

*(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 Nine-Month Period Ended 30 September 2017  
With Auditors' Limited Review Report Thereon**  
*(Convenience Translation of Unconsolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

3 November 2017

*This report contains "Limited Review Report"  
comprising 2 pages and; "Unconsolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 86 pages.*

**REPORT ON REVIEW OF CONSOLIDATED 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 September 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 nine-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 September 2017, and of the results of its operations and its unconsolidated cash flows for the nine-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 nine-month period then ended 30 September 2016 were audited and reviewed by another auditor who expressed an unqualified opinion and nothing has come to their attention that causes to believe the unconsolidated interim financial information does not present fairly in accordance with TAS 34 on 13 February 2017 and 31 October 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

Istanbul, 3 November 2017

**TÜRKİYE HALK BANKASI AŞ**  
**THE UNCONSOLIDATED FINANCIAL REPORT**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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](http://www.halkbank.com.tr)  
E-mail Address: halkbank.ir@halkbank.com.tr

The unconsolidated nine-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
- **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 nine-month period ended 30 September 2017 are prepared in **thousand Turkish Lira** and they have been independently audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Istanbul, 3 November 2017

R. Süleyman Özdil	Sadık Tıltak	Yahya Bayraktar	Osman Arslan	Yusuf Duran Ocak	İbrahim Okan Çağlar
<i>Chairman of the Board of Directors</i>	<i>Vice Chairman of the Board of Directors, Chairman of the Audit Committee</i>	<i>Member of the Board of Directors, Member of the Audit Committee</i>	<i>Member of the Board of Directors, Chief Executive Officer</i>	<i>Financial Management and Planning Vice Chief Executive Officer</i>	<i>Budget and Reporting Department Head</i>

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

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

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

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

**SECTION I: GENERAL INFORMATION ABOUT THE BANK**

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

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

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

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

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

<b>Shareholders</b>	<b>30 September 2017</b>	<b>%</b>	<b>31 December 2016</b>	<b>%</b>
Türkiye Varlık Fonu <sup>(1,2)</sup>	638.276	51,06	-	-
Prime Ministry Privatization Administration	-	-	638.276	51,06
Public shares <sup>(2)</sup>	611.640	48,93	611.639	48,93
Other shareholders <sup>(3)</sup>	84	0,01	85	0,01
<b>Total</b>	<b>1.250.000</b>	<b>100,00</b>	<b>1.250.000</b>	<b>100,00</b>

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

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

<sup>(3)</sup> 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 <sup>(1)</sup>**

<b>Name</b>	<b>Title</b>
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, Human Resources and Support Management
Mehmet Akif AYDEMİR	Executive Vice President, Loan Allocation and Management
Mehmet Sebahattin BULUT	Executive Vice President, Loan Policies, Risk Monitoring, and Legal
Levend TORUSDAĞ	Executive Vice President, SME and Artisans Banking
Ergin KAYA	Executive Vice President, Banking Operations and Information Technology
Hakan ERYILMAZ	Executive Vice President, Treasury Management and International Banking
Mustafa ÇÖDEK	Executive Vice President, Retail Banking
Yusuf Duran OCAK	Executive Vice President, Financial Management and Planning
Hasan TUNCAY	Executive Vice President, Corporate and Commercial Marketing
Metin KÖSTEK	Executive Vice President, Internal Systems

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



**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 2017 are listed with titles and dates of assignment.

<b>Name</b>	<b>Title</b>	<b>Assigned Date</b>
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer	8 June 2017
Mehmet Nihat ÖMEROĞLU	Member of the Board of Directors	8 June 2017
Maksut SERİM	Member of the Board of Directors	8 June 2017
Meltem TAYLAN AYDIN	Member of the Board of Directors	8 June 2017
Yılmaz ÇOLAK	Member of the Audit Committee	8 June 2017
Levend TORUSDAĞ	Executive Vice President	4 August 2017
Ergin KAYA	Executive Vice President	4 August 2017
Hakan ERYILMAZ	Executive Vice President	4 August 2017
Mustafa ÇÖDEK	Executive Vice President	4 August 2017
Yusuf Duran OCAK	Executive Vice President	4 August 2017
Hasan TUNCAY	Executive Vice President	4 August 2017
Metin KÖSTEK	Executive Vice President	4 August 2017

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

<b>Name</b>	<b>Title</b>	<b>Date of Leaving</b>
Mehmet Ali GÖKCE	Member of the Board of Directors	23 January 2017
Ali Fuat TAŞKESENLIOĞLU	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
Erdal ERDEM	Executive Vice President	21 July 2017
Salim KÖSE	Executive Vice President	21 July 2017
Ömer Faruk ŞENEL	Executive Vice President	21 July 2017
Mustafa AYDIN	Executive Vice President	21 July 2017
Murat OKTAY	Executive Vice President	21 July 2017
Hasan ÜNAL	Executive Vice President	21 July 2017

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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. 13<sup>th</sup> 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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-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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 SEPTEMBER 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 September 2017			31 December 2016		
		TRY	FC	Total	TRY	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	<b>3.104.729</b>	<b>31.453.772</b>	<b>34.558.501</b>	<b>3.534.232</b>	<b>26.464.928</b>	<b>29.999.160</b>
<b>II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)</b>	(2)	<b>12.759</b>	<b>389.198</b>	<b>401.957</b>	<b>70.105</b>	<b>359.993</b>	<b>430.098</b>
2.1 Trading financial assets		12.759	389.198	401.957	70.105	359.993	430.098
2.1.1 Public sector debt securities		2.394	-	2.394	62.177	-	62.177
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Financial assets held for trading		1	389.001	389.002	4	359.807	359.811
2.1.4 Other marketable securities		10.364	197	10.561	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		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	<b>96.018</b>	<b>3.888.924</b>	<b>3.984.942</b>	<b>196.308</b>	<b>1.464.722</b>	<b>1.661.030</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange Money Market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	<b>11.654.419</b>	<b>5.538.166</b>	<b>17.192.585</b>	<b>10.770.662</b>	<b>4.219.265</b>	<b>14.989.927</b>
5.1 Share certificates		73.526	44.687	118.213	66.434	34.160	100.594
5.2 Public sector debt securities		11.580.893	5.493.479	17.074.372	10.704.228	4.185.105	14.889.333
5.3 Other marketable securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	(5)	<b>134.853.608</b>	<b>59.318.942</b>	<b>194.172.550</b>	<b>103.502.394</b>	<b>54.851.939</b>	<b>158.354.333</b>
6.1 Loans and receivables		133.434.255	59.318.942	192.753.197	102.326.357	54.851.939	157.178.296
6.1.1 Loans extended to risk group of the Bank		145.699	898.379	1.044.078	250.131	828.283	1.078.414
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		133.288.556	58.420.563	191.709.119	102.076.226	54.023.656	156.099.882
6.2 Loans under follow-up		5.943.543	-	5.943.543	5.140.082	-	5.140.082
6.3 Specific provisions (-)		4.524.190	-	4.524.190	3.964.045	-	3.964.045
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	(6)	<b>18.668.651</b>	<b>2.320.553</b>	<b>20.989.204</b>	<b>15.823.514</b>	<b>2.332.668</b>	<b>18.156.182</b>
8.1 Public sector debt securities		18.668.651	2.320.553	20.989.204	15.823.514	2.332.668	18.156.182
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	<b>19.083</b>	<b>280.604</b>	<b>299.687</b>	<b>19.083</b>	<b>249.574</b>	<b>268.657</b>
9.1 Accounted under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		19.083	280.604	299.687	19.083	249.574	268.657
9.2.1 Financial investments		12.763	280.604	293.367	12.763	249.574	262.337
9.2.2 Non-financial investments		6.320	-	6.320	6.320	-	6.320
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	<b>2.581.492</b>	<b>414.686</b>	<b>2.996.178</b>	<b>2.514.639</b>	<b>363.185</b>	<b>2.877.824</b>
10.1 Unconsolidated financial subsidiaries		2.540.249	414.686	2.954.935	2.473.396	363.185	2.836.581
10.2 Unconsolidated non-financial subsidiaries		41.243	-	41.243	41.243	-	41.243
<b>XI. JOINT VENTURES (Net)</b>	(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		-	-	-	-	-	-
<b>XII. FINANCE LEASE RECEIVABLES (Net)</b>	(10)	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT</b>	(11)	-	-	-	-	-	-
13.1 Fair value risk hedging		-	-	-	-	-	-
13.2 Cash flow risk hedging		-	-	-	-	-	-
13.3 Net foreign investment risk hedging		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(12)	<b>2.333.833</b>	<b>104</b>	<b>2.333.937</b>	<b>2.313.905</b>	<b>102</b>	<b>2.314.007</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	<b>96.958</b>	-	<b>96.958</b>	<b>88.593</b>	-	<b>88.593</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		96.958	-	96.958	88.593	-	88.593
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	(14)	<b>360.909</b>	-	<b>360.909</b>	<b>363.321</b>	-	<b>363.321</b>
<b>XVII. TAX ASSET</b>	(15)	-	-	-	-	-	-
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		-	-	-	-	-	-
<b>XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(16)	<b>740</b>	-	<b>740</b>	<b>740</b>	-	<b>740</b>
18.1 Held for sale purpose		740	-	740	740	-	740
18.2 Held from discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	<b>2.047.818</b>	<b>290.520</b>	<b>2.338.338</b>	<b>1.517.081</b>	<b>419.865</b>	<b>1.936.946</b>
<b>TOTAL ASSETS</b>		<b>175.831.017</b>	<b>103.895.469</b>	<b>279.726.486</b>	<b>140.714.577</b>	<b>90.726.241</b>	<b>231.440.818</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 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 September 2017			31 December 2016		
LIABILITIES AND SHAREHOLDERS' EQUITY		TRY	FC	Total	TRY	FC	Total
<b>I. DEPOSITS</b>	(1)	<b>105.828.937</b>	<b>80.125.409</b>	<b>185.954.346</b>	<b>88.217.130</b>	<b>62.045.709</b>	<b>150.262.839</b>
1.1 Deposits Held by the Risk Group of the Bank		2.370.196	363.332	2.733.528	1.676.769	56.764	1.733.533
1.2 Other		103.458.741	79.762.077	183.220.818	86.540.361	61.988.945	148.529.306
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	<b>11</b>	<b>183.063</b>	<b>183.074</b>	<b>59</b>	<b>211.789</b>	<b>211.848</b>
<b>III. FUNDS BORROWED</b>	(3)	<b>448.794</b>	<b>14.925.101</b>	<b>15.373.895</b>	<b>440.955</b>	<b>18.527.149</b>	<b>18.968.104</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>27.032.138</b>	<b>4.364.573</b>	<b>31.396.711</b>	<b>16.473.192</b>	<b>1.373.871</b>	<b>17.847.063</b>
4.1 Interbank money market borrowings		26.918.157	-	26.918.157	7.003.306	-	7.003.306
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds from repurchase agreements		113.981	4.364.573	4.478.554	9.469.886	1.373.871	10.843.757
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	(4)	<b>3.001.202</b>	<b>7.975.931</b>	<b>10.977.133</b>	<b>1.749.034</b>	<b>10.684.708</b>	<b>12.433.742</b>
5.1 Treasury bills		3.001.202	-	3.001.202	1.749.034	-	1.749.034
5.2 Asset-backed securities		-	-	-	-	-	-
5.3 Bonds		-	7.975.931	7.975.931	-	10.684.708	10.684.708
<b>VI. FUNDS</b>	(5)	<b>2.464.406</b>	<b>-</b>	<b>2.464.406</b>	<b>2.339.808</b>	<b>-</b>	<b>2.339.808</b>
6.1 Borrower Funds		1.078	-	1.078	36.600	-	36.600
6.2 Other		2.463.328	-	2.463.328	2.303.208	-	2.303.208
<b>VII. SUNDRY CREDITORS</b>		<b>3.098.744</b>	<b>112.875</b>	<b>3.211.619</b>	<b>2.621.256</b>	<b>79.420</b>	<b>2.700.676</b>
<b>VIII. OTHER LIABILITIES</b>	(6)	<b>1.117.090</b>	<b>405.508</b>	<b>1.522.598</b>	<b>1.289.999</b>	<b>401.861</b>	<b>1.691.860</b>
<b>IX. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. FINANCE LEASE PAYABLES</b>	(7)	<b>21</b>	<b>-</b>	<b>21</b>	<b>99</b>	<b>-</b>	<b>99</b>
10.1 Finance lease payables		25	-	25	123	-	123
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		4	-	4	24	-	24
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>	(8)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Fair value risk hedging		-	-	-	-	-	-
11.2 Cash flow risk hedging		-	-	-	-	-	-
11.3 Net foreign investment risk hedging		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(9)	<b>3.301.049</b>	<b>5.240</b>	<b>3.306.289</b>	<b>3.046.236</b>	<b>5.286</b>	<b>3.051.522</b>
12.1 General loan provisions		2.222.538	-	2.222.538	2.027.964	-	2.027.964
12.2 Restructuring provisions		-	-	-	-	-	-
12.3 Employee benefits provisions		769.333	-	769.333	713.732	-	713.732
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		309.178	5.240	314.418	304.540	5.286	309.826
<b>XIII. TAX LIABILITY</b>	(10)	<b>1.053.810</b>	<b>46</b>	<b>1.053.856</b>	<b>616.298</b>	<b>13</b>	<b>616.311</b>
13.1 Current tax liability		703.065	46	703.111	329.626	13	329.639
13.2 Deferred tax liability		350.745	-	350.745	286.672	-	286.672
<b>XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(11)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Held for sale purpose		-	-	-	-	-	-
14.2 Held from discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED CAPITAL</b>	(12)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(13)	<b>24.243.802</b>	<b>38.736</b>	<b>24.282.538</b>	<b>21.541.122</b>	<b>(224.176)</b>	<b>21.316.946</b>
16.1 Paid-in capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
16.2 Capital reserves		3.047.592	38.736	3.086.328	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		577.731	38.736	616.467	706.929	(224.176)	482.753
16.2.4 Tangible assets revaluation reserves		1.260.261	-	1.260.261	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		1.200.889	-	1.200.889	1.099.026	-	1.099.026
16.3 Profit reserves		16.936.107	-	16.936.107	14.633.669	-	14.633.669
16.3.1 Legal reserves		1.645.649	-	1.645.649	1.482.358	-	1.482.358
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		15.243.277	-	15.243.277	13.104.130	-	13.104.130
16.3.4 Other profit reserves		47.181	-	47.181	47.181	-	47.181
16.4 Profit/Loss		3.010.103	-	3.010.103	2.558.265	-	2.558.265
16.4.1 Prior years income/loss		-	-	-	-	-	-
16.4.2 Period profit/loss		3.010.103	-	3.010.103	2.558.265	-	2.558.265
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>171.590.004</b>	<b>108.136.482</b>	<b>279.726.486</b>	<b>138.335.188</b>	<b>93.105.630</b>	<b>231.440.818</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AS OF 30 SEPTEMBER 2017**

