

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

Türkiye Halk Bankası Anonim Şirketi

**Consolidated Financial Statements
As of and For the Three-Month Period Ended 31 March 2018
With Limited Review Report Thereon**
*(Convenience Translation of Consolidated Interim
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

10 May 2018

*This report contains “Limited Review Report”
comprising 2 pages and; “Consolidated Interim
Financial Statements and Related Disclosures and
Footnotes” comprising 134 pages.*

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Türkiye Halk Bankası AŞ

Introduction

We have reviewed the accompanying consolidated balance sheet of Türkiye Halk Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries (together will be referred as “the Group”) as at 31 March 2018, and the consolidated statement of income, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying 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 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.

Basis for Qualified Conclusion

The accompanying consolidated interim financial statements as at 31 March 2018, include a general reserve amounting to TL 87.000 thousand, provided by the Group management in the current period for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions. If such general provision was not provided, as at 31 March 2018, other provisions would decrease by TL 87.000 thousand and net profit would increase by TL 87.000 thousand.

Qualified Conclusion

Based on our review, except for the effect of the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. and its consolidated subsidiaries as at 31 March 2018, and of the results of their operations and their cash flows for the three-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

Emphasis of Matter

We draw attention to the following:

As detailed in Section 5 Note 7, one of the Bank's directors has been convicted for some of the charges in the first phase of the trial by the jury in the United States of America ("USA") of the violation of the USA sanctions involving Iran. The subsequent legal process is not yet completed but ongoing for the defendant director of the Bank such as appeal and other legal rights following the first phase of the trial.

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

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

Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information provided in the Management's interim report included in section seven of the accompanying consolidated financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed consolidated 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 consolidated interim financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying consolidated financial statements. The accounting principles used in the preparation of the accompanying consolidated 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 consolidated 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, 10 May 2018

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

1. The Bank's Headquarter Address:
Barbaros Mahallesi Şebboy Sokak No: 4 Ataşehir/İstanbul
2. The Bank's Contact Phone and Facsimile:
Phone : 0216 503 70 70
Facsimile : 0212 340 93 99
3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr
E-mail Address: halkbank.ir@halkbank.com.tr

The consolidated three-month period ended financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- **Section One** : GENERAL INFORMATION ABOUT THE PARENT BANK
- **Section Two** : CONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** : INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- **Section Five** : EXPLANATIONS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : LIMITED REVIEW REPORT
- **Section Seven** : INTERIM ACTIVITY REPORT

Subsidiaries, associates, and joint ventures which are consolidated within this financial report are as below:

Subsidiaries		Associates	
1.	Halk Yatırım Menkul Değerler AŞ	1.	Demir-Halk Bank N.V.
2.	Halk Sigorta AŞ	2.	Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
3.	Halk Hayat ve Emeklilik AŞ	3.	Türk P ve I Sigorta AŞ
4.	Halk Gayrimenkul Yatırım Ortaklığı AŞ		
5.	Halk Finansal Kiralama AŞ		
6.	Halk Portföy Yönetimi AŞ		
7.	Halk Faktoring AŞ		
8.	Halk Banka A.D., Skopje		
9.	Halkbank A.D. Beograd		
10.	Halk Varlık Kiralama AŞ		

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the three-month period are prepared **in thousand Turkish Lira** and they have been reviewed 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, 10 May 2018

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

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

Name/Title : Turgay Ayık/Director
Tel/Fax No : 0216 503 52 09 /0212 340 09 90

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

As of 31 March 2018 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31 March 2018	%	31 December 2017	%
Türkiye Varlık Fonu ⁽¹⁾	638.276	51,06	638.276	51,06
Public shares ⁽¹⁾	611.641	48,93	611.640	48,93
Other shareholders ⁽²⁾	83	0,01	84	0,01
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ The shares of the Türkiye Varlık Fonu A.Ş. amounting to TRY 550 have been included in Public shares. With these shares, the total shares amounting TRY 638.826 held by the Türkiye Varlık Fonu A.Ş. is 51,11% of the total shares.

⁽²⁾ TRY 81 of the shares included in the “Other Shareholders” group belong to shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized in their own accounts) while TRY 2 of which belong to shareholders whose shares are monitored under the shares not registered under the custody of the Central Securities Depository of Turkey due to the ongoing legal action.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

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

Name	Title
R. Süleyman ÖZDİL	Chairman of the Board of Directors
Sadık TILTAK	Vice Chairman of the Board of Directors, Independent Member of the Board of Director, Chairman of the Audit Committee
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Yunus KARAN	Member of the Board of Directors
Cenap AŞÇI	Member of the Board of Directors
Yahya BAYRAKTAR	Independent Member of the Board of Directors, Member of the Audit Committee
Mehmet Nihat ÖMEROĞLU	Independent Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Meltem TAYLAN AYDIN	Member of the Board of Directors
Faruk ÖZÇELİK	Member of the Audit Committee
Yılmaz ÇOLAK	Member of the Audit Committee
Selahattin SÜLEYMANOĞLU	Executive Vice President, 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, Corporate and Internal Systems

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

III. EXPLANATIONS REGARDING THE PARENT 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 Parent Bank’s top management who have assigned to their position in 2018 are listed with titles and dates of assignment.

None.

- b) The professionals from the Parent Bank’s top management who have left their position in 2018 are listed with titles and dates of leaving.

None.

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

V. BRIEF INFORMATION ON THE PARENT 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.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

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

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

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

As of 31 March 2018, the Bank operates with a total of 972 branches consisting of 966 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 28 satellite branches. The Bank has also 3 representative office in England, Singapore and Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

- Halk Yatırım Menkul Değerler AŞ
- Halk Sigorta AŞ
- Halk Hayat ve Emeklilik AŞ
- Halk Gayrimenkul Yatırım Ortaklığı AŞ
- Halk Finansal Kiralama AŞ
- Halk Portföy Yönetimi AŞ
- Halk Faktoring AŞ
- Halk Banka A.D., Skopje
- Halkbank A.D. Beograd
- Halk Varlık Kiralama AŞ

are consolidated line by line in the accompanying consolidated financial statements.

The Parent Bank's associates;

- Demir-Halk Bank N.V.
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
- Türk P ve I Sigorta AŞ

are accounted for at "equity method" in the accompanying consolidated financial statements.

