing necessary guarantees. We believe that the CGF loans have allowed SMEs to quickly perform their commercial transactions, thus considerably stimulating the economy. We support a productive Turkey, and will keep supporting SMEs in need of financing with our CGF guarantees.

In addition to SMEs banking, Halkbank is a strong brand in all of its other operations. We will continue to offer advantages to our customers, while significantly contributing to the Turkish economy. We will adopt appropriate measures for increasing our shareholders' equity, and continue to use our funds to support the private sector.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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,

We left behind critical turning points, and now there is a long, clear road ahead of us. From now on, there's no obstacle that can keep us from reaching our goals. Turkey is growing. Rapidly and safely. What guides us along the path is the aim of transforming Turkey into a country that maintains strong industrial output and enjoys competitive advantage in international markets.

This is a path where every single second counts, and speed and quality mean everything. Turkey has only one true companion on this journey: Halkbank. Our brand continues to grow with our energetic employees, a management approach based on modern banking principles and our investors who contribute greatly to our strength. As we strive to achieve our mission of being the biggest supporter of SMEs, we would like to thank all of our shareholders who have placed their trust in us.

Best Regards,

R. Süleyman ÖZDİL
Chairman

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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,

Macroeconomic indicators have presented that the Turkish economy has remained vibrant over the first half of 2017. Turkey exceeded expectations with 5-percent growth by the end of the first quarter and the Industrial Production Index shows that the manufacturing sector is moving full steam ahead. According to calendar-adjusted data, Turkish industrial production expanded by 6,7 percent in April compared to a year earlier, its fastest pace in the last 20 months.

We made a strong start to the second half of the year thanks to an increase in manufacturing output. Furthermore, we have sustained our growth in exports, which has been rising steadily over the last eight months. The export boom has substantially contributed to the country's economic growth and has provided positive momentum for the private sector, especially for SMEs.

The number of export companies exceeded 100.000. Furthermore, the SMEs, accounting for almost 85 percent of total employment, continued strong investments. Having removed the collateral obstacle to facilitate SMEs' access to financing, the Credit Guarantee Fund (CGF) has had a favorable impact on the economy in the first half of the year, as the number of enterprises benefiting from CGF amounted to 285.500 and the loan volume exceeded 160 billion Turkish lira. Halkbank, the biggest supporter of producers, exporters and employers, continued to be a strong business partner for SMEs in their access to CGF guarantees.

All of Halkbank's banking products, especially those focusing on artisans and SME banking, have received a great deal of attention from our customers. The trust our customers place in us and their appreciation for our services are reflected in our financial results. At the end of the second quarter, Halkbank increased its shareholders' equity by 11,7 percent compared to the year-end 2016, and generated 2,228 million Turkish lira in net profit, outperforming the same period last year. We reported total loans, including cash and non-cash loans, of 231,3 billion Turkish lira at the end of the second quarter of 2017. As a result, Halkbank's balance sheet reached 264,8 billion Turkish lira with a 14,4 percent increase compared to the year-end 2016.

Our bank's commercial loan volume, which includes SME loans, grew 14 percent, reaching 144,2 billion Turkish lira by the end of June. The value of our total cash loans increased to 180,5 billion Turkish lira, up 14 percent. Our loans to cooperatives were worth 21,9 billion Turkish lira. By focusing on customer satisfaction and developing customized services in all areas, our operations in retail banking were successful for the first six months of this year. By the end of June, our retail loans were valued at 36.3 billion Turkish lira, and the number of Paraf holders hit 3,9 million. In the same time frame, our POS installations increased to 332.000, while member businesses increased to 310.000.

Esteemed stakeholders,

It's our job to strive towards building a stronger Turkey and to balance the economy by adopting a strong position despite the occasional difficulties. Markets depend upon stability, trust and cooperation, and we have successfully proved our merits in these fields. While we have provided funding to the real economy with our long experience in banking, we have also added value to social life by achieving phenomenal successes.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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(continued)

We are pleased with the great deal of attention received by our SME Development Platform, which we have launched to provide online services to SMEs, at www.halkbankkobigelisim.com.tr. We will transform this continuously expanding database into a practical guideline, offering reliable content that SMEs need.

In the upcoming period, our bank will lend more support to the real economy, with a special focus on SMEs, artisans and craftsmen, in order to increase both production and employment.

More great news came from our Men's Volleyball Team. Halkbank's Men's Volleyball Team won the Efeler League for the second year in a row, making us very proud. Halkbank aspires to be the leader in all activities it engages in. Therefore, we are strongly motivated by our sports team's diligence, which, in return, reflects ours.

Halkbank held a beautiful event when schools were on holiday in June. With the cooperation of Prof. Dr. Hüsametdin Koçan, an international award-winning artist, we organized a Children's Painting Competition for the children of bank employees. At the end of the competition, for which we received over a hundred applications, we hosted the top-ranking children and their families at our painting workshops in Cappadocia. To instill a love for the arts in our children, we hope to make this competition an annual event.