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

**II. STATEMENT OF OFF-BALANCE SHEET ITEMS**

	Note	Reviewed			Audited		
		Current period			Prior period		
		30 September 2017			31 December 2016		
OFF BALANCE SHEET		TRY	FC	Total	TRY	FC	Total
<b>A. COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>55.948.728</b>	<b>60.316.213</b>	<b>116.264.941</b>	<b>45.771.117</b>	<b>50.441.206</b>	<b>96.212.323</b>
<b>I. GUARANTEES AND SURETYSHIPS</b>	<b>(1)</b>	<b>25.325.921</b>	<b>28.672.847</b>	<b>53.998.768</b>	<b>21.073.620</b>	<b>26.687.208</b>	<b>47.760.828</b>
1.1 Letters of guarantee		24.319.112	21.607.001	45.926.113	20.268.441	19.699.090	39.967.531
1.1.1 Guarantees subject to public procurement law		1.110.994	10.910.169	12.021.163	1.049.993	11.366.716	12.416.709
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		23.208.118	10.696.832	33.904.950	19.218.448	8.332.374	27.550.822
1.2 Bank loans		21.008	2.591.173	2.612.181	12.876	2.812.590	2.825.466
1.2.1 Import acceptances		602	144.497	145.099	-	320.953	320.953
1.2.2 Other bank acceptances		20.406	2.446.676	2.467.082	12.876	2.491.637	2.504.513
1.3 Letters of credit		32.410	4.313.879	4.346.289	18.091	3.993.217	4.011.308
1.3.1 Documentary letters of credit		32.410	4.313.879	4.346.289	18.091	3.993.217	4.011.308
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed prefinancings		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		953.391	160.794	1.114.185	774.212	182.311	956.523
1.9 Other surety ships		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>25.356.266</b>	<b>1.412.468</b>	<b>26.768.734</b>	<b>22.842.226</b>	<b>674.455</b>	<b>23.516.681</b>
2.1 Irrevocable commitments		25.356.266	1.412.468	26.768.734	22.842.226	674.455	23.516.681
2.1.1 Forward asset purchase commitments		140.855	996.758	1.137.613	112.735	304.715	417.450
2.1.2 Forward deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		3.944.085	415.710	4.359.795	3.182.164	369.740	3.551.904
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for cheques		6.330.886	-	6.330.886	5.805.008	-	5.805.008
2.1.8 Tax and fund liabilities from export commitments		34.149	-	34.149	28.864	-	28.864
2.1.9 Commitments for credit card expenditure limits		11.386.929	-	11.386.929	10.794.813	-	10.794.813
2.1.10 Commitments for credit cards and banking services promotions		36.972	-	36.972	44.328	-	44.328
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		3.482.390	-	3.482.390	2.874.314	-	2.874.314
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>5.266.541</b>	<b>30.230.898</b>	<b>35.497.439</b>	<b>1.855.271</b>	<b>23.079.543</b>	<b>24.934.814</b>
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		5.266.541	30.230.898	35.497.439	1.855.271	23.079.543	24.934.814
3.2.1 Forward foreign currency buy/sell transactions		2.001.088	8.697.729	10.698.817	1.162.609	5.842.371	7.004.980
3.2.1.1 Forward foreign currency transactions-buy		1.000.977	5.806.629	6.807.606	564.492	3.958.120	4.522.612
3.2.1.2 Forward foreign currency transactions-sell		1.000.111	2.891.100	3.891.211	598.117	1.884.251	2.482.368
3.2.2 Currency and interest rate swaps		2.033.726	14.654.851	16.688.577	433.093	14.634.799	15.067.892
3.2.2.1 Currency swap-buy		-	3.344.483	3.344.483	-	2.707.908	2.707.908
3.2.2.2 Currency swap-sell		2.033.726	1.233.553	3.267.279	433.093	2.182.361	2.615.454
3.2.2.3 Interest rate swap-buy		-	5.038.407	5.038.407	-	4.872.265	4.872.265
3.2.2.4 Interest Rate swap-sell		-	5.038.408	5.038.408	-	4.872.265	4.872.265
3.2.3 Currency, interest rate and marketable securities options		1.231.727	1.688.736	2.920.463	259.569	420.684	680.253
3.2.3.1 Currency call options		615.863	844.367	1.460.230	129.783	210.341	340.124
3.2.3.2 Currency put options		615.864	844.369	1.460.233	129.786	210.343	340.129
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	5.189.582	5.189.582	-	2.181.689	2.181.689
<b>B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>		<b>783.141.801</b>	<b>183.832.718</b>	<b>966.974.519</b>	<b>660.197.757</b>	<b>154.850.365</b>	<b>815.048.122</b>
<b>IV. CUSTODIES</b>		<b>373.879.824</b>	<b>27.870.633</b>	<b>401.750.457</b>	<b>342.844.925</b>	<b>23.694.435</b>	<b>366.539.360</b>
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		170.874.812	662.723	171.537.535	166.136.992	728.810	166.865.802
4.3 Cheques in collection process		13.865.696	20.454.868	34.320.564	12.428.736	17.253.652	29.682.388
4.4 Commercial notes in collection process		180.827.581	465.369	181.292.950	137.515.100	517.259	138.032.359
4.5 Other assets in collection process		2	-	2	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		4.165.402	112.456	4.277.858	3.485.883	98.721	3.584.604
4.8 Custodians		4.146.331	6.175.217	10.321.548	23.278.214	5.095.993	28.374.207
<b>V. PLEDGED ASSETS</b>		<b>409.261.977</b>	<b>155.962.085</b>	<b>565.224.062</b>	<b>317.352.832</b>	<b>131.155.930</b>	<b>448.508.762</b>
5.1 Marketable securities		4.357.603	488.768	4.846.371	4.037.694	473.880	4.511.574
5.2 Collateral notes		6.787.389	697.967	7.485.356	7.292.482	820.012	8.112.494
5.3 Commodity		25.812	-	25.812	-	-	25.813
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		308.296.325	131.383.649	439.679.974	259.321.832	116.459.706	375.781.538
5.6 Other pledged assets		63.413.742	22.167.534	85.581.276	42.614.826	12.035.647	54.650.473
5.7 Pledges		26.381.106	1.224.167	27.605.273	4.060.185	1.366.685	5.426.870
<b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>839.090.529</b>	<b>244.148.931</b>	<b>1.083.239.460</b>	<b>705.968.874</b>	<b>205.291.571</b>	<b>911.260.445</b>

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



**TÜRKİYE HALK BANKASI AŞ**  
**UNCONSOLIDATED STATEMENT OF INCOME AS OF 30 SEPTEMBER 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 September 2017	1 January- 30 September 2016	1 July- 30 September 2017	1 July- 30 September 2016
INCOME AND EXPENSES		Note				
<b>I.</b>	<b>INTEREST INCOME</b>	(1)	<b>16,349.805</b>	<b>12,307.018</b>	<b>5,776.770</b>	<b>4,340.941</b>
1.1	Interest on loans		13.422.794	10.318.677	4.984.170	3.639.721
1.2	Interest received from reserve deposits		91.064	44.785	39.334	14.913
1.3	Interest received from banks		149.849	59.323	59.261	18.477
1.4	Interest received from money market placements		23.079	18	-	18
1.5	Interest income on marketable securities		2.648.517	1.876.066	691.422	664.065
1.5.1	Financial assets held for trading		573	4.031	221	1.510
1.5.2	Financial assets at fair value through profit and loss		-	-	-	-
1.5.3	Financial assets available-for-sale		1.109.572	753.162	324.613	272.727
1.5.4	Investments held-to-maturity		1.538.372	1.118.873	366.588	389.828
1.6	Finance lease income		-	-	-	-
1.7	Other interest income		14.502	8.149	2.583	3.747
<b>II.</b>	<b>INTEREST EXPENSE</b>	(2)	<b>10,586.846</b>	<b>7,328.268</b>	<b>4,223.362</b>	<b>2,459.872</b>
2.1	Interest on deposits		7.840.734	6.026.631	3.139.376	2.021.194
2.2	Interest on borrowings		269.090	267.087	81.329	93.030
2.3	Interest on money market borrowings		1.826.593	565.951	789.544	174.691
2.4	Interest on bonds issued		561.403	400.309	188.690	149.021
2.5	Other interest expense		89.026	68.290	24.423	21.936
<b>III.</b>	<b>NET INTEREST INCOME [ I – II ]</b>		<b>5,762.959</b>	<b>4,978.750</b>	<b>1,553.408</b>	<b>1,881.069</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>1,559.448</b>	<b>960.770</b>	<b>513.196</b>	<b>344.314</b>
4.1	Fees and commissions income		1.882.420	1.239.153	630.097	444.495
4.1.1	Non-cash loans		288.112	212.215	102.362	74.598
4.1.2	Other		1.594.308	1.026.938	527.735	369.897
4.2	Fees and commissions expenses		322.972	278.383	116.901	100.181
4.2.1	Non-cash loans		33	35	5	4
4.2.2	Other		322.939	278.348	116.896	100.177
<b>V.</b>	<b>DIVIDEND INCOME</b>	(3)	<b>261.896</b>	<b>267.152</b>	<b>239.731</b>	<b>70.990</b>
<b>VI.</b>	<b>NET TRADING PROFIT (NET)</b>	(4)	<b>87.364</b>	<b>98.568</b>	<b>(15.478)</b>	<b>61.446</b>
6.1	Profit/loss from capital market operations		28.581	15.761	10.317	8.853
6.2	Profit/loss from financial derivative transactions		(339.745)	(368.586)	(150.741)	45.217
6.3	Foreign exchange gains/losses		398.528	451.393	124.946	7.376
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(5)	<b>410.307</b>	<b>470.022</b>	<b>116.113</b>	<b>67.245</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>8,081.974</b>	<b>6,775.262</b>	<b>2,406.970</b>	<b>2,425.064</b>
<b>IX.</b>	<b>LOANS AND OTHER RECEIVABLES IMPAIRMENT LOSS PROVISIONS (-)</b>	(6)	<b>1,050.111</b>	<b>1,170.367</b>	<b>319.827</b>	<b>630.619</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES(-)</b>	(7)	<b>3,286.003</b>	<b>2,801.199</b>	<b>1,152.322</b>	<b>908.528</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>3,745.860</b>	<b>2,803.696</b>	<b>934.821</b>	<b>885.917</b>
<b>XII.</b>	<b>AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER</b>		-	-	-	-
<b>XIII.</b>	<b>PROFIT/LOSSES FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		-	-	-	-
<b>XIV.</b>	<b>GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XV.</b>	<b>INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)</b>	(8)	<b>3,745.860</b>	<b>2,803.696</b>	<b>934.821</b>	<b>885.917</b>
<b>XVI.</b>	<b>TAX INCOME PROVISION (±)</b>	(9)	<b>(735.757)</b>	<b>(608.260)</b>	<b>(152.657)</b>	<b>(256.161)</b>
16.1	Current tax provision		(683.065)	(571.976)	(128.590)	(164.469)
16.2	Deferred tax provision		(52.692)	(36.284)	(24.067)	(91.692)
<b>XVII.</b>	<b>NET OPERATING INCOME AFTER TAX (XV±XVI)</b>	(10)	<b>3,010.103</b>	<b>2,195.436</b>	<b>782.164</b>	<b>629.756</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
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		-	-	-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
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		-	-	-	-
<b>XX.</b>	<b>INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-	-	-
<b>XXI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
21.1	Current tax provision		-	-	-	-
21.2	Deferred tax provision		-	-	-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-	-	-
<b>XXIII.</b>	<b>NET PROFIT/(LOSS) (XVII+XXII)</b>	(11)	<b>3,010.103</b>	<b>2,195.436</b>	<b>782.164</b>	<b>629.756</b>
	Earnings/losses per share (Full TRY)		2,40808	1,75635	0,62573	0,50381

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 SEPTEMBER 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 September 2017	1 January-30 September 2016
<b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>146.372</b>	<b>1.342</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>(25.538)</b>	<b>(379)</b>
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	<b>-</b>	<b>-</b>
<b>IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	<b>101.863</b>	<b>20.254</b>
<b>V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)</b>	<b>-</b>	<b>-</b>
<b>VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)</b>	<b>-</b>	<b>-</b>
<b>VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER EQUITY DUE TO TAS</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>(11.381)</b>	<b>(37.174)</b>
<b>X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)</b>	<b>211.316</b>	<b>(15.957)</b>
<b>XI. PROFIT/LOSS</b>	<b>3.010.103</b>	<b>2.195.436</b>
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	28.581	4.086
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	2.981.522	2.191.350
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)</b>	<b>3.221.419</b>	<b>2.179.479</b>

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 SEPTEMBER 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
<b>1 January 2016 – 30 September 2016</b>																	
<b>I. Balance at end of prior period</b>		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																	
<b>II. Increase/decrease generated by merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Valuation changes in marketable securities</b>		-	-	-	-	-	-	-	-	-	-	(35.850)	-	-	-	-	(35.850)
<b>IV. Hedging funds (effective portion)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for investment made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Revaluation changes of property and equipment</b>		-	-	-	-	-	-	-	-	-	-	-	(361)	-	-	-	(361)
<b>VI. Revaluation changes of intangible assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Foreign exchange differences</b>		-	-	-	-	-	-	-	20.254	-	-	-	-	-	-	-	20.254
<b>IX. Changes after disposal of securities</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Changes after reclassification of securities</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Increase in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Issuance of share certificates at end of period</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Adjustment to paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Net profit or losses</b>		-	-	-	-	-	-	-	-	2.195.436	-	-	-	-	-	-	2.195.436
<b>XVIII. Profit distribution</b>		-	-	-	-	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	-	-	-	-	-	-
<b>Closing balance</b>		1.250.000	1.220.451	-	-	1.482.358	-	13.104.130	52.146	2.195.436	-	930.985	1.128.074	8.711	-	-	21.372.291
<b>1 January 2017 – 30 September 2017</b>																	
<b>I. Balance at end of prior period</b>		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																	
<b>II. Increase or decrease generated by merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Valuation changes in marketable securities</b>		-	-	-	-	-	-	-	-	-	-	133.714	-	-	-	-	133.714
<b>IV. Hedging Funds (effective portion)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for investments made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Revaluation changes of property and equipment</b>		-	-	-	-	-	-	-	-	-	-	-	(24.261)	-	-	-	(24.261)
<b>VI. Revaluation changes of intangible assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Foreign exchange differences</b>		-	-	-	-	-	-	-	101.863	-	-	-	-	-	-	-	101.863
<b>IX. Changes after disposal of securities</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Changes after reclassification of securities</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Increase in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Issuance of share certificates at end of period</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Adjustment to paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Net profit or losses</b>		-	-	-	-	-	-	-	-	3.010.103	-	-	-	-	-	-	3.010.103
<b>XVIII. Profit distribution</b>		-	-	-	-	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	-	-	-	-	-	-
<b>Closing balance</b>		1.250.000	1.220.451	-	-	1.645.649	-	15.243.277	27.619	3.010.103	-	616.467	1.260.261	8.711	-	-	24.282.538