Halk Gayrimenkul Yatırım Ortaklığı AŞ ("Halk GYO"), a subsidiary of the Parent Bank established in 2010, was registered on 18 October 2010. Halk GYO's main line of business is, to form and improve real estate portfolios and to invest in real estate based capital market instruments. Halk GYO's main operational objective is to invest in capital market instruments based on real estates, real estate projects and rights based on real estates, as per the Capital Markets Board's ("CMB") regulation on investment trusts.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION (CONTINUED)

As at 15 February 2013 28% shares of Halk GYO has been offered to public. After collecting potential investors' book building, Halk GYO's shares started to be traded on Borsa İstanbul AŞ since 22 February 2013.

Halk Finansal Kiralama AŞ ("Halk Leasing") was established in September 1991 in Turkey and its main line of business is financial leasing. Halk Leasing operates under the provisions of the Turkish financial leasing law number 3226.

Halk Banka A.D., Skopje, formerly Export and Credit Bank A.D., Skopje is a subsidiary of the Parent Bank as of 8 April 2011, operating in Macedonia. The Bank's main activities include commercial lending, accepting deposits, and retail banking services in the country and abroad.

Halk Portföy Yönetimi AŞ ("Halk Portföy"), a subsidiary of the Parent Bank established in 2011, was registered on 30 June 2011. Halk Portföy's main line of business is to provide portfolio and fund management services.

Halk Faktoring AŞ's ("Halk Faktoring") main line of business is to provide factoring services that include legitimate commercial lending for all domestic and international trade operation.

Halkbank A.D. Beograd is a subsidiary of the Parent Bank as of 28 May 2015. Its main activities include commercial lending, accepting deposits, and retail banking services in the country and abroad.

Halk Sigorta AŞ ("Halk Sigorta") was founded in 1958 under the leadership of Halkbank as the first cooperative in Turkey to engage in a full array of insurance activities with the participation of the Artisans and Tradesmen Loan and Guarantee Cooperatives. Halk Sigorta's business name was changed to Halk Sigorta AŞ from Birlik Sigorta AŞ at the Extraordinary General Assembly Meeting held on 27 December 2010.

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

Halk Yatırım Menkul Değerler AŞ ("Halk Yatırım"), was established in 1997 to carry out capital markets activities, to purchase and sell capital markets instruments, and to execute stock exchange transactions. Halk Yatırım became a subsidiary in early 2006 when Halkbank bought the shares of Turkey Halk Bankası Personnel Provident Fund.

Halk Varlık Kiralama A.Ş. was established on 3 October 2017 with the purpose of issuing "Lease Certificate" in accordance with the Capital Markets Board Law No. 6362, the CMB Communiqué and the related regulations of the CMB.

For the purposes of the consolidated financial statements, the Parent Bank and its consolidated subsidiaries are referred to as "the Group".

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK (continued)

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

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

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

Demir-Halk Bank N.V. ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta AŞ which are qualified as investments in associates, are presented in the consolidated financial statements based on equity method of accounting. An associate is a partnership in whose capital the Parent Bank participates and over which it has no significant influence and control, established at home and abroad.

There is no investment in shares of banks and financial institutions, with shareholding of 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 Parent Bank has no control over these entities.

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

Immediate transfer of the shareholder's equity between the Parent Bank and its subsidiaries is not in question. Dividend distribution from shareholders' equity is done according to related regulations.

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)
- II. Consolidated Statement of Off-Balance Sheet Items
- III. Consolidated Statement of Income
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- VI. Consolidated Statement of Cash Flows

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

		Reviewed		
		Current Period		
		31 March 2018		
ASSETS	Note	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		56.229.484	40.199.647	96.429.131
1.1 Cash and Cash Equivalents		14.167.755	30.867.342	45.035.097
1.1.1 Cash and Balances with Central Bank	(1)	9.699.459	26.044.973	35.744.432
1.1.2 Banks	(3)	600.293	4.822.369	5.422.662
1.1.3 Money Markets		3.868.003	0	3.868.003
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	10.229.225	1.148	10.230.373
1.2.1 Government Debt Securities		10.109.203	0	10.109.203
1.2.2 Equity Instruments		70	921	991
1.2.3 Other Financial Assets		119.952	227	120.179
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	12.517.065	6.112.717	18.629.782
1.3.1 Government Debt Securities		12.490.453	6.054.608	18.545.061
1.3.2 Equity Instruments		26.612	58.109	84.721
1.3.3 Other Financial Assets		-	-	-
1.4 Financial Assets Measured at Amortised Cost	(6)	19.330.928	2.755.154	22.086.082
1.4.1 Government Debt Securities		19.286.030	2.755.154	22.041.184
1.4.2 Other Financial Assets		44.898	0	44.898
1.5 Derivative Financial Assets	(11)	20	463.417	463.437
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		20	463.417	463.437
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non – Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)	(5)	15.509	131	15.640
II. LOANS (Net)		149.932.933	71.786.085	221.719.018
2.1 Loans	(5)	148.609.466	69.474.668	218.084.134
2.1.1 Measured at Amortised Cost		148.609.466	69.474.668	218.084.134
2.1.2 Fair Value Through Profit or Loss		-	-	-
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	(10)	628.387	2.013.795	2.642.182
2.2.1 Financial Lease Receivables		801.447	2.351.489	3.152.936
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		173.060	337.694	510.754
2.3 Factoring Receivables		1.174.480	209.753	1.384.233
2.3.1 Measured at Amortised Cost		1.174.480	209.753	1.384.233
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non- Performing Loans	(5)	6.374.604	431.770	6.806.374
2.5 Expected Credit Loss (-)		6.854.004	343.901	7.197.905
2.5.1 12 Month Expected Credit Losses (Stage I)		1.024.227	49.611	1.073.838
2.5.2 Significant Increase in Credit Risk (Stage II)		784.616	699	785.315
2.5.3 Credit – Impaired Losses (Stage III / Special Provision)		5.045.161	293.591	5.338.752
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(14)	721	-	721
3.1 Held for Sale Purpose		721	-	721
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		75.054	358.182	433.236
4.1 Investments in Associates (Net)	(7)	22.876	358.182	381.058
4.1.1 Associates Valued Based on Equity Method		16.556	358.182	374.738
4.1.2 Unconsolidated Associates		6.320	-	6.320
4.2 Subsidiaries (Net)	(8)	52.178	-	52.178
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-
4.2.2 Unconsolidated Non- Financial Subsidiaries		52.178	-	52.178
4.3 Joint Ventures (Net)	(9)	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. PROPERTY AND EQUIPMENT (Net)		4.114.152	97.968	4.212.120
VI. INTANGIBLE ASSETS (Net)		110.776	24.867	135.643
6.1 Goodwill		-	-	-
6.2 Other		110.776	24.867	135.643
VII. INVESTMENT PROPERTIES (Net)	(12)	937.954	4.952	942.906
VIII. CURRENT TAX ASSET	(13)	1.179	784	1.963
IX. DEFERRED TAX ASSET		102.206	2.437	104.643
X. OTHER ASSETS	(15)	3.080.183	491.255	3.571.438
TOTAL ASSETS		214.584.642	112.966.177	327.550.819