We are proud to be the first Turkish bank to set up an ISO 50001 Energy Management System in 2017. In the second quarter, it won the Low Carbon Hero Award. This award proves once again that the public appreciates our corporate culture and values. We are also determined to enhance the financing of investments that help protect the environment and that will help prevent climate change.

These projects, in which we take great pride, are the fruits of our teamwork. As we prepare to celebrate our 80th year, we know that our biggest achievement is the satisfaction our stakeholders, customers and employees take by being a member of Halkbank. We will work ceaselessly to make the name "Halkbank" synonymous with success, and continue to make our country proud as we have consistently done since 1938.

Best regards,
Osman Arslan
General Manager

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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)			
	June 2017	December 2016	Change (%)
Total Assets	264.808	231.441	14,4
Loans	180.456	158.354	14,0
<i>TRY</i>	<i>122.606</i>	<i>103.502</i>	<i>18,5</i>
<i>FC</i>	<i>57.850</i>	<i>54.852</i>	<i>5,5</i>
Marketable Securities	36.941	33.216	11,2
Deposit	172.287	150.263	14,7
<i>TRY</i>	<i>100.061</i>	<i>88.217</i>	<i>13,4</i>
<i>FC</i>	<i>72.226</i>	<i>62.046</i>	<i>16,4</i>
Total Equity	23.821	21.317	11,7

Summary Income Statement (Million TRY)			
	June 2017	June 2016	Change (%)
Interes Income	10.573	7.966	32,7
<i>On Loan</i>	<i>8.439</i>	<i>6.679</i>	<i>26,3</i>
<i>On Securities</i>	<i>1.957</i>	<i>1.212</i>	<i>61,5</i>
Interest Expense	6.363	4.868	30,7
<i>On Deposit</i>	<i>4.701</i>	<i>4.005</i>	<i>17,4</i>
Net Interest Income	4.210	3.098	35,9
Net Fee and Commission	1.046	616	69,7
Operating Income	5.675	4.350	30,5
Profit Before Tax	2.811	1.918	46,6
Net Profit	2.228	1.566	42,3

Ratio (%)	June 2017	December 2016
Interst Bearing Assets /Total Assets	82,3	82,5
Loans/Total Asset	68,1	68,4
Non-Performing Loans/Total Loans (Gross)	3,1	3,2
Demand Deposit/Total Deposit	17,5	19,2
Loan/Deposit Ratio	104,7	105,4
Average Return on Asset (ROA)	1,8	1,2
Average Return on Equity (ROE)	19,9	12,6
Capital Adequacy Ratio	14,02	13,08

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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

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)

2017 Second quarter Interim Developments

Important Developments

- Our Bank has issued bonds with a par value of 1.2 billion Turkish lira to qualified investors on April 6, 2017, April 27, 2017, May 8, 2017, May 17, 2017, and June 21, 2017.
- Additionally, after book building that took place on May 2–4, 2017, our Bank issued bonds with a par value of 750 million Turkish lira and a maturity of 175 days. The total subscription from the public offering amounted to a par value of 850 million Turkish lira. At the end of the book building, domestic individual investors were allocated bonds with a total par value of 762,522,006 Turkish lira, and domestic institutional investors were allocated a nominal par of 87,477,994 Turkish lira. The simple and compound interest rates for the bonds were 12,02 and 12,40 percent, respectively. Accordingly, the sale price of a bank bond with a par value of 1 Turkish lira was determined to be 0,94550 Turkish lira.

New Products and Campaigns

- To commemorate the bank's 79th anniversary, we organized a "Public Day" to offer loans with low interest rates and allocation fees to meet the cash needs of our customers.
- In recognition of the National Police Week, which is observed every year during the week of April 10, we held a consumer loan campaign aimed at all law enforcement officers.
- "The Time Deposit Spring Campaign" was organized to increase our time deposits, expand our total deposit base and attract new customers.

Social Responsibility Projects

- Our Bank is to support the Turkish Exporters' Assembly in organizing Common Mind Meetings, which will feature 10 sectors.
- Halkbank sponsors the meetings covering all kinds of field research and literature review concerning artisans and craftsmen in related sectors, with the cooperation of the Turkish Ministry of Customs and Trade.
- Our Bank also sponsored Bonds & Loans held in Dubai, U.A.E., the world's only international capital markets conference.
- We were, for the eighth time, the main sponsor of the 28th Ankara International Film Festival that took place between April 20-30, 2017.
- In addition, Halkbank provided support for the 4th Istanbul Carbon Summit organized by the International Emissions Trading Association (I.e.t.a.) on April 26, 2017.
- As in last year, this year we were the main sponsor of the Atlantic Council Energy and Economy Summit that took place on April 27-28, 2017. The summit participants discussed and debated economic and energy policies of the Middle East, the Balkans and Europe.
- The 2nd World Conference on Technology, Innovation and Entrepreneurship organized by Istanbul University on May 12-14, 2017 was yet another event that our bank supported as the main sponsor.