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

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

**VI. STATEMENT OF CASH FLOWS**

	Reviewed	
	Current period	Prior period
	1 January-	1 January-
Note	30 September 2017	30 September 2016
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>3.066.990</b>	<b>2.161.843</b>
1.1.1 Interest received	14.866.154	11.609.925
1.1.2 Interest paid	(9.744.876)	(7.564.353)
1.1.3 Dividend received	36.945	95.592
1.1.4 Fees and commissions received	1.882.994	1.239.153
1.1.5 Other income	191.758	318.711
1.1.6 Collections from previously written off loans	419.796	314.177
1.1.7 Cash payments to personnel and service suppliers	(1.470.269)	(1.299.022)
1.1.8 Taxes paid	(372.699)	(393.486)
1.1.9 Other	(2.742.813)	(2.158.854)
<b>1.2 Assets and Liabilities Subject to Banking Operations</b>	<b>5.354.955</b>	<b>306.653</b>
1.2.1 Net decrease in financial assets held for sale	57.128	(47.511)
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	10.518	(4.224)
1.2.4 Net (increase) decrease in loans	(35.665.563)	(17.536.331)
1.2.5 Net (increase) decrease in other assets	(3.885.028)	(823.331)
1.2.6 Net increase (decrease) in bank deposits	(6.082.991)	7.139.153
1.2.7 Net increase (decrease) in other deposits	40.891.147	8.198.096
1.2.8 Net increase (decrease) in loans borrowed	(3.585.317)	(3.186.551)
1.2.9 Net increase (decrease) in matured payables	-	-
1.2.10 Net increase (decrease) in other liabilities	13.615.061	6.567.352
<b>I. Net cash provided from banking operations</b>	<b>8.421.945</b>	<b>2.468.496</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>II. Net cash provided from/(used in) investing activities</b>	<b>(3.517.383)</b>	<b>(2.984.553)</b>
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	(6.238)	(14.636)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	-
2.3 Fixed assets purchases	(223.198)	(204.816)
2.4 Fixed assets sales	120.667	110.685
2.5 Cash paid for purchase of financial assets available for sale	(6.296.063)	(4.081.729)
2.6 Cash obtained from sale of financial assets available for sale	5.070.374	1.318.651
2.7 Cash paid for purchase of investment securities	(2.498.541)	(1.398.758)
2.8 Cash obtained from sale of investment securities	329.725	1.295.509
2.9 Other	(14.109)	(9.459)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash used in financing activities</b>	<b>(1.607.411)</b>	<b>2.078.087</b>
3.1 Cash obtained from loans borrowed and securities issued	5.590.284	6.310.554
3.2 Cash used for repayment of loans borrowed and securities issued	(6.941.790)	(4.000.000)
3.3 Bonds issued	-	-
3.4 Dividends paid	(255.827)	(231.531)
3.5 Payments for finance leases	(78)	(79)
3.6 Other	-	(857)
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>84.485</b>	<b>111.988</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>	<b>3.381.636</b>	<b>1.674.018</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	<b>14.388.793</b>	<b>8.874.614</b>
<b>VII. Cash and cash equivalents at end of the period</b>	<b>17.770.429</b>	<b>10.548.632</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
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*(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.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

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

Assets and liabilities of the foreign branches of the Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by at exchange rates at the dates of the transactions.

The Bank started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Halkbank A.D. Beograd (subsidiary), Halk Banka A.D., Skopje (subsidiary), Demir-Halkbank NV(associate), foreign investments that are recognized under fair value accounting as hedged item, in compliance with “ TAS 39 Financial Instruments: Recognition and Measurement”. Accordingly, the effective portion of the foreign exchange differences is recorded under income statement in the current period.

**III. EXPLANATIONS ON FUTURES AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS**

Derivative transactions of the Bank consist of foreign currency and interest rate swaps, options and forwards. The bank uses derivatives to avoid economical risks and account for as trading under Turkish Accounting Standard No: 39 “Financial Instruments: Recognition and Measurement” (TAS 39) classification.

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

**Explanations related to credit derivatives and its risk exposures:**

The bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic’s credit risk. As of 30 September 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.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VI. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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

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

The financial instruments and their valuations methods based on their classification on the financial statements are set out below.

1. Cash and banks

Cash and bank balances in foreign currencies are valued by using the Bank's current period end exchange rates. The presented values of cash in TRY, foreign currency cash and banks at balance sheet are the estimated fair values of these assets.

2. Financial assets at fair value through profit and loss

2.1. Financial assets held for trading

Financial assets held for trading are financial assets, which are either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are financial assets included in a portfolio with a pattern of short-term profit taking.

Financial Assets Held for Trading are presented in the balance sheet with their fair values and are measured at fair values after the initial recognition. All gains and losses arising from valuations of trading financial assets are reflected in the income statement. In accordance with descriptions of the uniform chart of accounts, favorable difference between acquisition cost of financial asset and its discounted value are recognized in "Interest Income", in the case of fair value of asset is above its discounted value, favorable difference between them are recognized in "Capital Market Transactions Profits" account, in the case of fair value is below discounted value, unfavorable difference between them are recognized in "Capital Market Transactions Losses" account and the dividends presented under dividend income. In the case of financial asset is sold off before its maturity, consisted gains or losses are accounted within the same principals.

2.2. Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss represent the financial assets at fair value through profit and loss at the initial recognition and those are not acquired for trading purposes. Recognition of fair value differences of those assets are similar to the financial asset held for trading.

The Bank has no financial assets at fair value through profit and loss as of 30 September 2017 and 31 December 2016.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)**

3. Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their amortised cost value by using the internal rate of return method less provision for any impairment, if any. Interest income from investments held to maturity is recognized in the income statement as an interest income. There are no financial assets that are classified by the Bank as investments held to maturity; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

4. Financial assets available for sale

Financial assets available for sale represent non-derivative financial assets other than bank loans and receivables, investments held to maturity and financial assets at fair value through profit and loss. Initial recognition and subsequent valuation of financial assets available for sale are performed based on the fair value including transaction costs. The amount arising from the difference between cost and amortized cost is recognized through income statement by using the internal rate of return. If a price does not occur in an active market, fair value cannot be reliably determined and “amortized cost” using the internal rate of return is regarded as the fair value. Unrealized gains and losses arising from changes in fair value of the financial assets available for sale are not recognized in the income statement, they are recognized in the “Marketable Securities Revaluation Fund” until the disposal, sale, redemption or impairment of those assets. Fair value differences accounted for under equity arising from the application of fair value are reflected to the income statement when these assets are sold or when proceeds are collected.

5. Loans and receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return subsequent to recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the income statement depending on foreign currency rates being higher or lower than opening date rates.

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement. Non-performing loans are classified in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No: 26333 dated 1 November 2006 and specific provisions are allocated for those loans. Specific provisions are reflected to “820/821 Provisions and Impairment Expenses 82000/82100 Specific Provisions Expenses” account. Provisions released in same year are recognized as a credit movement under the “Provision Expenses”, released portion of the previous period provisions are recognized under the “Other Operating Income” account.



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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)**

6. Associates and subsidiaries:

As of 1 January 2012, the Bank changed its accounting policy of Turkish Lira denominated subsidiaries, and as of 18 June 2015 the Bank changed its accounting policy of foreign currency denominated subsidiaries and associates, and started to measure related subsidiaries and associates with their fair values. Foreign currency denominated associates and subsidiaries are converted into TRY by using the exchange rates at the date of which the fair value is determined. Fair values of the subsidiaries, whose shares are unquoted on an active market (stock exchange) are determined with the valuation reports that are prepared by an independent valuation company and fair values of the subsidiaries, whose shares are quoted on an active market (stock exchange) are determined by taking into account values at stock exchange, and valuation differences are added to the subsidiaries values and correspondingly recorded in the “Marketable securities revaluation fund” under the shareholders’ equity.

**VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

At each balance sheet date, the Bank reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank determines the related impairment amount. A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of their high probability of incurrence, future expected losses are not recognized.

Impairment losses attributable to the investments held to maturity are measured as the difference between the present values of estimated future cash flows discounted using the original interest rate of financial asset and the book value of asset. The related difference is recognized as a loss and it decreases the book value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When a decline occurs in the fair values of the “financial assets available for sale” of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

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**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".

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**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.

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**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:

	<b>Estimated useful lives (Year)</b>	<b>Depreciation rate</b>
Buildings	50	2%
Safes	50	2%
Other movable properties	3-25	4-33,33%
Assets held under financial leases	4-5	20-25%

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

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

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

*Classification of Investment Properties:*

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

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

**XIII. EXPLANATIONS ON INVESTMENT PROPERTIES**

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

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

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portions of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Bank does not participate in the financial leasing transactions as a “lessor”.

Operational lease transactions are recognized in line with the related agreement on an accrual basis.

**XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES**

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

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

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XVI. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES**

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 “Employee Benefits”. According to related legislation and union agreements, the Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees who resigns subsequent to her marriage within one year. The Bank provides provision by estimating the present value of the future retirement pay liability.

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

T. Halk Bankası Employee Pension Fund, T. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members including employees of the Bank. Provisional article 23 of the Banking Act No: 5411 requires the Bank’s pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers’ decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension funds would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

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

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

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the present value of the actuarial liabilities will be calculated with the technical interest rate of 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2016 no technical deficit has been reported.

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XVII. EXPLANATIONS ON TAXATION**

In accordance with the Article 32 of the Corporate Tax Law No: 5520, the corporate tax rate is calculated at the rate of 20%. The tax legislation requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the corporate tax liability for the year.

Calculated corporate tax as of 31 December 2016 has been paid in February 2017 thereby setting off calculated advanced taxes in previous periods. Moreover, accrued advance tax for 1 January-31 March 2017 period is paid in May 2017 and accrued advance tax for 1 January-30 June 2017 period is paid in August 2017. Furthermore, accrued advance tax for 1 January- 30 September 2017 period will also be paid in November 2017.

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

**Tax practices in the countries that foreign branches operate:**

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax. The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October. On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

Bahrain

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

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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XVIII. ADDITIONAL EXPLANATIONS ON BORROWINGS**

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

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

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

**XIX. EXPLANATIONS ON SHARES 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 EXPLANATIONS ON OTHER MATTERS**

None.



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

**I. EXPLANATIONS ON CAPITAL**

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 30 September 2017, the Bank's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 13,81% (31 December 2016: 13,08%), the equity is calculated as TRY 26.295.254 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2016: TRY 23.013.281).

(1) Information on Components of Capital:

<b>Current Period</b>	<b>Amount</b>	<b>Amounts related to treatment before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	16.917.511	
Other Comprehensive Income according to TAS	1.875.762	
Profit	3.010.103	
Current Period Profit	3.010.103	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.711	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>24.282.538</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital		
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	
Leasehold Improvements on Operational Leases (-)	55.374	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	77.566	96.958
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(-)	-	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>132.940</b>	
<b>Total Common Equity Tier I Capital</b>	<b>24.149.598</b>	

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

**I. EXPLANATIONS ON CAPITAL (continued)**

<b>ADDITIONAL TIER I CAPITAL</b>	
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)	-
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>
<b>Deductions from Additional Tier I Capital</b>	
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	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	<b>19.392</b>
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 (-)	19.392
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 (-)	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>24.130.206</b>
<b>TIER II CAPITAL</b>	
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)	2.179.950
<b>Tier II Capital Before Deductions</b>	<b>2.179.950</b>
<b>Deductions From Tier II Capital</b>	
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 (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>2.179.950</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>26.310.156</b>
<b>Deductions from Total Capital</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be defined by the BRSA (-)	14.892

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

**I. EXPLANATIONS ON CAPITAL (continued)**

<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
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 (-)	-
<b>TOTAL CAPITAL</b>	
Total Capital	26.295.254
Total Risk Weighted Assets	190.414.281
<b>CAPITAL ADEQUACY RATIOS</b>	
CET1 Capital Ratio (%)	12,68
Tier I Capital Ratio (%)	12,67
Capital Adequacy Ratio (%)	13,81
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio	6,262
Capital Conservation Buffer Ratio (%)	1,250
Bank-specific Counter-Cyclical Capital Buffer Ratio (%) **	0,512
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,809
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
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	54.432
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	293.367
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	206.791
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.222.538
General Loan Provisions for Exposures in Standard Approach Limited by 1,25% of Risk Weighted Assets	2.179.950
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	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1 January 2018 - 1 January 2022)</b>	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

\*Amounts in this column represents the amounts of items that are subject to transitional provisions.

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

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**I. EXPLANATIONS ON CAPITAL (continued)**

Prior Period	Amount	Amounts related to treatment before 1/1/2014(*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
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	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>21.316.946</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
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 (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>119.827</b>	
<b>Total Common Equity Tier I Capital</b>	<b>21.197.119</b>	

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**MANAGEMENT OF THE BANK (continued)**

**I. EXPLANATIONS ON CAPITAL (continued)**

<b>ADDITIONAL TIER I CAPITAL</b>	
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)	-
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>
<b>Deductions from Additional Tier I Capital</b>	
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 (-)	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	<b>35.437</b>
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 (-)	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>21.161.682</b>
<b>TIER II CAPITAL</b>	
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
<b>Total Deductions from Tier II Capital</b>	<b>2.027.964</b>
<b>Deductions from Tier II Capital</b>	
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 (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>2.027.964</b>
<b>Total Capital (Total Tier I and Tier II Capital)</b>	<b>23.189.646</b>
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	<b>23.013.281</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	157.617
Other items to be Defined by the BRSA (-)	18.738

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

**I. EXPLANATIONS ON CAPITAL (continued)**

<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
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 (-)	-
<b>CAPITAL</b>	
Total Capital ( Total of Tier I Capital and Tier II Capital )	23.013.281
Total Risk Weighted Assets	175.986.593
<b>CAPITAL ADEQUACY RATIOS</b>	
CET1 Capital Ratio (%)	12,04
Tier I Capital Ratio (%)	12,02
Capital Adequacy Ratio (%)	13,08
<b>BUFFERS</b>	
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
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
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
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
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	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1 January 2018-1 January 2022)</b>	
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 and other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

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

**II. EXPLANATIONS ON CURRENCY RISK**

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

In accordance with “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”, the foreign currency position risk of the Bank is measured by “standard method” and is calculated daily and is reported monthly. Also Value at Risk (VAR) based values and limits are reported to the Executives on a daily basis by using internal model methods. The currency risk has been closely followed. The Bank makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Bank as at financial statement date and the previous 5 working days in full TRY are as follows:

	<b>22.09.2017</b>	<b>25.09.2017</b>	<b>26.09.2017</b>	<b>27.09.2017</b>	<b>28.09.2017</b>	<b>29.09.2017</b>
USD	3,4700000	3,5200000	3,5300000	3,5600000	3,5200000	3,5200000
CHF	3,5773000	3,6191000	3,6268000	3,6441000	3,6149000	3,6240000
GBP	4,6981000	4,7466000	4,7302000	4,7622000	4,7197000	4,7062000
JPY	0,0309591	0,0313296	0,0314411	0,0315115	0,0311851	0,0312461
EUR	4,1567000	4,1814000	4,1594000	4,1737000	4,1480000	4,1571000

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

	<b>Monthly average</b>
USD	3,4557895
CHF	3,5819632
GBP	4,6099368
JPY	0,0311247
EUR	4,1173158

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

**II. EXPLANATIONS ON CURRENCY RISK (continued)**

Information related to currency risk:

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>OTHER FC</b>	<b>TOTAL</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	5.227.370	21.581.918	4.644.484	31.453.772
Banks	1.023.417	2.671.350	194.157	3.888.924
Financial assets at fair value through profit and loss <sup>(3)</sup>	52.716	335.332	1.150	389.198
Money market placements	-	-	-	-
Financial assets available-for-sale <sup>(5)</sup>	509.995	5.028.171	-	5.538.166
Loans <sup>(2)</sup>	31.536.152	29.180.173	524.447	61.240.772
Subsidiaries, associates and entities under common control <sup>(5)</sup>	280.604	-	414.686	695.290
Held-to-maturity investments	-	2.320.553	-	2.320.553
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	104	104
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	10.702	279.603	64	290.369
<b>Total assets</b>	<b>38.640.956</b>	<b>61.397.100</b>	<b>5.779.092</b>	<b>105.817.148</b>
<b>Liabilities</b>				
Bank deposits	5.840.352	4.622.813	1.154.185	11.617.350
Foreign currency deposits	25.929.569	40.396.486	2.182.004	68.508.059
Money market balances	-	4.364.573	-	4.364.573
Funds provided from other financial institutions	6.668.713	8.247.500	8.888	14.925.101
Bonds issued	-	7.975.931	-	7.975.931
Sundry creditors	29.469	83.132	274	112.875
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	234.678	303.210	55.969	593.857
<b>Total liabilities</b>	<b>38.702.781</b>	<b>65.993.645</b>	<b>3.401.320</b>	<b>108.097.746</b>
<b>Net balance sheet position</b>	<b>(61.825)</b>	<b>(4.596.545)</b>	<b>2.377.772</b>	<b>(2.280.598)</b>
<b>Net off-balance sheet position</b>				
Financial derivative assets <sup>(4)</sup>	803.290	8.366.798	2.425.864	11.595.952
Financial derivative liabilities <sup>(4)</sup>	1.131.550	3.989.230	4.434.109	9.554.889
Non-cash loans <sup>(1)</sup>	11.543.624	15.878.161	1.251.062	28.672.847
<b>Prior period</b>				
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
<b>Net balance sheet position</b>	<b>(206.469)</b>	<b>(1.940.184)</b>	<b>1.430.533</b>	<b>(716.120)</b>
<b>Net off-balance sheet position</b>				
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 <sup>(1)</sup>	8.757.283	16.447.030	1.482.895	26.687.208

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

<sup>(2)</sup> Includes TRY 1.921.830 of foreign currency indexed loans and their accruals (31 December 2016: TRY 1.998.635).

<sup>(3)</sup> 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 151) in assets; and shareholders' equity (TRY 38.736) in liabilities are not taken into consideration in the currency risk measurement.

<sup>(4)</sup> Financial derivative assets include forward precious metal purchase transactions amounted to TRY 1.161.224. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 4.028.358. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

<sup>(5)</sup> Other foreign currency subsidiaries Halkbank A.D. Beograd (TRY 108.450) and Halk Banka A.D., Skopje (TRY 306.236), and EUR foreign currency associate Demir-Halk Bank NV (TRY 280.604) are included.



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

**III. EXPLANATIONS ON INTEREST RATE RISK**

Interest rate sensitivity of assets, liabilities and off-balance sheet items are measured by the Bank. The Bank's interest rate risk is calculated using the general and specific interest rate risk tables in the standard method including the assets and liabilities and is considered as a part of the general market risk in the calculation of the Capital Adequacy Standard Ratio.

The priority of the Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context is calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budgeting process of the Bank. The effects of the fluctuations in the market interest rates on the financial position and on the cash flows are minimized by revising budget targets. The Bank's funding costs of TRY and foreign exchange deposits, repurchase agreements are determined by the Treasury Vice Presidency as per the authority extended by the Board of Directors.

The Bank does not allow or limits interest rate mismatch and therefore, significant interest rate risk exposures is not expected.

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

**III. EXPLANATIONS ON INTEREST RATE RISK (continued)**

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

<b>Current period</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 Months</b>	<b>1-5 years</b>	<b>5 years and over</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	22.851.965	-	-	-	-	11.706.536	34.558.501
Banks and financial institutions	3.095.479	87.744	-	-	-	801.719	3.984.942
Financial assets at fair value through profit and loss	198	1.163	11.147	80	369	389.000	401.957
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	259.811	3.600.858	1.955.049	4.157.518	7.101.136	118.213	17.192.585
Loans	87.673.006	30.075.535	34.326.086	30.299.864	7.556.494	2.822.212	192.753.197
Held-to-maturity investments	-	8.241.745	1.515.467	4.804.748	6.427.244	-	20.989.204
Other assets <sup>(4)</sup>	4.820	2.466	11.294	36.241	5.860	9.785.419	9.846.100
<b>Total assets</b>	<b>113.885.279</b>	<b>42.009.511</b>	<b>37.819.043</b>	<b>39.298.451</b>	<b>21.091.103</b>	<b>25.623.099</b>	<b>279.726.486</b>
<b>Liabilities</b>							
Bank deposits	8.097.071	3.573.955	137.828	-	-	4.829.384	16.638.238
Other deposits	92.309.053	39.140.148	10.949.050	403.773	2.449	26.511.635	169.316.108
Money market balances	29.407.063	1.251.146	702.397	-	-	36.105	31.396.711
Sundry creditors	1.511.537	-	-	-	-	1.700.082	3.211.619
Bonds issued	1.343.905	1.075.749	581.548	7.902.618	-	73.313	10.977.133
Funds provided from other financial institutions <sup>(3)</sup>	699.912	3.225.751	7.158.531	1.773.488	2.395.651	120.562	15.373.895
Other liabilities <sup>(1),(2)</sup>	205.536	-	2.258.891	-	-	30.348.355	32.812.782
<b>Total liabilities</b>	<b>133.574.077</b>	<b>48.266.749</b>	<b>21.788.245</b>	<b>10.079.879</b>	<b>2.398.100</b>	<b>63.619.436</b>	<b>279.726.486</b>
Balance sheet long position	-	-	16.030.798	29.218.572	18.693.003	-	63.942.373
Balance sheet short position	(19.688.798)	(6.257.238)	-	-	-	(37.996.337)	(63.942.373)
Off-balance sheet long position	352.000	2.824.271	46.933	760.990	1.758.214	12.069.542	17.811.950
Off-balance sheet short position	-	(2.472.270)	(46.933)	(1.366.430)	(1.758.214)	(12.041.642)	(17.685.489)
<b>Total position</b>	<b>(19.336.798)</b>	<b>(5.905.237)</b>	<b>16.030.798</b>	<b>28.613.132</b>	<b>18.693.003</b>	<b>(37.968.437)</b>	<b>126.461</b>

<sup>(1)</sup> TRY 350.745 of deferred tax liability is disclosed under the non-bearing interest column in other assets.

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

<sup>(3)</sup> Funds provided from other financial institutions include borrowings.

<sup>(4)</sup> TRY 1.419.353 of net non-performing loans is disclosed under the non-bearing interest column in other assets.

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

**III. EXPLANATIONS ON INTEREST RATE RISK (continued)**

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-interest bearing	Total
<b>Assets</b>							
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 <sup>(4)</sup>	5.146.230	4.279	13.298	44.913	11.469	3.805.936	9.026.125
<b>Total assets</b>	<b>85.792.227</b>	<b>31.390.674</b>	<b>45.973.943</b>	<b>34.467.082</b>	<b>17.428.386</b>	<b>16.388.506</b>	<b>231.440.818</b>
<b>Liabilities</b>							
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 <sup>(3)</sup>	3.288.720	4.838.730	8.097.168	1.777.589	965.360	537	18.968.104
Other liabilities <sup>(1)(2)</sup>	212.335	2.031.637	35.160	-	-	26.949.262	29.228.394
<b>Total liabilities</b>	<b>106.383.601</b>	<b>35.034.795</b>	<b>22.225.793</b>	<b>10.774.099</b>	<b>968.211</b>	<b>56.054.319</b>	<b>231.440.818</b>
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	7.103.857	12.502.622
Off-balance sheet short position	-	(111.540)	(2.324.592)	(1.141.329)	(1.724.104)	(7.130.581)	(12.432.146)
<b>Total position</b>	<b>(20.240.374)</b>	<b>(3.468.621)</b>	<b>23.748.150</b>	<b>23.263.683</b>	<b>16.460.175</b>	<b>(39.692.537)</b>	<b>70.476</b>

<sup>(1)</sup> TRY 286.672 of deferred tax liability is disclosed under the non-bearing interest column in other assets.

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

<sup>(3)</sup> Funds provided from other financial institutions include borrowings.

<sup>(4)</sup> TRY 1.176.037 of net non-performing loans is disclosed under the non-bearing interest column in other assets.

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

**III. EXPLANATIONS ON INTEREST RATE RISK (continued)**

2. Average interest rates applied to financial instruments:

<b>Current period</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TRY</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT <sup>(5)</sup>	-	1,25	-	4,00
Due from other banks and financial institutions <sup>(1)</sup>	0,06	1,30	-	9,92
Financial assets at fair value through profit and loss	0,24	0,30	-	7,72
Money market placements	-	-	-	-
Available-for-sale financial assets	4,26	5,46	-	8,53
Loans <sup>(2)</sup>	4,77	6,26	0,84	12,75
Held-to-maturity investments	-	5,91	-	7,58
<b>Liabilities</b>				
Bank deposits	2,07	3,94	0,10	12,75
Other deposits <sup>(4)</sup>	1,52	3,45	0,25	11,14
Money market borrowings	-	2,48	-	10,41
Sundry creditors <sup>(3)</sup>	-	-	-	4,75
Bonds issued	-	4,46	-	12,35
Funds provided from other financial institutions	1,17	2,89	0,84	6,72
<b>Prior Period</b>				
	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TRY</b>
<b>Assets</b>				
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
<b>Liabilities</b>				
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

<sup>(1)</sup> Interest rates are calculated using weighted average method for money placement amounts as of balance sheet date.

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

<sup>(3)</sup> Declared maximum deposits interest rate with a maturity of twelve months as of 30 September 2017.

<sup>(4)</sup> Customer based calculated stock interest rates are applied to TRY and FC deposits as of 30 September 2017.

<sup>(5)</sup> As of balance sheet date, required reserve ratio of the CBRT.

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**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	Balance Sheet Value	Comparison		Capital Requirements
		Fair Value Change	Market Value	
Investment in Shares-Grade A	584.274	584.274	584.274	46.742
Quoted Securities <sup>(1)</sup>	584.274	584.274	584.274	46.742
Investment in Shares-Grade B	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares-Grade C	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares- Grade D <sup>(2)</sup>	368.089	368.089	-	29.447
Other	2.359.307	2.343.502	-	223.948

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

<sup>(2)</sup> 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	Included to supplementary capital	Total	Included to total core capital	Included to supplementary capital
1. Private equity investments	-	-	-	-	-
2. Share Certificates quoted on a stock exchange <sup>(1) (2)</sup>	-	204.698	204.698	-	-
3. Other share certificates	-	860.878	860.878	-	-
<b>Total</b>	<b>-</b>	<b>1.065.576</b>	<b>1.065.576</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> 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.

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

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

**V. EXPLANATIONS ON LIQUIDITY RISK 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.

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**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	25.09.2017 01.10.2017	229,64	14.08.2017 20.08.2017	116,65
Minimum	03.07.2017 09.07.2017	154,64	24.07.2017 30.07.2017	99,68

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**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) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			37.474.261	27.543.484
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	90.323.932	38.943.106	7.830.455	3.894.310
Stable Deposits	24.038.771	-	1.201.939	-
Less Stable Deposits	66.285.161	38.943.106	6.628.516	3.894.310
Unsecured wholesale funding , of which;	62.380.006	26.294.568	36.096.993	17.808.295
Operational Deposits	-	-	-	-
Non-operational Deposits	56.930.412	23.349.107	31.081.546	14.926.095
Other Unsecured Funding	5.449.594	2.945.461	5.015.447	2.882.200
Secured Funding			-	-
Other cash outflows, of which;	4.974.784	2.879.088	2.285.559	1.501.257
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	47.251	373.095	47.251	373.095
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	4.927.533	2.505.993	2.238.308	1.128.162
Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	73.110.542	25.726.179	5.625.324	2.066.713
<b>Total Cash Outflows</b>			<b>51.838.331</b>	<b>25.270.575</b>
<b>Cash Inflows</b>				
Secured Receivables	-	-	-	-
Unsecured Receivables	23.645.944	11.867.674	16.859.270	10.734.493
Other Cash Inflows	-	-	-	-
<b>Total Cash Inflows</b>	<b>23.645.944</b>	<b>11.867.674</b>	<b>16.859.270</b>	<b>10.734.493</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>37.474.261</b>	<b>27.543.484</b>
<b>Total Net Cash Outflows</b>			<b>34.979.061</b>	<b>14.536.082</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>107,36%</b>	<b>193,03%</b>

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



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**V. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (CONTINUED)**

Prior Period	Total Unweighted Value (average) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			41.286.093	19.507.763
<b>Cash Outflows</b>				
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
<b>Total Cash Outflows</b>			<b>61.759.618</b>	<b>27.860.224</b>
<b>Cash Inflows</b>				
Secured Lending	-	-	-	-
Unsecured Lending	17.973.709	9.549.697	11.966.727	7.922.449
Other Cash Inflows	-	-	-	-
<b>Total Cash Inflows</b>	<b>17.973.709</b>	<b>9.549.697</b>	<b>11.966.727</b>	<b>7.922.449</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>41.286.093</b>	<b>19.507.763</b>
<b>Total Net Cash Outflows</b>			<b>49.792.891</b>	<b>19.937.775</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>82,92%</b>	<b>98,92%</b>