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

		Audited		
		Prior period		
		31 December 2017		
ASSETS	Note	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	12.917.490	23.763.887	36.681.377
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	10.120.010	363.498	10.483.508
2.1 Trading financial assets		10.120.010	363.498	10.483.508
2.1.1 Public sector debt securities		10.095.327	-	10.095.327
2.1.2 Share certificates		354	886	1.240
2.1.3 Financial assets held for trading		118	362.398	362.516
2.1.4 Other marketable securities		24.211	214	24.425
2.2 Financial assets at fair value through profit and loss		-	-	-
2.2.1 Public sector debt securities		-	-	-
2.2.2 Share certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other marketable securities		-	-	-
III. BANKS	(3)	677.360	5.635.807	6.313.167
IV. MONEY MARKET PLACEMENTS		1.288.168	-	1.288.168
4.1 Interbank money market placements		1.258.647	-	1.258.647
4.2 Takasbank (Clearing & Settlement Bank) Money Market placements		29.211	-	29.211
4.3 Receivables from reverse repurchase agreements		310	-	310
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	11.599.564	6.099.614	17.699.178
5.1 Share certificates		24.561	54.538	79.099
5.2 Public sector debt securities		11.575.003	6.045.076	17.620.079
5.3 Other marketable securities		-	-	-
VI. LOANS AND RECEIVABLES	(5)	139.626.734	65.925.861	205.552.595
6.1 Loans and receivables		138.299.409	65.842.861	204.142.270
6.1.1 Loans extended to risk group of the Bank		-	-	-
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		138.299.409	65.842.861	204.142.270
6.2 Loans under follow-up		6.106.597	189.809	6.296.406
6.3 Specific provisions (-)		4.779.272	106.809	4.886.081
VII. FACTORING RECEIVABLES		1.051.939	159.993	1.211.932
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	19.304.493	2.682.606	21.987.099
8.1 Public sector debt securities		19.261.098	2.682.606	21.943.704
8.2 Other marketable securities		43.395	-	43.395
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	22.590	330.548	353.138
9.1 Accounted for under equity method		16.270	330.548	346.818
9.2 Unconsolidated associates		6.320	-	6.320
9.2.1 Financial investments		-	-	-
9.2.2 Non-financial investments		6.320	-	6.320
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	52.178	-	52.178
10.1 Unconsolidated financial subsidiaries		-	-	-
10.2 Unconsolidated non-financial subsidiaries		52.178	-	52.178
XI. JOINT VENTURES (Net)	(9)	-	-	-
11.1 Accounted for under equity method		-	-	-
11.2 Unconsolidated joint ventures		-	-	-
11.2.1 Financial joint ventures		-	-	-
11.2.2 Non-financial joint ventures		-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	626.642	2.044.611	2.671.253
12.1 Finance lease receivables		788.528	2.378.704	3.167.232
12.2 Operating lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		161.886	334.093	495.979
XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-
13.1 Fair value risk hedging		-	-	-
13.2 Cash flow risk hedging		-	-	-
13.3 Net foreign investment risk hedging		-	-	-
XIV. TANGIBLE ASSETS (Net)		3.658.962	92.638	3.751.600
XV. INTANGIBLE ASSETS (Net)		120.393	22.702	143.095
15.1 Goodwill		-	-	-
15.2 Other		120.393	22.702	143.095
XVI. INVESTMENT PROPERTIES (Net)	(12)	905.720	4.658	910.378
XVII. TAX ASSETS	(13)	87.747	6.296	94.043
17.1 Current tax assets		2.841	4.021	6.862
17.2 Deferred tax assets		84.906	2.275	87.181
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(14)	790	-	790
18.1 Held for sale purpose		790	-	790
18.2 Held from discontinued operations		-	-	-
XIX. OTHER ASSETS	(15)	2.630.828	395.429	3.026.257
TOTAL ASSETS		204.691.608	107.528.148	312.219.756

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

		Reviewed			
		Current Period			
		31 March 2018			
LIABILITIES	Note	TRY	FC	TOTAL	
I. DEPOSITS	(1)	119.805.764	80.644.433	200.450.197	
II. FUNDS BORROWED	(3)	1.515.344	17.127.384	18.642.728	
III. MONEY MARKET BORROWINGS		36.098.238	7.886.173	43.984.411	
IV. SECURITIES ISSUED (Net)	(4)	3.871.871	8.942.564	12.814.435	
4.1 Bills		3.746.247	-	3.746.247	
4.2 Assets Backed Securities		125.624	-	125.624	
4.3 Bonds		-	8.942.564	8.942.564	
V. FUNDS	(5)	2.673.019	-	2.673.019	
5.1 Borrower Funds		510	-	510	
5.2 Other		2.672.509	-	2.672.509	
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	
VII. DERIVATIVE FINANCIAL ASSETS	(2)	139	120.553	120.692	
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		139	120.553	120.692	
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	
VIII. FACTORING LIABILITIES		2.509	713	3.222	
IX. LEASE LIABILITIES	(7)	-	-	-	
9.1 Financial Lease		-	-	-	
9.2 Operating Lease		-	-	-	
9.3 Other		-	-	-	
9.4 Deferred Financial Lease Expenses (-)		-	-	-	
X. PROVISIONS	(9)	3.359.626	14.128	3.373.754	
10.1 Restructuring Provisions		-	-	-	
10.2 Reserve for Employee Benefits		881.630	7.786	889.416	
10.3 Insurance for Technical Provision(Net)		1.906.841	-	1.906.841	
10.4 Other Provisions		571.155	6.342	577.497	
XI. CURRENT TAX LIABILITY	(10)	777.346	2.804	780.150	
XII. DEFERRED TAX LIABILITIES	(10)	267.888	2.152	270.040	
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	
13.1 Held for Sale Purpose		-	-	-	
13.2 Related to Discontinued Operations		-	-	-	
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	1.002.593	-	1.002.593	
14.1 Loans		-	-	-	
14.2 Other Debt Instruments		1.002.593	-	1.002.593	
XV. OTHER LIABILITIES	(6)	15.886.635	840.828	16.727.463	
XVI. SHAREHOLDERS' EQUITY	(13)	26.751.537	(43.422)	26.708.115	
16.1 Paid in Capital		1.250.000	-	1.250.000	
16.2 Capital Reserves		1.100.334	39	1.100.373	
16.2.1 Share Premium		39.737	-	39.737	
16.2.2 Share Cancellation Profits		-	-	-	
16.2.3 Other Capital Reserves		1.060.597	39	1.060.636	
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.238.141	275	2.238.416	
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(482.149)	(465.088)	(947.237)	
16.5 Profit Reserves		16.900.755	200.672	17.101.427	
16.5.1 Legal Reserves		1.750.384	8.559	1.758.943	
16.5.2 Status Reserves		-	-	-	
16.5.3 Extraordinary Reserves		15.103.229	27.317	15.130.546	
16.5.4 Other Profit Reserves		47.142	164.796	211.938	
16.6 Income or (Loss)		5.535.106	216.988	5.752.094	
16.6.1 Prior Periods' Income or (Loss)		4.607.175	203.016	4.810.191	
16.6.2 Current Period Income or (Loss)		927.931	13.972	941.903	
16.7 Minority Shares		209.350	3.692	213.042	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		212.012.509	115.538.310	327.550.819	

Accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2017

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

I. CONSOLIDATED BALANCE SHEET (CONSOLIDATED STATEMENT OF FINANCIAL POSITION)

		Audited		
		Prior period		
		31 December 2017		
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	TRY	FC	Total
I. DEPOSITS	(1)	116.559.965	76.710.656	193.270.621
1.1 Deposits Held by the Risk Group of the Bank		21.534	8	21.542
1.2 Other		116.538.431	76.710.648	193.249.079
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	146	150.527	150.673
III. FUNDS BORROWED	(3)	1.436.861	18.621.623	20.058.484
IV. MONEY MARKET BALANCES		29.615.560	5.387.762	35.003.322
4.1 Interbank money market borrowings		29.030.813	1.247.014	30.277.827
4.2 Takasbank (Clearing & Settlement Bank) Money Market takings		377.295	-	377.295
4.3 Funds from repurchase agreements		207.452	4.140.748	4.348.200
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	3.381.225	8.640.905	12.022.130
5.1 Treasury bills		3.280.789	-	3.280.789
5.2 Asset-backed securities		100.436	-	100.436
5.3 Bonds		-	8.640.905	8.640.905
VI. FUNDS	(5)	2.724.634	-	2.724.634
6.1 Borrower Funds		860	-	860
6.2 Other		2.723.774	-	2.723.774
VII. SUNDRY CREDITORS		3.678.813	179.545	3.858.358
VIII. OTHER LIABILITIES	(6)	11.476.631	526.985	12.003.616
IX. FACTORING PAYABLES		2.307	755	3.062
X. FINANCE LEASE PAYABLES	(7)	-	-	-
10.1 Finance lease payables		-	-	-
10.2 Operating lease payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-
11.1 Fair value risk hedging		-	-	-
11.2 Cash flow risk hedging		-	-	-
11.3 Net foreign investment risk hedging		-	-	-
XII. PROVISIONS	(9)	5.299.348	40.741	5.340.089
12.1 General loan provisions		2.288.701	28.456	2.317.157
12.2 Restructuring provisions		-	-	-
12.3 Employee benefits provisions		854.242	6.198	860.440
12.4 Insurance technical reserves (Net)		1.810.804	-	1.810.804
12.5 Other provisions		345.601	6.087	351.688
XIII. TAX LIABILITIES	(10)	1.244.449	7.244	1.251.693
13.1 Current tax liabilities		672.431	5.092	677.523
13.2 Deferred tax liabilities		572.018	2.152	574.170
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-
14.1 Held for sale purpose		-	-	-
14.2 Held from discontinued operations		-	-	-
XV. SUBORDINATED LOAN	(12)	1.004.385	-	1.004.385
XVI. SHAREHOLDERS' EQUITY	(13)	25.378.161	150.528	25.528.689
16.1 Paid-in capital		1.250.000	-	1.250.000
16.2 Capital reserves		3.088.739	(240.647)	2.848.092
16.2.1 Share Premium		39.737	-	39.737
16.2.2 Share cancellation profits		-	-	-
16.2.3 Marketable securities revaluation fund		(366.800)	(240.961)	(607.761)
16.2.4 Tangible assets revaluation reserves		2.253.371	275	2.253.646
16.2.5 Intangible assets revaluation reserves		-	-	-
16.2.6 Revaluation reserves of investment properties		-	-	-
16.2.7 Bonus shares of subsidiaries, associates and joint ventures		4.723	-	4.723
16.2.8 Hedging Funds (effective portion)		-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-
16.2.10 Other capital reserves		1.157.708	39	1.157.747
16.3 Profit reserves		16.900.753	180.650	17.081.403
16.3.1 Legal reserves		1.750.382	8.559	1.758.941
16.3.2 Statutory reserves		-	-	-
16.3.3 Extraordinary reserves		15.103.229	27.317	15.130.546
16.3.4 Other profit reserves		47.142	144.774	191.916
16.4 Profit/Loss		3.932.096	206.974	4.139.070
16.4.1 Prior years' profits/losses		(4.150)	104.981	100.831
16.4.2 Period profit/loss		3.936.246	101.993	4.038.239
16.5 Minority shares		206.573	3.551	210.124
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		201.802.485	110.417.271	312.219.756