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

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**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
<b>Assets</b>								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	3.151.364	31.407.137	-	-	-	-	-	34.558.501
Banks	1.043.244	2.931.512	4.361	5.825	-	-	-	3.984.942
Financial assets at fair value through profit and loss	-	167.296	195.972	28.612	9.708	369	-	401.957
Money market placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	259.809	533.125	1.955.049	5.035.678	9.290.711	118.213	17.192.585
Loans	910.622	12.073.385	14.361.147	55.334.977	85.387.643	24.685.423	-	192.753.197
Held-to-maturity investments	-	-	-	1.515.467	8.604.628	10.869.109	-	20.989.204
Other assets <sup>(2)</sup>	1.422.349	3.886	2.466	11.294	36.241	5.860	8.364.004	9.846.100
<b>Total assets</b>	<b>6.527.579</b>	<b>46.843.025</b>	<b>15.097.071</b>	<b>58.851.224</b>	<b>99.073.898</b>	<b>44.851.472</b>	<b>8.482.217</b>	<b>279.726.486</b>
<b>Liabilities</b>								
Bank deposits	4.800.045	8.120.186	3.579.527	138.480	-	-	-	16.638.238
Other deposits	25.557.525	92.791.161	39.466.516	11.083.584	414.873	2.449	-	169.316.108
Funds provided from other financial institutions <sup>(3)</sup>	2.183	530.251	2.381.996	5.081.632	2.593.215	4.784.618	-	15.373.895
Money market balances	-	29.435.746	1.257.924	703.041	-	-	-	31.396.711
Bonds issued	-	1.343.905	1.102.808	627.802	7.902.618	-	-	10.977.133
Sundry creditors	13.771	1.490.226	91.555	389.894	991.401	2	234.770	3.211.619
Other liabilities <sup>(1)</sup>	45.605	2.108.431	335.984	265.244	311.045	1.991.157	27.755.316	32.812.782
<b>Total liabilities</b>	<b>30.419.129</b>	<b>135.819.906</b>	<b>48.216.310</b>	<b>18.289.677</b>	<b>12.213.152</b>	<b>6.778.226</b>	<b>27.990.086</b>	<b>279.726.486</b>
<b>Liquidity gap</b>	<b>(23.891.550)</b>	<b>(88.976.881)</b>	<b>(33.119.239)</b>	<b>40.561.547</b>	<b>86.860.746</b>	<b>38.073.246</b>	<b>(19.507.869)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>28.407</b>	<b>(2.849)</b>	<b>659</b>	<b>100.244</b>	<b>-</b>	<b>-</b>	<b>126.461</b>
Derivative financial assets	-	8.130.610	1.874.004	1.479.054	2.811.855	3.516.427	-	17.811.950
Derivative financial liabilities	-	(8.102.203)	(1.876.853)	(1.478.395)	(2.711.611)	(3.516.427)	-	(17.685.489)
<b>Non-cash loans</b>	<b>18.110.586</b>	<b>1.811.292</b>	<b>5.125.375</b>	<b>17.149.534</b>	<b>10.752.034</b>	<b>1.049.947</b>	<b>-</b>	<b>53.998.768</b>
<b>Prior Period</b>								
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
<b>Liquidity Gap</b>	<b>(21.235.618)</b>	<b>(66.933.370)</b>	<b>(18.075.314)</b>	<b>26.471.621</b>	<b>63.294.221</b>	<b>32.976.375</b>	<b>(16.497.915)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>(5.187)</b>	<b>(24.071)</b>	<b>991</b>	<b>98.699</b>	<b>-</b>	<b>-</b>	<b>70.432</b>
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)
<b>Non-cash loans</b>	<b>17.683.351</b>	<b>2.026.427</b>	<b>4.604.681</b>	<b>13.248.606</b>	<b>8.367.717</b>	<b>1.830.046</b>	<b>-</b>	<b>47.760.828</b>

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

<sup>(2)</sup> 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.

<sup>(3)</sup> Funds provided from other financial institutions include borrowings.

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

**VI. EXPLANATIONS ON LEVERAGE RATIO**

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

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>On-Balance Sheet Items</b>		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	273.619.144	226.075.095
Assets that are deducted from core capital	(149.398)	(155.000)
Total on balance sheet exposures	273.469.746	225.920.095
<b>Derivative exposures and credit derivatives</b>		
Replacement cost associated with derivative financial instruments and credit derivatives	349.710	425.626
The potential amount of credit risk with derivative financial instruments and credit derivatives	224.418	166.032
The total amount of risk on derivative financial instruments and credit derivatives	574.128	591.658
<b>Investment securities or commodity collateral financing transactions</b>		
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.117.405	564.131
Risk amount of exchange brokerage operations	-	-
Total risks related with securities or commodity financing transactions	1.117.405	564.131
<b>Off -Balance Sheet Items</b>		
Gross notional amount of off-balance sheet items	78.904.779	71.287.525
Adjustments for conversion to credit equivalent amounts	-	-
The total risk of off-balance sheet items	78.904.779	71.287.525
<b>Capital and Total Exposures</b>		
Tier 1 Capital	24.106.414	21.147.130
Total Exposures	354.066.058	298.363.409
<b>Leverage Ratio</b>		
Leverage Ratio	6,81%	7,09%

<sup>(1)</sup> The amounts in the table, represents three-month average.

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**VII. EXPLANATIONS ON BUSINESS SEGMENTATION**

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

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

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

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

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

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

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

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

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**VII. EXPLANATIONS ON 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 September 2017 are presented in the table below.

<b>Current Period</b>	<b>Corporate</b>	<b>Commercial</b>	<b>Integrated</b>	<b>Treasury / Investment</b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>					
Interest income	1.552.129	2.321.141	9.531.064	2.945.471	16.349.805
<i>Interest on loans</i>	<i>1.550.383</i>	<i>2.320.160</i>	<i>9.341.398</i>	<i>210.853</i>	<i>13.422.794</i>
<i>Interest income on marketable securities</i>	-	-	<i>179.242</i>	<i>2.469.275</i>	<i>2.648.517</i>
<i>Interest received from banks</i>	-	-	<i>1</i>	<i>149.848</i>	<i>149.849</i>
<i>Other interest income</i>	<i>1.746</i>	<i>981</i>	<i>10.423</i>	<i>115.495</i>	<i>128.645</i>
Interest expense	1.213.040	489.621	5.696.932	3.187.253	10.586.846
<i>Interest on deposits</i>	<i>1.212.506</i>	<i>461.978</i>	<i>5.564.370</i>	<i>601.880</i>	<i>7.840.734</i>
<i>Interest on borrowings</i>	<i>396</i>	<i>5.056</i>	<i>20.151</i>	<i>243.487</i>	<i>269.090</i>
<i>Interest on money market borrowings</i>	-	-	<i>46.729</i>	<i>1.779.864</i>	<i>1.826.593</i>
<i>Interest on marketable bonds issued</i>	-	-	-	<i>561.403</i>	<i>561.403</i>
<i>Other interest expense</i>	<i>138</i>	<i>22.587</i>	<i>65.682</i>	<i>619</i>	<i>89.026</i>
Net interest income	339.089	1.831.520	3.834.132	(241.782)	5.762.959
Net fees and commissions income	177.035	357.442	808.436	216.535	1.559.448
Net trading profit / (loss)	51	3.860	68.580	14.873	87.364
Dividend income	-	-	-	261.896	261.896
Other income	35.902	60.889	243.202	70.314	410.307
Impairment losses on loans and other receivables	11.589	345.802	453.469	239.251	1.050.111
Other expenses	23.034	51.222	1.337.865	1.873.882	3.286.003
<b>Income before taxes</b>	<b>517.454</b>	<b>1.856.687</b>	<b>3.163.016</b>	<b>(1.791.297)</b>	<b>3.745.860</b>
Income tax provision	-	-	-	(735.757)	(735.757)
<b>Net profit for the period</b>	<b>517.454</b>	<b>1.856.687</b>	<b>3.163.016</b>	<b>(2.527.054)</b>	<b>3.010.103</b>
<b>SEGMENT ASSETS</b>					
Marketable securities	-	-	5.764.792	32.429.952	38.194.744
Derivative financial assets held for trading	-	-	86.494	302.508	389.002
Banks and money market receivables	-	-	459	3.984.483	3.984.942
Associates and subsidiaries (net)	-	-	-	3.295.865	3.295.865
Loans	29.067.395	39.732.116	121.236.376	4.136.663	194.172.550
Other assets	90.366	461.730	1.832.500	37.304.787	39.689.383
<b>TOTAL ASSETS</b>	<b>29.157.761</b>	<b>40.193.846</b>	<b>128.920.621</b>	<b>81.454.258</b>	<b>279.726.486</b>
<b>SEGMENT LIABILITIES</b>					
Deposits	30.495.226	17.397.435	129.817.577	8.244.108	185.954.346
Derivative financial liabilities held for trading	-	-	53.622	129.452	183.074
Money market balances	-	-	4.364.573	27.032.138	31.396.711
Borrowing funding loans	3.816	194.306	855.280	14.320.493	15.373.895
Bonds issued	-	-	-	10.977.133	10.977.133
Other liabilities	310.415	322.653	5.950.242	615.334	7.198.644
Provisions and tax payable	46.527	72.763	219.844	4.021.011	4.360.145
Shareholders' equity	554.580	1.871.018	2.856.597	19.000.343	24.282.538
<b>TOTAL LIABILITIES</b>	<b>31.410.564</b>	<b>19.858.175</b>	<b>144.117.735</b>	<b>84.340.012</b>	<b>279.726.486</b>
<b>OFF BALANCE SHEET ITEMS</b>					
Guarantees and sureties	13.928.353	13.017.376	15.935.882	11.117.157	53.998.768
Commitments	57.784	898.388	12.878.472	12.934.090	26.768.734
Derivative financial instruments	-	-	6.422.365	29.075.074	35.497.439

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

**VII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)**

<b>Prior Period</b>	<b>Corporate</b>	<b>Commercial</b>	<b>Integrated</b>	<b>Treasury / Investment</b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>					
Interest income	1.082.388	1.529.727	7.572.021	2.122.882	12.307.018
<i>Interest on loans</i>	1.082.357	1.529.493	7.476.027	230.800	10.318.677
<i>Interest income on marketable securities</i>	-	-	85.901	1.790.165	1.876.066
<i>Interest received from banks</i>	-	-	2.141	57.182	59.323
<i>Other interest income</i>	31	234	7.952	44.735	52.952
Interest expense	688.664	311.173	4.478.361	1.850.070	7.328.268
<i>Interest on deposits</i>	678.741	299.082	4.392.846	655.962	6.026.631
<i>Interest on borrowings</i>	648	4.807	18.150	243.482	267.087
<i>Interest on money market borrowings</i>	-	-	15.935	550.016	565.951
<i>Interest on marketable bonds issued</i>	-	-	-	400.309	400.309
<i>Other interest expense</i>	9.275	7.284	51.430	301	68.290
Net interest income	393.724	1.218.554	3.093.660	272.812	4.978.750
Net fees and commissions income	141.505	148.199	526.897	144.169	960.770
Net trading profit / (loss)	445	4.148	63.536	30.439	98.568
Dividend income	-	-	-	267.152	267.152
Other income	5.419	18.360	201.772	244.471	470.022
Loans and other receivables' impairment loss	81.693	120.419	427.861	540.394	1.170.367
Other expenses	11.721	47.638	1.270.885	1.470.955	2.801.199
<b>Income before taxes</b>	<b>447.679</b>	<b>1.221.204</b>	<b>2.187.119</b>	<b>(1.052.306)</b>	<b>2.803.696</b>
Income tax provision	-	-	(2.410)	(605.850)	(608.260)
<b>Net profit for the period</b>	<b>447.679</b>	<b>1.221.204</b>	<b>2.184.709</b>	<b>(1.658.156)</b>	<b>2.195.436</b>
<b>SEGMENT ASSETS</b>					
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
<b>TOTAL ASSETS</b>	<b>25.441.070</b>	<b>32.567.740</b>	<b>102.022.699</b>	<b>71.409.309</b>	<b>231.440.818</b>
<b>SEGMENT LIABILITIES</b>					
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
<b>TOTAL LIABILITIES</b>	<b>26.441.050</b>	<b>10.479.003</b>	<b>111.370.602</b>	<b>83.150.163</b>	<b>231.440.818</b>
<b>OFF BALANCE SHEET ITEMS</b>					
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

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

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

**Explanations Related To Risk Management**

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

**The Bank's Risk Management 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.

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**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)	172.129.745	161.707.382	13.770.380
2	Standardized approach (SA)	172.129.745	161.707.382	13.770.380
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	1.532.837	378.320	122.627
5	Standardized approach for counterparty credit risk (SA-CCR)	1.532.837	378.320	122.627
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies look-through approach	-	-	-
9	Investments made in collective investment companies mandate-based approach (*)	-	-	-
10	Investments made in collective investment companies 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	3.220.612	1.947.575	257.649
17	Standardized approach (SA)	3.220.612	1.947.575	257.649
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	12.797.669	11.297.473	1.023.814
20	Basic Indicator Approach	12.797.669	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)	733.418	655.843	58.673
24	Floor adjustment	-	-	-
25	<b>Total ( 1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>190.414.281</b>	<b>175.986.593</b>	<b>15.233.143</b>

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



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

**I. EXPLANATION AND NOTES RELATED TO THE ASSETS**

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	979.937	2.171.200	914.121	562.677
CBRT	2.124.792	29.282.537	2.620.111	25.902.219
Other	-	35	-	32
<b>Total</b>	<b>3.104.729</b>	<b>31.453.772</b>	<b>3.534.232</b>	<b>26.464.928</b>

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount <sup>(1)</sup>	2.026.807	3.770.895	2.563.615	3.345.458
Time unrestricted amount	-	-	-	-
Time restricted amount	1.406	4.847.565	-	5.359.104
Reserve deposits <sup>(2)</sup>	96.579	20.664.077	56.496	17.197.657
<b>Total</b>	<b>2.124.792</b>	<b>29.282.537</b>	<b>2.620.111</b>	<b>25.902.219</b>

<sup>(1)</sup> Reserve deposits kept in Central Bank of the Republic of Turkey.

<sup>(2)</sup> 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

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**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	-	144.815	-	120.227
Swap transactions	-	244.051	-	239.460
Futures transactions	-	-	-	-
Options	1	135	4	120
Other	-	-	-	-
<b>Total</b>	<b>1</b>	<b>389.001</b>	<b>4</b>	<b>359.807</b>

(3) Information on banks and other financial institutions:

Information on banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	6.828	2.721.586	26.539	21.122
Foreign banks	89.190	1.167.338	169.769	1.443.600
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>96.018</b>	<b>3.888.924</b>	<b>196.308</b>	<b>1.464.722</b>

(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	10.439.066	460.788	-	354.898
<b>Total</b>	<b>10.439.066</b>	<b>460.788</b>	<b>-</b>	<b>354.898</b>

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	-	4.163.574	4.789.610	728.138
<b>Total</b>	<b>-</b>	<b>4.163.574</b>	<b>4.789.610</b>	<b>728.138</b>

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**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	17.340.770	15.418.926
<i>Quoted on a stock exchange</i>	17.340.770	15.418.926
<i>Not quoted</i>	-	-
Share certificates	143.461	132.077
<i>Quoted on a stock exchange</i>	110.375	97.377
<i>Not quoted</i>	33.086	34.700
Impairment provision(-)	291.646	561.076
<b>Total</b>	<b>17.192.585</b>	<b>14.989.927</b>

(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	239.788	-	204.282	-
<b>Total</b>	<b>239.788</b>	<b>-</b>	<b>204.282</b>	<b>-</b>

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 <sup>(3)</sup>			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Agreement conditions modified	Other	Loans and other receivables (Total)	Agreement conditions modified	Other
		Payment plan extensions			Payment plan extensions	
<b>Cash loans</b>						
Non-specialized loans	154.656.090	3.133.002	-	4.263.274	2.674.598	-
<i>Corporation loans</i>	105.263.930	2.734.043	-	3.729.113	2.540.535	-
<i>Export loans</i>	3.648.051	-	-	1.459	-	-
<i>Import loans</i>	-	-	-	-	-	-
<i>Loans given to financial sector</i>	2.458.900	-	-	-	-	-
<i>Consumer loans<sup>(1)</sup></i>	37.079.613	364.694	-	332.706	33.981	-
<i>Credit cards<sup>(2)</sup></i>	3.927.000	34.265	-	138.577	100.082	-
<i>Other</i>	2.278.596	-	-	61.419	-	-
Specialized lending	30.722.022	6.805	-	282.068	292	-
Other receivables	-	-	-	-	-	-
Accruals	2.762.020	47.025	-	67.723	39.759	-
<b>Total</b>	<b>188.140.132</b>	<b>3.186.832</b>	<b>-</b>	<b>4.613.065</b>	<b>2.714.649</b>	<b>-</b>

<sup>(1)</sup> Includes TRY 183.040 of personnel loans.