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 MARCH 2018

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

		Reviewed		
		Current Period		
		31 March 2018		
OFF BALANCE SHEET	Note	TRY	FC	TOTAL
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	62.851.801	66.329.458	129.181.259
I.	GUARANTEES AND SURETIES	(1) 31.730.752	32.948.739	64.679.491
1.1	Letters of guarantee	30.378.919	24.389.200	54.768.119
1.1.1	Guarantees subject to public procurement law	1.735.876	11.238.898	12.974.774
1.1.2	Guarantees given for foreign trade operations	-	49.447	49.447
1.1.3	Other letters of guarantee	28.643.043	13.100.855	41.743.898
1.2	Bank loans	4.204	4.232.806	4.237.010
1.2.1	Import acceptances	-	182.833	182.833
1.2.2	Other bank acceptances	4.204	4.049.973	4.054.177
1.3	Letters of credit	49.352	4.201.576	4.250.928
1.3.1	Documentary letters of credit	49.352	4.201.576	4.250.928
1.3.2	Other letters of credit	-	-	-
1.4	Guaranteed refinancing	-	-	-
1.5	Endorsements	-	-	-
1.5.1	Endorsements to Central Bank of the Republic of Turkey	-	-	-
1.5.2	Other Endorsements	-	-	-
1.6	Purchase guarantees on marketable security issuance	-	-	-
1.7	Factoring guarantees	-	-	-
1.8	Other guarantees	1.298.277	125.157	1.423.434
1.9	Other sureties	-	-	-
II.	COMMITMENTS	(1) 23.595.275	1.808.923	25.404.198
2.1	Irrevocable commitments	23.582.084	833.168	24.415.252
2.1.1	Forward asset purchase commitments	84.632	92.127	176.759
2.1.2	Forward deposit purchase and sale commitments	-	-	-
2.1.3	Capital commitments to subsidiaries and associates	-	-	-
2.1.4	Loan granting commitments	4.250.232	532.079	4.782.311
2.1.5	Securities underwriting commitments	-	-	-
2.1.6	Payment commitments for reserve deposits	-	-	-
2.1.7	Payment commitments for Cheques	3.606.269	-	3.606.269
2.1.8	Tax and fund liabilities from export commitments	38.679	-	38.679
2.1.9	Commitments for credit card expenditure limits	11.997.053	39.584	12.036.637
2.1.10	Commitments for credit cards and banking services promotions	34.074	-	34.074
2.1.11	Receivables from short sale commitments	-	-	-
2.1.12	Payables for short sale commitments	-	-	-
2.1.13	Other irrevocable commitments	3.571.145	169.378	3.740.523
2.2	Revocable commitments	13.191	975.755	988.946
2.2.1	Revocable loan granting commitments	-	831.594	831.594
2.2.2	Other revocable commitments	13.191	144.161	157.352
III.	DERIVATIVE FINANCIAL INSTRUMENTS	7.525.774	31.571.796	39.097.570
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	7.525.774	31.571.796	39.097.570
3.2.1	Forward foreign currency buy/sell transactions	2.477.697	7.873.980	10.351.677
3.2.1.1	Forward foreign currency transactions-buy	1.249.249	5.415.398	6.664.647
3.2.1.2	Forward foreign currency transactions-sell	1.228.448	2.458.582	3.687.030
3.2.2	Currency and interest rate swaps	3.292.091	18.693.617	21.985.708
3.2.2.1	Currency swap-buy	1.213.248	4.158.832	5.372.080
3.2.2.2	Currency swap-sell	2.078.843	3.135.221	5.214.064
3.2.2.3	Interest rate swap-buy	-	5.699.782	5.699.782
3.2.2.4	Interest Rate swap-sell	-	5.699.782	5.699.782
3.2.3	Currency, interest rate and marketable securities options	1.755.986	1.978.649	3.734.635
3.2.3.1	Currency call options	878.163	989.146	1.867.309
3.2.3.2	Currency put options	877.823	989.503	1.867.326
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	-	3.025.550	3.025.550
B.	CUSTODY AND PLEDGED ASSETS (IV+V+VI)	866.700.268	231.725.913	1.098.426.181
IV.	CUSTODIES	413.778.237	31.424.632	445.202.869
4.1	Assets under management	-	-	-
4.2	Custody marketable securities	184.552.766	608.878	185.161.644
4.3	Cheques in collection process	15.883.012	24.331.970	40.214.982
4.4	Commercial notes in collection process	205.092.776	496.234	205.589.010
4.5	Other assets in collection process	-	-	-
4.6	Underwritten securities	-	-	-
4.7	Other custodies	4.356.839	168.396	4.525.235
4.8	Custodians	3.892.844	5.819.154	9.711.998
V.	PLEDGED ASSETS	452.922.031	200.301.281	653.223.312
5.1	Marketable securities	5.236.905	605.330	5.842.235
5.2	Collateral notes	7.641.823	986.227	8.628.050
5.3	Commodity	25.813	150.815	176.628
5.4	Warranty	-	-	-
5.5	Land and buildings	335.942.571	169.348.636	505.291.207
5.6	Other pledged assets	65.784.668	25.766.931	91.551.599
5.7	Pledges	38.290.251	3.443.342	41.733.593
VI.	ACCEPTED BILL GUARANTEES AND SURETIES	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		929.552.069	298.055.371	1.227.607.440