<sup>(2)</sup> Includes TRY 56.748 of personnel credit cards.

<sup>(3)</sup> 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 <sup>(1)</sup>	Loans and Other Receivables Under Close Monitoring <sup>(2)</sup>
	Extended by 1 or 2 times	3.102.185
Extended by 3,4 or 5 times	36.331	61.622
Extended by more than 5 times	1.291	44.457

<sup>(1)</sup> Accruals amounting to TRY 47.025 are not included in the table above.

<sup>(2)</sup> Accruals amounting to TRY 39.759 are not included in the table above.

Extended period of time	Standard Loans and Other Receivables <sup>(1)</sup>	Loans and Other Receivables Under Close Monitoring <sup>(2)</sup>
	0-6 Months	536.934
6 Months - 12 Months	300.270	160.758
1-2 Years	352.138	154.271
2-5 Years	1.291.617	1.092.109
5 Years and over	658.848	899.337

<sup>(1)</sup> Accruals amounting to TRY 47.025 are not included in the table above.

<sup>(2)</sup> Accruals amounting to TRY 39.759 are not included in the table above.

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**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:

	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Consumer loans-TRY	416.517	35.883.511	36.300.028
<i>Real estate loans</i>	12.272	20.371.448	20.383.720
<i>Automobile loans</i>	5.057	250.196	255.253
<i>Consumer loans</i>	399.188	15.261.867	15.661.055
<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	2.926.571	2.536	2.929.107
<i>Installment</i>	1.220.522	-	1.220.522
<i>Non-installment</i>	1.706.049	2.536	1.708.585
Individual credit cards-FC	310	-	310
<i>Installment</i>	-	-	-
<i>Non-installment</i>	310	-	310
Personnel loans-TRY	10.056	172.984	183.040
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	10.056	172.984	183.040
<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	56.686	-	56.686
<i>Installment</i>	21.462	-	21.462
<i>Non-installment</i>	35.224	-	35.224
Personnel credit cards-FC	62	-	62
<i>Installment</i>	-	-	-
<i>Non-installment</i>	62	-	62
Overdraft accounts-TRY (Retail customer)	929.251	-	929.251
Overdraft accounts-FC (Retail customer)	-	-	-
<b>Total</b>	<b>4.339.453</b>	<b>36.059.031</b>	<b>40.398.484</b>

\*Interest and income, accruals and discounts are not included in the table above.

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**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	828.390	23.445.757	24.274.147
<i>Business residential loans</i>	-	642.862	642.862
<i>Automobile loans</i>	6.256	330.744	337.000
<i>Consumer loans</i>	822.134	22.472.151	23.294.285
<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	13.506	8.664.388	8.677.894
<i>Business residential loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	13.506	8.664.388	8.677.894
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.079.385	-	1.079.385
<i>Installment</i>	422.162	-	422.162
<i>Non-installment</i>	657.223	-	657.223
Corporate credit cards-FC	27	-	27
<i>Installment</i>	-	-	-
<i>Non-installment</i>	27	-	27
Overdraft accounts-TRY (Commercial customer)	1.077.977	-	1.077.977
Overdraft accounts-FC (Commercial customer)	-	-	-
<b>Total</b>	<b>2.999.285</b>	<b>32.110.145</b>	<b>35.109.430</b>

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

e) Domestic and foreign loans:

	Current period	Prior period
Domestic loans	191.233.850	155.749.275
Foreign loans	1.519.347	1.429.021
<b>Total</b>	<b>192.753.197</b>	<b>157.178.296</b>

f) Loans granted to subsidiaries and associates:

	Current period	Prior period
Direct loans granted to subsidiaries and associates	1.044.078	1.078.414
Indirect loans granted to subsidiaries and associates	-	-
<b>Total</b>	<b>1.044.078</b>	<b>1.078.414</b>

g) Specific provisions provided against loans:

	Current period	Prior period
Specific provisions		
Loans and receivables with limited collectability	313.205	518.902
Loans and receivables with doubtful collectability	640.924	305.386
Uncollectible loans and receivables	3.570.061	3.139.757
<b>Total</b>	<b>4.524.190</b>	<b>3.964.045</b>

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**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:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>	<b>47.711</b>	<b>13.208</b>	<b>1.178.619</b>
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	47.711	13.208	1.178.619
<b>Prior period</b>	<b>34.480</b>	<b>3.858</b>	<b>1.173.596</b>
(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:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
Prior period end balance	914.463	437.175	3.788.444
Additions (+)	1.123.224	20.781	79.252
Transfers from other categories of loans under follow-up (+)	-	1.294.637	742.477
Transfers to other categories of loans under follow-up (-)	1.322.393	714.721	-
Collections (-)	137.982	67.429	214.385
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
<b>Current period end balance</b>	<b>577.312</b>	<b>970.443</b>	<b>4.395.788</b>
Specific provision (-)	313.205	640.924	3.570.061
<b>Net balance on balance sheet</b>	<b>264.107</b>	<b>329.519</b>	<b>825.727</b>

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>			
Balance at the end of the period	64.565	300.202	1.664.416
Specific provisions(-)	36.243	226.284	1.063.859
<b>Net balance in the balance sheet</b>	<b>28.322</b>	<b>73.918</b>	<b>600.557</b>
<b>Prior period</b>			
Balance at the end of the period	204.204	51.653	1.522.852
Specific provisions(-)	137.119	30.083	1.078.913
<b>Net balance in the balance sheet</b>	<b>67.085</b>	<b>21.570</b>	<b>443.939</b>

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**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:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>	<b>264.107</b>	<b>329.519</b>	<b>825.727</b>
Loans to granted real persons and legal entities (Gross)	576.468	969.190	4.326.143
Specific provisions (-)	312.361	639.671	3.500.416
<b>Loans to granted real persons and legal entities (Net)</b>	<b>264.107</b>	<b>329.519</b>	<b>825.727</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	844	1.253	69.645
Specific provisions (-)	844	1.253	69.645
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior period (Net)</b>	<b>395.561</b>	<b>131.789</b>	<b>648.687</b>
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
<b>Loans to granted real persons and legal entities (Net)</b>	<b>395.561</b>	<b>131.789</b>	<b>648.687</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	1.001	641	70.385
Specific provisions (-)	1.001	641	70.385
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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.

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**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	18.464.962	737.048	4.419.663	1.048.201
<b>Total</b>	<b>18.464.962</b>	<b>737.048</b>	<b>4.419.663</b>	<b>1.048.201</b>

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	114.655	1.395.147	5.079.533	933.840
<b>Total</b>	<b>114.655</b>	<b>1.395.147</b>	<b>5.079.533</b>	<b>933.840</b>

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

	Current period	Prior period
Government bonds	20.989.204	18.156.182
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>20.989.204</b>	<b>18.156.182</b>

c) Information on held-to-maturity investments:

	Current period	Prior period
Debt securities	20.989.204	18.156.182
<i>Quoted on a stock exchange</i>	20.989.204	18.156.182
<i>Not quoted</i>	-	-
Impairment provision (-)	-	-
<b>Total</b>	<b>20.989.204</b>	<b>18.156.182</b>

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 <sup>(1)</sup>	3.156.218	2.389.499
Disposals through sales and redemptions	(329.725)	(1.309.290)
Impairment provision (-) / provision reversal (+)	-	-
<b>Balance at the end of the period</b>	<b>20.989.204</b>	<b>18.156.182</b>

<sup>(1)</sup> Interest income accrual difference between 30 September 2017 amounting to TRY 2.565.400 and 31 December 2016 amounting to TRY 1.907.723 has been included in purchases row.



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**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. Demir-Halkbank NV <sup>(1)</sup>	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	33,12
3. Kredi Kayıt Bürosu AŞ <sup>(2)</sup>	İstanbul	18,18	18,18
4. Bankalararası Kart Merkezi AŞ <sup>(3)</sup>	Istanbul	18,95	18,95
5. Türk P ve I Sigorta AŞ	Istanbul	16,67	16,67

b) Information related to the associates as sorted in (a):

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1. 7.780.208	991.892	14.022	174.648	6.041	52.706	41.055	280.604
2. 47.941	47.430	96	2.114	-	237	254	-
3. 243.705	153.651	149.688	4.164	-	31.738	14.496	-
4. 80.677	48.880	47.651	1.044	-	6.983	14.517	-
5. 26.356	5.365	498	304	-	819	(104)	-

(1) The financial information about the fair value of Demir-Halk Bank N.V. has been obtained from its valuation report as of 30 September 2017.

(2) The financial data is obtained from 30 September 2017 unreviewed financial statements.

(3) The financial data is obtained from 30 September 2017 reviewed financial statements.

c) Movement of associates:

	Current period	Prior period
Balance at the beginning of the period	268.657	227.320
Movements during the period	31.030	41.337
Purchases	-	-
Bonus shares obtained profit from current year's share	-	-
Dividends from current year income	-	-
Sales	-	-
Transfers	-	-
Revaluation decrease (-) / increase	31.030	41.337
Provision for impairment (-) / reversals (+)	-	-
<b>Balance at the end of the period</b>	<b>299.687</b>	<b>268.657</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

d) Sectoral information and related carrying amounts of associates:

	Current period	Prior period
Banks	280.604	249.574
Insurance companies	1.245	1.245
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518
Other non- financial investments	6.320	6.320

e) Associates quoted to a stock exchange:

None.

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**SECTION V: 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 <sup>(1)</sup>:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Bank A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd
<b>CORE CAPITAL</b>									
Paid in Capital	82.000	187.000	412.000	820.000	272.250	11.000	147.843	70.000	53.667
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-
Share premium	-	98	-	49.945	-	-	11.633	-	44.552
Reserves	12.762	20.701	63.369	65.172	9.221	8.259	140.049	4.079	89.734
Other Comprehensive Income according to TAS	2.097	(796)	(10.201)	1.481	(95)	(35)	371	(10)	8.278
<b>Profit / Loss</b>	<b>18.716</b>	<b>(132.487)</b>	<b>185.508</b>	<b>33.665</b>	<b>94.450</b>	<b>6.853</b>	<b>24.663</b>	<b>23.005</b>	<b>8.777</b>
<i>Net Profit</i>	<i>18.716</i>	<i>21.254</i>	<i>168.275</i>	<i>33.665</i>	<i>61.246</i>	<i>6.368</i>	<i>24.663</i>	<i>23.005</i>	<i>8.777</i>
<i>Prior Period Profit/Loss</i>	-	<i>(153.741)</i>	<i>17.233</i>	-	<i>33.204</i>	<i>485</i>	-	-	-
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	750	-	-	-	-	-	-	-	-
Leasehold Improvements (-)	-	-	84	-	-	-	6.466	201	2.287
Intangible Assets (-)	799	3.246	1.327	159	822	10	3.373	381	2.187
<b>Total Core Capital</b>	<b>115.526</b>	<b>71.270</b>	<b>649.265</b>	<b>970.104</b>	<b>375.004</b>	<b>26.067</b>	<b>314.720</b>	<b>96.492</b>	<b>200.534</b>
<b>SUPPLEMENTARY CAPITAL</b>	-	-	-	-	-	-	<b>22.864</b>	-	<b>4.840</b>
<b>CAPITAL</b>	<b>115.526</b>	<b>71.270</b>	<b>649.265</b>	<b>970.104</b>	<b>375.004</b>	<b>26.067</b>	<b>337.584</b>	<b>96.492</b>	<b>205.374</b>
<b>NET AVAILABLE CAPITAL</b>	<b>115.526</b>	<b>71.270</b>	<b>649.265</b>	<b>970.104</b>	<b>375.004</b>	<b>26.067</b>	<b>337.584</b>	<b>96.492</b>	<b>205.374</b>

<sup>(1)</sup> The information is presented from companies' financial statements as of 30 September 2017.

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

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

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

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

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

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**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 <sup>(4)</sup>	İstanbul	89,18	94,29
3. Halk Hayat ve Emeklilik A.Ş	İstanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ <sup>(3)</sup>	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	89,99	89,99

c) Information related to the subsidiaries as sorted in (b): <sup>(1)</sup>

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value <sup>(2)</sup>
1	1.857.534	115.526	2.112	70.160	915	18.716	10.982	133.414
2 <sup>(5)</sup>	1.611.037	71.270	4.926	90.128	12.978	21.254	(43.643)	368.089
3	1.156.754	649.265	2.421	92.885	21.300	168.275	114.933	920.493
4 <sup>(2)</sup>	1.251.953	970.104	544.984	4.886	-	33.665	29.829	584.274
5	2.923.978	375.004	1.257	140.851	-	61.246	38.836	415.786
6	27.641	26.067	286	2.224	10	6.368	5.410	22.634
7	2.574.013	337.584	55.087	83.335	9.825	24.663	17.444	306.236
8	1.022.062	96.492	1.072	121.680	-	23.005	17.796	95.558
9	44.601	30.870	6.193	782	1.370	6.679	2.205	41.243
10	1.319.369	205.374	29.462	39.995	4.722	8.777	9.389	108.450

<sup>(1)</sup> The financial data is obtained from 30 September 2017 financial statements used in consolidation.

<sup>(2)</sup> Halk Gayrimenkul Yatırım Ortaklığı A.Ş is valued at stock price.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

<sup>(5)</sup> The Bank has been calculated IBNR provisions in terms of Under Secretariat for the Treasury's circular No.2014/16 and the Bank reflects this provisions gradually until 2019 in accordance with circular no: 2016/11.

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**SECTION V: 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:

	<b>Current period</b>	<b>Prior period</b>
Balance at the beginning of the period	2.877.824	2.685.934
Movements during the period	118.354	191.890
<i>Purchase<sup>(1)</sup></i>	6.238	38.158
<i>Bonus shares obtained profit from current year's share</i>	224.951	171.560
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer</i>	-	-
<i>Revaluation increase</i>	(203.362)	(16.043)
<i>Reversal of provision for impairment (-)</i>	45.264	(51.165)
<i>Currency differences on valuation of foreign subsidiaries</i>	45.263	49.380
<b>Balance at the end of the period</b>	<b>2.996.178</b>	<b>2.877.824</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup> As of 30 September 2017, The Bank paid TRY 6.238 for 7,52% shares of Halkbank A.D. Beograd, which is located in Serbia, and increased its shares to 89,99%.

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

	<b>Current period</b>	<b>Prior period</b>
Banks	414.686	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	740.323	673.470
Other non-financial subsidiaries	41.243	41.243

f) Subsidiaries quoted in the stock exchange:

	<b>Current period</b>	<b>Prior period</b>
Quoted to domestic stock <sup>(1). (2)</sup>	952.363	885.510
Quoted foreign stock exchange	-	-

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

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**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
<b>Cost</b>		
Opening Balance	430.059	428.525
Acquisitions	-	1.534
Transfer	-	-
Disposals	-	-
Impairment Charge/Cancellation(-)	-	-
<b>Ending Balance</b>	<b>430.059</b>	<b>430.059</b>
<b>Accumulated Depreciation (-)</b>		
Opening Balance	66.738	63.525
Amortization Charge	2.412	3.213
Transfer	-	-
Disposals	-	-
Impairment Charge/Cancellation (-)	-	-
<b>Total Accumulated Depreciation (-)</b>	<b>69.150</b>	<b>66.738</b>
<b>Net Book Value</b>	<b>360.909</b>	<b>363.321</b>

<sup>(9)</sup>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 an investment property.