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2017

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

II. CONSOLIDATED STATEMENT OF OFF BALANCE SHEET ITEMS

		Audited		
		Prior period		
		31 December 2017		
OFF BALANCE SHEET	Note	TRY	FC	Total
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		55.825.715	59.017.870	114.843.585
I. GUARANTEES AND SURETIES	(1)	28.091.702	30.695.956	58.787.658
1.1 Letters of guarantee		26.885.534	22.774.574	49.660.108
1.1.1 Guarantees subject to public procurement law		1.522.672	10.045.779	11.568.451
1.1.2 Guarantees given for foreign trade operations		-	24.183	24.183
1.1.3 Other letters of guarantee		25.362.862	12.704.612	38.067.474
1.2 Bank loans		16.829	3.676.678	3.693.507
1.2.1 Import acceptances		-	226.526	226.526
1.2.2 Other bank acceptances		16.829	3.450.152	3.466.981
1.3 Letters of credit		47.204	4.100.917	4.148.121
1.3.1 Documentary letters of credit		47.204	4.100.917	4.148.121
1.3.2 Other letters of credit		-	-	-
1.4 Guaranteed refinancing		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-
1.7 Factoring guarantees		-	-	-
1.8 Other guarantees		1.142.135	143.787	1.285.922
1.9 Other sureties		-	-	-
II. COMMITMENTS	(1)	22.879.077	2.235.117	25.114.194
2.1 Irrevocable commitments		22.879.077	1.310.028	24.189.105
2.1.1 Forward asset purchase commitments		248.484	661.967	910.451
2.1.2 Forward deposit purchase and sale commitments		-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-
2.1.4 Loan granting commitments		4.191.402	493.963	4.685.365
2.1.5 Securities underwriting commitments		-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-
2.1.7 Payment commitments for Cheques		3.269.281	-	3.269.281
2.1.8 Tax and fund liabilities from export commitments		38.072	-	38.072
2.1.9 Commitments for credit card expenditure limits		11.562.109	37.787	11.599.896
2.1.10 Commitments for credit cards and banking services promotions		32.736	-	32.736
2.1.11 Receivables from short sale commitments		-	-	-
2.1.12 Payables for short sale commitments		-	-	-
2.1.13 Other irrevocable commitments		3.536.993	116.311	3.653.304
2.2 Revocable commitments		-	925.089	925.089
2.2.1 Revocable loan granting commitments		-	57.071	57.071
2.2.2 Other revocable commitments		-	868.018	868.018
III. DERIVATIVE FINANCIAL INSTRUMENTS		4.854.936	26.086.797	30.941.733
3.1 Derivative financial instruments held for risk management		-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-
3.2 Transactions for trading		4.854.936	26.086.797	30.941.733
3.2.1 Forward foreign currency buy/sell transactions		2.711.228	6.374.073	9.085.301
3.2.1.1 Forward foreign currency transactions-buy		1.359.880	4.498.627	5.858.507
3.2.1.2 Forward foreign currency transactions-sell		1.351.348	1.875.446	3.226.794
3.2.2 Currency and interest rate swaps		1.353.630	15.891.963	17.245.593
3.2.2.1 Currency swap-buy		418.414	2.843.148	3.261.562
3.2.2.2 Currency swap-sell		935.216	2.162.053	3.097.269
3.2.2.3 Interest rate swap-buy		-	5.443.381	5.443.381
3.2.2.4 Interest Rate swap-sell		-	5.443.381	5.443.381
3.2.3 Currency, interest rate and marketable securities options		790.078	1.090.343	1.880.421
3.2.3.1 Currency call options		394.932	545.279	940.211
3.2.3.2 Currency put options		395.146	545.064	940.210
3.2.3.3 Interest rate call options		-	-	-
3.2.3.4 Interest rate put options		-	-	-
3.2.3.5 Marketable securities call options		-	-	-
3.2.3.6 Marketable securities put options		-	-	-
3.2.4 Currency futures		-	-	-
3.2.4.1 Currency futures-buy		-	-	-
3.2.4.2 Currency futures-sell		-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-
3.2.6 Other		-	2.730.418	2.730.418
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		835.132.210	209.876.872	1.045.009.082
IV. CUSTODIES		394.414.878	29.275.633	423.690.511
4.1 Assets under management		-	-	-
4.2 Custody marketable securities		177.566.380	518.467	178.084.847
4.3 Cheques in collection process		15.489.840	22.716.178	38.206.018
4.4 Commercial notes in collection process		193.733.321	491.087	194.224.408
4.5 Other assets in collection process		-	-	-
4.6 Underwritten securities		-	-	-
4.7 Other custodies		4.136.680	127.221	4.263.901
4.8 Custodians		3.488.657	5.422.680	8.911.337
V. PLEDGED ASSETS		440.717.332	180.601.239	621.318.571
5.1 Marketable securities		4.512.526	571.558	5.084.084
5.2 Collateral notes		7.261.444	911.790	8.173.234
5.3 Commodity		25.813	145.204	171.017
5.4 Warranty		-	-	-
5.5 Land and buildings		324.029.119	151.762.384	475.791.503
5.6 Other pledged assets		67.075.089	23.900.616	90.975.705
5.7 Pledges		37.813.341	3.309.687	41.123.028
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		890.957.925	268.894.742	1.159.852.667

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF INCOME AS OF 31 MARCH 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. CONSOLIDATED STATEMENT OF INCOME

		Reviewed Current Period 1 January- 31 March 2018
INCOME AND EXPENSES	Note	
I. INTEREST INCOME	(1)	7.110.766
1.1 Interest on Loans		5.764.492
1.2 Interest on Reserve Requirements		36.493
1.3 Interest on Banks		100.207
1.4 Interest on Money Market Transactions		11.388
1.5 Interest on Marketable Securities Portfolio		1.075.146
1.5.1 Fair Value Through Profit or Loss		2.623
1.5.2 Fair Value Through Other Comprehensive Income		434.792
1.5.3 Measured at Amortized Cost		637.731
1.6 Financial Lease Income		57.339
1.7 Other Interest Income		65.701
II. INTEREST EXPENSE (-)	(2)	4.966.637
2.1 Interest on Deposits		3.704.123
2.2 Interest on Funds Borrowed		161.105
2.3 Interest Expense on Money Market Transactions		787.569
2.4 Interest on Securities Issued		250.617
2.5 Other Interest Expense		63.223
III. NET INTEREST INCOME (I - II)		2.144.129
IV. NET FEES AND COMMISSIONS INCOME		395.941
4.1 Fees and Commissions Received		553.290
4.1.1 Non – cash Loans		118.669
4.1.2 Other		434.621
4.2 Fees and Commissions Paid (-)		157.349
4.2.1 Non – cash Loans		840
4.2.2 Other		156.509
V. PERSONNEL EXPENSE (-)		(599.376)
VI. DIVIDEND INCOME		85
VII. TRADING INCOME / LOSS (Net)	(3)	37.061
7.1 Trading Gains / (Losses) on Securities		11.025
7.2 Gains / (Losses) on Derivate Financial Transactions		61.152
7.3 Foreign Exchange Gains / (Losses)		(35.116)
VIII. OTHER OPERATING INCOME	(4)	583.284
IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		2.561.124
X. EXPECTED LOSS PROVISIONS (-)	(5)	473.768
XI. OTHER OPERATING EXPENSES (-)	(6)	915.495
XII. NET OPERATING INCOME /LOSS (IX-X-XI)		1.171.861
XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-
XIV. INCOME / (LOSS) ON NET MONETARY POSITION		6.522
XV. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(7)	1.178.383
XVII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(8)	(233.586)
17.1 Current Tax Provision		(101.988)
17.2 Deferred Tax Income Effect (+)		(198.177)
17.3 Deferred Tax Expense Effect (-)		66.579
XVIII. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(9)	944.797
XIX. INCOME FROM DISCONTINUED OPERATIONS		-
19.1 Income from non- Current Assets Held for Sale		-
19.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-
19.3 Income from Other Discontinued Operations		-
XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)		-
20.1 Expenses for Non-current Assets Held for Sale		-
20.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-
20.3 Expenses for Other Discontinued Operations		-
XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1 Current Tax Provision		-
22.2 Deferred Tax Expense Effect (+)		-
22.3 Deferred Tax Income Effect (-)		-
XXIII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV. NET PROFIT/(LOSS) (XVIII+XXIII)	(10)	944.797
24.1 Profit / (Loss) of Group		941.903
24.2 Profit / (Loss) of Minority Shares (-)		2.894
Profit / (Loss) Per Share		0,75352