(15) Information on tax assets:

a) Information on the current tax asset:

As of 30 September 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 (-) <sup>(1)</sup>	(62)	(62)
<b>Net Book Value</b>	<b>740</b>	<b>740</b>
<b>Opening Balance</b>	<b>740</b>	<b>1.091</b>
Acquisitions (Transfers) (Net)	-	(552)
Disposals (Net)	-	-
Revaluation	-	154
Impairment Charge/Cancellation	-	-
Amortization Charge	-	47
<b>Net Book Value</b>	<b>740</b>	<b>740</b>

<sup>(1)</sup> 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 2.338.338 and does not exceed 10% of the balance sheet total (31 December 2016: TRY 1.936.946).

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**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	6.841.365	-	729.725	36.881.244	1.591.724	529.503	538.667	101.863	47.214.091
Foreign currency deposits	8.488.086	-	4.055.375	40.284.568	7.369.237	2.537.851	4.078.417	10.271	66.823.805
<i>Residents in Turkey</i>	6.754.081	-	3.890.133	39.342.140	7.176.980	2.238.876	2.472.409	9.937	61.884.556
<i>Residents abroad</i>	1.734.005	-	165.242	942.428	192.257	298.975	1.606.008	334	4.939.249
Public sector deposits	2.605.651	-	1.795.846	3.752.564	615.110	3.617.829	53.912	-	12.440.912
Commercial inst. deposits	5.291.682	-	2.970.297	18.678.955	2.829.767	3.344.226	179.605	-	33.294.532
Other inst. deposits	646.487	-	103.027	5.495.158	982.805	544.667	86.370	-	7.858.514
Precious metals	1.684.254	-	-	-	-	-	-	-	1.684.254
Interbank deposits	4.800.045	-	2.037.213	9.515.776	-	11.077	274.127	-	16.638.238
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	41.358	-	1.151.062	5.834.397	-	11.077	2.178	-	7.040.072
<i>Foreign banks</i>	4.747.651	-	710.737	3.610.901	-	-	271.949	-	9.341.238
<i>Participation banks</i>	11.036	-	175.414	70.478	-	-	-	-	256.928
<b>Total</b>	<b>30.357.570</b>	<b>-</b>	<b>11.691.483</b>	<b>114.608.265</b>	<b>13.388.643</b>	<b>10.585.153</b>	<b>5.211.098</b>	<b>112.134</b>	<b>185.954.346</b>

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
<b>Total</b>	<b>28.871.092</b>	<b>-</b>	<b>14.377.641</b>	<b>88.385.133</b>	<b>8.239.654</b>	<b>5.178.129</b>	<b>5.095.369</b>	<b>115.821</b>	<b>150.262.839</b>

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**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.1.2. 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	24.548.351	23.535.650	22.533.602	16.938.565
Foreign currency saving deposits	8.151.502	6.787.330	20.189.240	14.574.636
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	198.890	167.456	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

b.1.3. 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	294.334	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	2.690	2.603
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

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**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	-	90.881	-	137.422
Swap transactions	-	91.945	-	74.112
Future transactions	-	-	-	-
Options	11	237	59	255
Other	-	-	-	-
<b>Total</b>	<b>11</b>	<b>183.063</b>	<b>59</b>	<b>211.789</b>

(3) a) Information on funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	286.315	2.080.186	254.679	1.875.919
Foreign banks, institutions and funds	162.479	12.844.915	186.276	16.651.230
<b>Total</b>	<b>448.794</b>	<b>14.925.101</b>	<b>440.955</b>	<b>18.527.149</b>

b) Maturity structure of funds borrowed:

	Current period		Prior period	
	TRY	FC	TRY	FC
Short-term	291.992	4.189.456	261.008	4.077.162
Medium and long-term	156.802	10.735.645	179.947	14.449.987
<b>Total</b>	<b>448.794</b>	<b>14.925.101</b>	<b>440.955</b>	<b>18.527.149</b>

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 25,39% of saving deposits and 35,94% 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 69,82% of bank deposits and 40,46% of other deposits consist of foreign currency deposits.



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

(4) Marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Treasury Bills	3.001.202	-	1.749.034	-
Bonds	-	7.975.931	-	10.684.708
<b>Total</b>	<b>3.001.202</b>	<b>7.975.931</b>	<b>1.749.034</b>	<b>10.684.708</b>

(5) Explanations to the funds:

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

Maturity structure of funds:

	Current period		Prior Period	
	Short-term	Long-term	Short-term	Long-term
	1.199	2.463.207	37.539	2.302.269

(6) Information on other liabilities:

Other liabilities balance in the balance sheet amounts to TRY 1.522.598 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 <sup>(1)</sup>	-	-	8	8
More than 4 years	25	21	115	91
<b>Total</b>	<b>25</b>	<b>21</b>	<b>123</b>	<b>99</b>

<sup>(1)</sup> Finance lease payables are presented with respect to original maturity.

c) Explanations regarding operational leases:

The operational leasing agreements are signed for some branches. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "Other Assets". The Bank does not have any commitments arising on the existing operational lease agreements.

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**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:

	<b>Current period</b>	<b>Prior period</b>
<b>General provision</b>	<b>2.222.538</b>	<b>2.027.964</b>
Provisions for first group loans and receivables	1.997.430	1.817.380
<i>Additional provisions for the loans with extended payment plan</i>	-	-
Provisions for second group loans and receivables	90.907	90.675
<i>Additional provisions for the loans with extended payment plan</i>	-	-
Provisions for non-cash loans	134.201	119.909
Other	-	-

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

As of 30 September 2017 the Bank's foreign currency indexed loans and finance lease receivables amounting to losses on foreign exchange is TRY 7.531 (31 December 2016: TRY 23).

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

As of 30 September 2017, the Bank's specific provision for unindemnified non-cash loans balance is TRY 113.715 (31 December 2016: TRY 139.279).

d) Information on other provisions:

Total other provision balance amounting to TRY 314.418 (31 December 2016: TRY 309.826) consists of TRY 113.715 (31 December 2016: TRY 139.279) for specific provisions for unindemnified non cash loans, TRY 130.337 (31 December 2016: TRY 90.793) for legal cases filed against the Bank and TRY 70.366 (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.

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**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 September 2017, the Bank's corporate tax payable is amounting to TRY 175.465 and accounted for under corporate tax provision at the related date.

a.2. Information on taxes payable:

	Current period	Prior period
Corporate tax payable	175.465	41.636
Income on securities tax	393.764	157.120
Property income tax	1.456	1.402
Banking and insurance transactions tax (BITT)	74.707	84.974
Foreign exchange transactions tax	18	48
Value added tax payable	-	-
Other	29.027	24.391
<b>Total</b>	<b>674.437</b>	<b>309.571</b>

a.3. Information on premiums:

	Current period	Prior period
Social insurance premiums-employee	17	18
Social insurance premiums-employer	21	21
Bank social aid pension fund premium-employee	10.941	7.621
Bank social aid pension fund premium-employer	15.199	10.452
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	-	-
Unemployment insurance-employer	-	-
Other	2.496	1.956
<b>Total</b>	<b>28.674</b>	<b>20.068</b>

b) Deferred tax liability:

	Current period	Prior period
<b>Deferred Tax (Asset) /Liability</b>		
Provisions <sup>(1)</sup>	202.657	183.840
Revaluation of Financial Assets	(448.680)	(376.569)
Other	(104.722)	(93.943)
<b>Deferred Tax Liability:</b>	<b>(350.745)</b>	<b>(286.672)</b>
<b>Deferred tax accounted in shareholders' equity</b>	<b>(11.835)</b>	<b>(454)</b>
Fair value differences for available for sale financial assets	54.253	66.911
Actuarial gains and losses	241	241
Subsidiaries Valuation	-	-
Property Revaluation	(66.329)	(67.606)

<sup>(1)</sup> Provisions are comprised of the employee termination benefits and other provisions.

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**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)	846.160	219.416	1.004.257	203.841
Valuation differences	846.160	219.416	1.004.257	203.841
Exchange rate difference	-	-	-	-
Financial assets available for sale	(268.429)	(180.680)	(297.328)	(428.017)
Valuation differences	(268.429)	(180.680)	(297.328)	(428.017)
Exchange rate difference	-	-	-	-
<b>Total</b>	<b>577.731</b>	<b>38.736</b>	<b>706.929</b>	<b>(224.176)</b>

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**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:

<b>Types of irrevocable commitments</b>	<b>Current period</b>	<b>Prior period</b>
Commitments for credit card expenditure limits	11.386.929	10.794.813
Payment commitments for cheques	6.330.886	5.805.008
Loan granting commitments	4.359.795	3.551.904
Two days forward foreign exchange buy/sell transactions	1.137.613	417.450
Commitments for credit cards and banking services promotions	36.972	44.328
Tax and fund liabilities from export commitments	34.149	28.864
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	3.482.390	2.874.314
<b>Total</b>	<b>26.768.734</b>	<b>23.516.681</b>

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:

	<b>Current period</b>	<b>Prior period</b>
Bank acceptance loans	4.346.289	4.011.308
Letters of credit	2.612.181	2.825.466
Other guarantees	1.114.185	956.523
<b>Total</b>	<b>8.072.655</b>	<b>7.793.297</b>

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

	<b>Current period</b>	<b>Prior period</b>
Letters of certain guarantees	15.003.691	14.917.475
Letters of advance guarantees	3.355.840	3.430.728
Letters of tentative guarantees	852.608	512.981
Letters of guarantee given to customs offices	914.309	887.159
Other letters of guarantee	25.799.665	20.219.188
<b>Total</b>	<b>45.926.113</b>	<b>39.967.531</b>

c) Total non-cash loans:

	<b>Current period</b>	<b>Prior period</b>
Non-cash loans for providing cash loans	2.385.068	1.920.169
<i>Within one year or less original maturity</i>	343.927	287.627
<i>Within more than one year maturity</i>	2.041.141	1.632.542
Other non-cash loans	51.613.700	45.840.659
<b>Total</b>	<b>53.998.768</b>	<b>47.760.828</b>

d) Information on contingent liabilities and assets:

Bank's commitments due to cheques given to client is TRY 6.330.886 (31 December 2016: TRY 5.805.008).

e) Services supplied on behalf of others:

None.

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**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
<b>Interest on loans<sup>(1)</sup></b>				
Short term loans	3.196.570	139.871	2.799.364	124.810
Medium and long term loans	7.822.211	2.214.470	5.846.185	1.499.680
Interest on non-performing loans	49.672	-	48.638	-
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>11.068.453</b>	<b>2.354.341</b>	<b>8.694.187</b>	<b>1.624.490</b>

<sup>(1)</sup> Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current period		Prior period	
	TRY	FC	TRY	FC
CBRT	63.094	56.821	48.102	7.127
Domestic banks	5.343	6.024	200	376
Overseas banks	6.856	11.711	2.103	1.415
Head office and branches	-	-	-	-
<b>Total</b>	<b>75.293</b>	<b>74.556</b>	<b>50.405</b>	<b>8.918</b>

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Financial assets held for trading	573	-	3.384	647
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	909.835	199.737	594.948	158.214
Held-to-maturity investments	1.438.767	99.605	1.037.705	81.168
<b>Total</b>	<b>2.349.175</b>	<b>299.342</b>	<b>1.636.037</b>	<b>240.029</b>

d) Interest income from subsidiaries and associates:

	Current period	Prior period
Interest income from subsidiaries and associates	35.413	46.720

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**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	23.702	234.911	30.675	224.578
<i>Domestic banks</i>	14.009	17.634	14.904	14.730
<i>Overseas banks</i>	9.693	217.277	15.771	209.848
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	9	10.468	11	11.823
<b>Total</b>	<b>23.711</b>	<b>245.379</b>	<b>30.686</b>	<b>236.401</b>

b) Interest expenses to subsidiaries and associates:

	Current period	Prior period
Interest expenses to subsidiaries and associates	189.663	102.384

c) Information on interest expenses to marketable securities issued:

	Current period		Prior period	
	TRY	FC	TRY	FC
Interest on securities issued	202.303	359.100	124.240	276.069
<b>Total</b>	<b>202.303</b>	<b>359.100</b>	<b>124.240</b>	<b>276.069</b>

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		
<b>TRY</b>								
Bank deposits	248	275.840	229.075	684	512	-	-	506.359
Saving deposits	5	43.761	2.787.246	105.419	31.446	33.708	6.553	3.008.138
Public deposits	71	129.664	206.887	55.439	277.171	2.981	-	672.213
Commercial deposits	25	279.647	1.414.894	238.375	153.170	10.234	-	2.096.345
Other deposits	-	42.006	185.157	56.335	25.500	6.345	-	315.343
7 days call accounts	-	-	-	-	-	-	-	-
<b>Total</b>	<b>349</b>	<b>770.918</b>	<b>4.823.259</b>	<b>456.252</b>	<b>487.799</b>	<b>53.268</b>	<b>6.553</b>	<b>6.598.398</b>
<b>Foreign currency</b>								
Deposits	44	49.989	818.351	169.158	32.440	44.383	-	1.114.365
Bank deposits	-	127.971	-	-	-	-	-	127.971
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	-	-	-	-	-	-	-
<b>Total</b>	<b>44</b>	<b>177.960</b>	<b>818.351</b>	<b>169.158</b>	<b>32.440</b>	<b>44.383</b>	<b>-</b>	<b>1.242.336</b>
<b>Grand total</b>	<b>393</b>	<b>948.878</b>	<b>5.641.610</b>	<b>625.410</b>	<b>520.239</b>	<b>97.651</b>	<b>6.553</b>	<b>7.840.734</b>

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**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):

	<b>Current period</b>	<b>Prior period</b>
<b>Profit</b>	<b>37.938.270</b>	<b>9.684.470</b>
Profit from the capital market operations	32.046	16.496
Profit on derivative financial instruments	1.159.251	972.482
Foreign exchange gains	36.746.973	8.695.492
<b>Loss (-)</b>	<b>37.850.906</b>	<b>9.585.902</b>
Loss from the capital market operations	3.465	735
Loss on derivative financial instruments	1.498.996	1.341.068
Foreign exchange losses	36.348.445	8.244.099

(5) Information on other operating income:

	<b>Current period</b>	<b>Prior period</b>
Adjustments for prior period expenses	289.808	301.348
Receivable from the asset sale on credit terms	66.998	118.115
Rent income	25.833	22.877
Other income	27.668	27.682
<b>Total</b>	<b>410.307</b>	<b>470.022</b>

(6) Impairment losses on loans and other receivables:

	<b>Current period</b>	<b>Prior period</b>
Specific provisions on loans and receivables	778.694	597.537
<i>Group - III loans and receivables</i>	330.990	370.803
<i>Group - IV loans and receivables</i>	373.606	143.456
<i>Group - V loans and receivables</i>	74.098	83.278
General loan provision expenses	194.574	529.073
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	76.843	43.757
<b>Total</b>	<b>1.050.111</b>	<b>1.170.367</b>



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**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:

	<b>Current period</b>	<b>Prior period</b>
Personnel expenses	1.444.475	1.299.022
Reserve for employee termination benefits	90.886	90.251
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	73.223	78.790
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	29.157	21.355
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets that will be disposed of	737	1.553
Amortization expenses of assets that will be disposed of	11.261	4.855
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	1.188.050	846.334
<i>Operational leasing expenses</i>	<i>173.716</i>	<i>156.177</i>
<i>Maintenance expenses</i>	<i>28.636</i>	<i>18.564</i>
<i>Advertisement expenses</i>	<i>139.311</i>	<i>68.600</i>
<i>Other expenses</i>	<i>846.387</i>	<i>602.993</i>
Loss on sales of assets	302	1.074
Other	447.912	457.965
<b>Total</b>	<b>3.286.003</b>	<b>2.801.199</b>

(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 September 2017, the Bank’s tax provision amounting to TRY 735.757 (30 September 2016: TRY 608.260) consists of TRY 683.065 (30 September 2016: TRY 571.976) of current tax charge and TRY 52.692 of deferred tax charge (30 September 2016: TRY 36.284 of deferred tax charge).