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

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

III. CONSOLIDATED STATEMENT OF INCOME

		Reviewed
		Prior period
		1 January- 31 March 2017
INCOME AND EXPENSES	Note	
I. INTEREST INCOME	(1)	5.306.440
1.1 Interest on loans		4.090.831
1.2 Interest received from reserve deposits		22.036
1.3 Interest received from banks		46.225
1.4 Interest received from money market placements		12.362
1.5 Interest income on marketable securities		1.040.717
1.5.1 Financial assets held for trading		481
1.5.2 Financial assets at fair value through profit and loss		-
1.5.3 Financial assets available-for-sale		413.769
1.5.4 Investments held-to-maturity		626.467
1.6 Finance lease income		44.177
1.7 Other interest income		50.092
II. INTEREST EXPENSE	(2)	2.904.784
2.1 Interest on deposits		2.097.023
2.2 Interest on borrowings		138.664
2.3 Interest on money market borrowings		434.593
2.4 Interest on bonds issued		196.162
2.5 Other interest expense		38.342
III. NET INTEREST INCOME [I – II]		2.401.656
IV. NET FEES AND COMMISSIONS INCOME		505.156
4.1 Fees and commissions income		636.900
4.1.1 Non-cash loans		91.352
4.1.2 Other		545.548
4.2 Fees and commissions expenses		131.744
4.2.1 Non-cash loans		675
4.2.2 Other		131.069
V. DIVIDEND INCOME		204
VI. NET TRADING PROFIT (NET)	(3)	75.423
6.1 Profit/loss from capital market operations		9.248
6.2 Profit/loss from financial derivative transactions		(143.551)
6.3 Foreign exchange gains/losses		209.726
VII. OTHER OPERATING INCOME	(4)	475.531
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		3.457.970
IX. IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(5)	479.129
X. OTHER OPERATING EXPENSES(-)	(6)	1.270.539
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		1.708.302
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-
XIII. PROFIT/LOSSES FROM SUBSIDIARIES ACCOUNTED FOR AT EQUITY METHOD		5.048
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(7)	1.713.350
XVI. TAX INCOME PROVISION (±)	(8)	(356.705)
16.1 Current tax charge		(305.359)
16.2 Deferred tax (charge) / benefit		(51.346)
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	(9)	1.356.645
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-
18.1 Property and equipment income held for sale		-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-
18.3 Other income from terminated operations		-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
19.1 Property and equipment expense held for sale		-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-
19.3 Other expenses from discontinued operations		-
XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-
XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)		-
21.1 Current tax charge		-
21.2 Deferred tax charge		-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(10)	1.356.645
23.1 Group's profit/loss		1.352.675
23.2 Minority shares profit/loss		3.970
Earnings/losses per share (Full TRY)		1,08214

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS
ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 31 MARCH 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

	Reviewed
	Current Period
	1 January –
	31 Mart 2018
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	
I. CURRENT PERIOD INCOME/LOSS	944.797
II. OTHER COMPREHENSIVE INCOME	(343.951)
2.1 Not Reclassified Through Profit or Loss	(4.486)
2.1.1 Property and Equipment Revaluation Increase/Decrease	(4.984)
2.1.2 Intangible Assets Revaluation Increase/Decrease	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	498
2.2 Reclassified Through Profit or Loss	(339.465)
2.2.1 Foreign Currency Translation Differences	23.790
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(330.789)
2.2.3 Cash Flow Hedge Income/Loss	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Lossess	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(32.466)
III. TOTAL COMPREHENSIVE INCOME (I+II)	600.846

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

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

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

	Reviewed
	Prior period
	1 January- 31 March 2017
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	193.625
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	21.972
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	20.562
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	81.781
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(13.474)
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	304.466
XI. PROFIT/LOSS	1.356.645
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	8.737
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-
11.3 Transfer of hedge of net investments in foreign operations to income statement	-
11.4 Other	1.347.908
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	1.661.111

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 MARCH 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed (1 January – 31 March 2018)	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss						Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss						Total Equity		Total Equity	
	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other(Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Expect Minority Shares		Minority Shares
I. Prior Period End Balance	1.250.000	39.737	-	1.173.214	2.253.646	(10.744)	-	52.631	(660.392)	-	17.081.403	4.139.070	-	25.318.565	210.124	25.528.689
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	670.851	-	670.851	4	670.855
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	670.851	-	670.851	4	670.855
III. Adjusted Beginning Balance (I+II)	1.250.000	39.737	-	1.173.214	2.253.646	(10.744)	-	52.631	(660.392)	-	17.081.403	4.809.921	-	25.989.416	210.128	26.199.544
IV. Total Comprehensive Income	-	-	-	-	(4.486)	-	-	23.790	(363.266)	-	-	-	941.903	597.941	2.905	600.846
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes	-	-	-	(112.578)	-	-	-	-	-	-	20.024	270	-	(92.284)	9	(92.275)
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+X+XI)	1.250.000	39.737	-	1.060.636	2.249.160	(10.744)	-	76.421	(1.023.658)	-	17.101.427	4.810.191	941.903	26.495.073	213.042	26.708.115