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

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

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

- a) Effects of changes in accounting estimates on the current and future periods’ profit/loss: There is no issue to be disclosed.
- b) “Other” item under “Fees and Commissions Received” in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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**SECTION V: 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	1.044.078	230.761	-	-	-	-
Interest and commissions income	35.413	420	-	-	-	-

- b) 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	46.720	611	-	-	-	-

- 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
<b>Deposits</b>						
Beginning balance	1.733.533	1.019.114	-	-	-	-
Closing Balance	2.733.528	1.733.533	-	-	-	-
Interest expense on deposits	187.892	100.475	-	-	-	-

- 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
<b>Financial Assets At FV Through Profit And Loss</b>						
Beginning balance	-	20.615	-	-	-	-
Closing Balance	2.107	-	-	-	-	-
Total Profit/Loss	4	-	-	-	-	-

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**V. 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:

	<b>Amount</b>	<b>% compared to the amounts in the financial statements</b>
Cash loans	1.044.078	0,54
Non-cash loans	230.761	0,43
Deposits	2.733.528	1,47
Forward and option contracts	2.107	0,01

Pricing of these transactions are in accordance with the general pricing policies of the Bank and are in line with market rates.

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:

Explained in b).

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 6.440 as of 30 September 2017 (30 September 2016: TRY 6.706).

**VI. EXPLANATION AND NOTES RELATED TO THE SUBSEQUENT EVENTS**

Established with TRY 100.000 (full TRY) capital as a subsidiary of Bank, Halk Varlık Kiralama A.Ş. has been registered to the Turkish Trade Registry on 3 October 2017. Works for incorporation of the Company have been completed.

Within the TRY 3 billion issue limit for the domestic sales of Tier 2 debt securities to qualified investors which was approved by the Capital Markets Board of Turkey on 29 September 2017 and numbered 34/1176, the sale of the Tier 2 notes (subordinated notes), with a maturity of 10 years (3.654 days), nominal value of TRY 1 billion (full TRY) and early redemption option after 5 years from issue date has been completed by the Bank. The settlement of the debt securities is realized on 20 October 2017.

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**SECTION VI: LIMITED REVIEW REPORT**

**I. EXPLANATIONS ON LIMITED REVIEW REPORT**

The Bank's unconsolidated financial statements and footnotes as at 30 September 2017, have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and limited review report dated 3 November 2017 is presented in front of the unconsolidated financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENT AUDITORS**

None.

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**SECTION VII: 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**

This year's agenda of the global economy is quite full with multiple topics. It is not only in the economy, but also considerable activity in the political and social spheres. The ongoing Catalan crisis in Spain directly affects the regional economy, while there is no change in the monetary policies of the Eurozone. On the U.K. front, the continued uncertainty over Brexit is putting significant pressure on investments in this region.

On the other hand, anticipated interest rate hikes have intensified on the Federal Reserve front as it prepares to shrink the size of its balance sheet in the last quarter. This situation, similar to the first quarter of the year, indicates a rise in the U.S. dollar exchange rate in the final quarter. Given that the Chinese economy has increased its real growth rate year-on-year in the second quarter, we expect an upward revision in its global growth forecast.

Developing countries have to manage the pressure created by new tensions in international relations as well as this busy agenda. The United Nations Security Council sanctions against North Korea, which continues its nuclear program and ballistic missile tests despite all warnings, has a negative impact on the global risk appetite. The economic policies planned to be adopted by the Trump administration coinciding with the Fed's approach will make it more difficult for banks vis-à-vis their terms of funding as well as their allocation of global liquidity.

The Turkish economy and banking sector are already well primed for these developments. As a result of our strong management approach, the planned recovery we have achieved during the year is gaining momentum in the sense of economic growth. Despite the unstable picture in the global markets, the first three quarters of the year have been quite productive thanks to the fiscal measures taken in our country together with the rise in investment loans, and all indicators are moving in a positive direction. The 7-percent growth estimate for the third quarter indicate that we are moving closer to the growth targets we set for year-end.

The Medium Term Program (MTP) declared during the process is set to carry us through to our 2023 targets and will be the guide for the public and private sectors. Our economic targets, which have been set until 2020 in the MTP, including unemployment declining to 9.6 percent, inflation rate of 5 percent, current account deficit to GDP ratio receding to 3.9 percent and a per capita income of \$13,000 will from hereon in be the guiding principles for our work. In line with these common targets, our bank will continue to fulfill its responsibilities towards SMEs, artisans, and exporters in its mission of providing them the biggest support in their access to financing.

The Credit Guarantee Fund (CGF) support we provide – easy access to finance for SMEs – has been a significant contribution to our country's 2017 performance. Our bank is one of the co-founding partners of the CGF, which supports our steady growth chart by removing such barriers to finance faced by SMEs as collateral requirements. We will continue to diversify the loans we provide as one of the main supporters of Productive Turkey, and to continue our uninterrupted support of the economy.

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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**Assessment of Chairman of the Board of Directors (continued)**

Esteemed stakeholders,

Whatever the circumstances, Halkbank will continue to move forward the bank itself and the sector, provide the best services to our customers, and strive to work for a powerful Turkey. Our main motivation in this process is to make Halkbank an international brand and to become an underwriter of our country's economic gains on its way to being a leading global competitor with its ever-active industry. We will grow for Turkey on the shoulders of our investors who believe in us for our modern, technology-oriented, youthful, and dynamic banking approach that is in synch with the spirit of the times. We thank you, our valuable stakeholders, for being with us in this process.

Best Regards,

R. Süleyman ÖZDİL  
Chairman

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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**Assessment of General Manager <sup>(1)</sup>**

In the global economy, where growth forecasts made at the beginning of the year are revised upwards in the third quarter, short-term risks stemming from tensions in international relations seem to have been overcome for now. On the other hand, the problem of low inflation in developed economies, particularly in the U.S., and changes in monetary policies are ongoing. The growing expectations of the Fed reducing the size of its balance sheet are also adding to the uncertainties experienced by market players.

The Turkish banking sector, which is closely following this process, is aware of the need to be cautious about liquidity. While our sector uses its financial resources most efficiently, it demonstrates at every turn that it has the knowledge and power to manage the demand for loans.

The stable environment of which the banking sector has been a major contributor also shows that the wheels of our economy are turning harmoniously. Increasing investment in the Turkish economy, coupled with the carrying of the performance of the first two quarters into the second half of the year, demonstrates the confidence of the real sector in our economy. The leap in the industrial production index is a reflection of this situation. The most rapid growth observed since the beginning of 2011 took place in this period, as the impact on the economy of last year's coup attempt was totally eliminated in just one year.

Turkey is on its way to becoming one of the leading countries in exports. As the biggest supporter of companies involved in production, exports, and providing employment, Halkbank also plays an important role in the success of our country with its lending policies. With the loans we grant with favorable terms, Halkbank is the first name that comes to mind in the field of SME banking today. The performance we have shown in the loans guaranteed by the Credit Guarantee Fund is particularly noteworthy at this stage. As of the end of September, we are proud to be the number one bank among all banks offering CGF-guaranteed loans.

We continue our pioneering work in the field of Artisans Banking and continue to offer loan options starting from zero interest and provide terms suitable for all types of needs. Finally, the Treasury interest-subsidized working capital loans offered by our bank to tradesmen and artisans have been increased to an upper limit of 200.000 Turkish lira. Furthermore, Treasury interest-subsidized loans with 500.000 Turkish lira limit have been put into effect to help our artisans purchase their own places of business and vehicles related to their activities.

By adding a new service to the banking services we have developed for retail depositors, we have launched a campaign called "Halkbank'tan Altın Günler" (Golden Days from Halkbank)." With this new service, we help our customers to convert into investment their "under-the-pillow" gold and jewelry, while enabling them to buy and sell their savings securely without having to worry about depreciation in value, storage, and theft.

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

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

**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**Assessment of General Manager (continued)**

Esteemed stakeholders,

Our total loans, including our cash and non-cash loans, increased by 20,4 percent at the end of September 2017 to reach 248,2 billion Turkish lira compared to the end of 2016. The volume of commercial loans, which include our bank's SME loans, also increased by 21,4 percent to 153,5 billion Turkish lira in this period. In the same period, our artisan loans amounted to 22,3 billion Turkish lira. By focusing on customer satisfaction and developing customized services in every field of banking, our bank also continued its retail banking activities successfully. By the end of September, our retail loans reached 40,7 billion Turkish lira, and the number of Paraf credit card holders reached 4 million. In the same time frame, our POS installations increased to 330.000, while member businesses increased to 322.000. Halkbank's balance sheet size increased by 20,9 percent to 279,7 billion Turkish lira, its shareholders' equity rose by 13,9 percent, and its net profit reached 3 billion Turkish lira by the end of September 2017 compared to 2016 year-end.

We became one of the companies that managed to secure a place in the Emerging Markets Index (FTSE4Good Russell) calculated by FTSE, an independent organization jointly owned by the Financial Times and the London Stock Exchange, in December 2016, in a period in which we marked a new financial success with every passing day. Our performance under environmental, social, and corporate governance criteria helped us rank in this index. We are delighted to find a place for our bank in this index that measures performance regarding in such topics as environmental and social performance, sustainable finance, corporate governance, ethical principles, risk management, combating climate change, human and employee rights.

Esteemed Stakeholders,

We are a very powerful country in terms of the characteristics we possess among developing countries. We will achieve even greater success with our energy and hard work. In this process, Halkbank will also continue to provide support to arts, sports, education, and environmental activities as well as to our young people, in order to meet the social expectations and requirements while contributing to our country's economy.

Best regards,  
Osman Arslan  
General Manager

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



**TÜRKİYE HALK BANKASI AŞ**  
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**STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017**

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

**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**Major Unconsolidated Financial Information**

<b>Summary Balance Sheet (Million TRY)</b>			
	<b>September 2017</b>	<b>December 2016</b>	<b>Change (%)</b>
Total Assets	279.726	231.441	20,9
Loans	194.173	158.354	22,6
<i>TRY</i>	134.854	103.502	30,3
<i>FC</i>	59.319	54.852	8,1
Marketable Securities	38.195	33.216	15,0
Deposit	185.954	150.263	23,8
<i>TRY</i>	105.829	88.217	20,0
<i>FC</i>	80.125	62.046	29,1
Non-Deposit Resources	60.212	51.589	16,7
Total Equity	24.283	21.317	13,9

<b>Summary Income Statement (Million TRY)</b>			
	<b>September 2017</b>	<b>September 2016</b>	<b>Change (%)</b>
Interes Income	16.350	12.307	32,8
<i>On Loan</i>	13.423	10.319	30,1
<i>On Securities</i>	2.649	1.876	41,2
Interest Expense	10.587	7.328	44,5
<i>On Deposit</i>	7.841	6.027	30,1
Net Interest Income	5.763	4.979	15,8
Net Fee and Commission	1.559	961	62,3
Operating Income	8.082	6.775	19,3
Profit Before Tax	3.746	2.804	33,6
Net Profit	3.010	2.195	37,1

<b>Ratio (%)</b>	<b>September 2017</b>	<b>December 2016</b>
Interst Bearing Assets /Total Assets	83,62	82,53
Loans/Total Asset	69,42	68,42
Non-Performing Loans/Total Loans (Gross)	2,99	3,17
Demand Deposit/Total Deposit	16,33	19,21
Loan/Deposit Ratio	104,42	105,38
Average Return on Asset (ROA)	1,57	1,22
Average Return on Equity (ROE)	17,65	12,56
Capital Adequacy Ratio	13,81	13,08

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL**  
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*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**2017 Third quarter Interim Developments**

**Important Developments**

Our Bank has issued bonds with a par value of 1,703,500,000 Turkish lira in total to qualified investors on July 11, 2017, July 13, 2017, July 18, 2017, July 26, 2017, August 1, 2017, August 3, 2017, August 14, 2017, August 24, 2017, and September 21, 2017.

Additionally, after the book building that took place on August 7-9, 2017, bonds were issued at a total nominal value of 750 million Turkish lira with a term of 175 days. The total subscription from the public offering amounted to a par value of 854,292,123 Turkish lira. At the end of the book building, domestic retail investors were allocated bonds with a total nominal value of 704,824,000 Turkish lira, and institutional investors were allocated a nominal value of 45,176,000 Turkish lira. The simple and compound interest rates for the bonds were 12.25 and 12.64 percent, respectively. Accordingly, the sale price of a bank bond with a par value of 1 Turkish lira was determined to be 0.94453 Turkish lira.

**New Products and Campaigns**

- Our bank launched a campaign called "Golden Days from Halkbank" to increase gold deposits of Halkbank and to sign new customers as well as channel the "under-the-pillow" gold stock into the economy.
- To meet the cash needs of our customers before Eid al-Adha, we launched the "Bayram Ettiren Kredi" (Festive Loan) campaign.
- In order to expand the number of transactions and the number of credit card holders, we organized a new campaign for our new credit card applicants.
- The "Paraf Debit" product was developed to keep customers loyal at a time when technological solutions and products have become abundant in the market, and to make our bank and our products indispensable.

**Social Responsibility Projects**

- Our bank continues to support as a solution partner the Common Mind Meetings with the collaboration of the Turkish Exporters' Assembly and Turkishtime Magazine in 10 different sectors.
- Our bank has supported cultural and art activities by sponsoring the Sixth International Clarinet Festival.
- Our Bank purchased wheelchairs in support of the social responsibility project implemented by the Ministry of Family and Social Policies for citizens with disabilities.
- Our bank contributed to the Ahi (Brotherhood) Week organized to ensure the survival of the culture of Ahi brotherhood or guild tradition and its passing on to future generations.
- Our bank made donations to the Turkish Red Crescent, which has been looked up to as a model organization in Turkey and worldwide in the field of humanitarian relief with its vision to extend a helping to those who are in dire need.