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

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

V. CONSOLIDATED 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.f.	Total Shareholder's equity		
																	Minority Shares	Total shareholders' equity	
I. 1 January 2017 – 31 March 2017																			
Balance at end of prior period		1.250.000	1.220.451	39.737	- 1.562.172	-	-	12.956.536	33.837	2.533.607	166.949	(718.928)	2.107.278	4.723	-	-	21.156.362	213.158	21.369.520
Changes within the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	181.262	-	-	-	-	181.262	(12)	181.250
IV. Hedging funds (effective portion)		-	-	-	-	-	-	-	(22.404)	-	-	-	-	-	-	-	(22.404)	-	(22.404)
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for investment made in foreign countries		-	-	-	-	-	-	-	(22.404)	-	-	-	-	-	-	-	(22.404)	-	(22.404)
V. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	20.873	-	-	-	20.873	-	20.873
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners).		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	20.437	-	-	-	-	-	-	-	20.437	125	20.562
IX. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other⁽¹⁾		-	-	-	-	921	-	3	54.953	-	24.343	-	-	-	-	-	80.220	1.561	81.781
XVII. Net profit or losses		-	-	-	-	-	-	-	-	1.352.675	-	-	-	-	-	-	1.352.675	3.970	1.356.645
XVIII. Profit distribution		-	-	-	-	-	-	-	-	(2.533.607)	2.533.607	-	-	-	-	-	-	-	-
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to legal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(2.533.607)	2.533.607	-	-	-	-	-	-	-	-
Period End Balance		1.250.000	1.220.451	39.737	- 1.563.093	-	-	12.956.539	86.823	1.352.675	2.724.899	(537.666)	2.128.151	4.723	-	-	22.789.425	218.802	23.008.227

⁽¹⁾ Due to change in group shares.

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 MARCH 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Reviewed
		Current Period
		1 January-
Note		31 March 2018
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating profit before changes in operating assets and liabilities	(3.327.976)
1.1.1	Interest received	6.303.014
1.1.2	Interest paid	(4.726.733)
1.1.3	Dividend received	85
1.1.4	Fees and commissions received	558.624
1.1.5	Other income	405.770
1.1.6	Collections from previously written off loans	387.646
1.1.7	Cash payments to personnel and service suppliers	(606.242)
1.1.8	Taxes paid	(367.272)
1.1.9	Other	(5.282.868)
1.2	Assets and Liabilities Subject to Banking Operations	1.916.192
1.2.1	Net (increase) decrease in financial assets held for sale	(108.779)
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	(1.631)
1.2.4	Net (increase) decrease in loans	(14.066.516)
1.2.5	Net (increase) decrease in other assets	(2.059.060)
1.2.6	Net increase (decrease) in bank deposits	322.750
1.2.7	Net increase (decrease) in other deposits	6.605.429
1.2.8	Net increase (decrease) in loans borrowed	(1.422.552)
1.2.9	Net increase (decrease) in matured payables	-
1.2.10	Net increase (decrease) in other liabilities	12.646.551
I.	Net cash provided from banking operations	(1.411.784)
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES	
II.	Net cash provided from/ (used in) investing activities	(992.323)
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(88.788)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-
2.3	Fixed assets purchases	(570.785)
2.4	Fixed assets sales	69.309
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(2.005.756)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	1.333.185
2.7	Cash paid for purchase of investment securities	(595.057)
2.8	Cash obtained from sale of investment securities	858.117
2.9	Other	7.452
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net cash used in financing activities	820.484
3.1	Cash obtained from loans borrowed and securities issued	3.166.169
3.2	Cash used for repayment of loans borrowed and securities issued	(2.345.685)
3.3	Bonds issued	-
3.4	Dividends paid	-
3.5	Payments for finance leases	-
3.6	Other	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	497.996
V.	Net increase / (decrease) in cash and cash equivalents	(1.085.627)
VI.	Cash and cash equivalents at beginning of the period	27.122.191
VII.	Cash and cash equivalents at end of the period	26.036.564

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

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

		Reviewed
		Prior period
		1 January –
Note		31 March 2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	1.707.571
1.1.1	Interest received	4.947.987
1.1.2	Interest paid	(2.965.340)
1.1.3	Dividend received	204
1.1.4	Fees and commissions received	636.900
1.1.5	Other income	395.115
1.1.6	Collections from previously written off loans	120.121
1.1.7	Cash payments to personnel and service suppliers	(519.999)
1.1.8	Taxes paid	(259.205)
1.1.9	Other	(648.212)
1.2	Assets and Liabilities Subject to Banking Operations	329.534
1.2.1	Net (increase) decrease in financial assets held for sale	46.276
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	15.712
1.2.4	Net (increase) decrease in loans	(10.103.845)
1.2.5	Net (increase) decrease in other assets	(3.314.441)
1.2.6	Net increase (decrease) in bank deposits	(2.243.310)
1.2.7	Net increase (decrease) in other deposits	9.993.910
1.2.8	Net increase (decrease) in loans borrowed	(270.994)
1.2.9	Net increase (decrease) in matured payables	-
1.2.10	Net increase (decrease) in other liabilities	6.206.226
I.	Net cash provided from banking operations	2.037.105
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II.	Net cash provided from/ (used in) investing activities	(2.674.978)
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	-
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-
2.3	Fixed assets purchases	(75.492)
2.4	Fixed assets sales	35.952
2.5	Cash paid for purchase of financial assets available for sale	(2.632.789)
2.6	Cash obtained from sale of financial assets available for sale	1.268.256
2.7	Cash paid for purchase of investment securities	(1.948.832)
2.8	Cash obtained from sale of investment securities	680.429
2.9	Other	(2.502)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash used in financing activities	803.170
3.1	Cash obtained from loans borrowed and securities issued	1.264.761
3.2	Cash used for repayment of loans borrowed and securities issued	(461.591)
3.3	Bonds issued	-
3.4	Dividends paid	-
3.5	Payments for finance leases	-
3.6	Other	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	392.217
V.	Net increase / (decrease) in cash and cash equivalents	557.514
VI.	Cash and cash equivalents at beginning of the period	15.530.596
VII.	Cash and cash equivalents at end of the period	16.088.110

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

The Parent 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 assets and liabilities carried at fair value.

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 Parent Bank. Prior year consolidated financial statements and its related notes have not been restated due to the change in the accounting policy, as part of the transition clause of the adoption of TFRS 9. Accounting policies and valuation principles used in the preparation of the financial statements for 2018 and 2017 periods are presented separately. Accounting policies applicable for 2017 period are presented in the Section 3, Note XXVIII. The impact of the adoption of TFRS 9 on the statement of financial position is explained in the Section 3, Note VII.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

Disclosures of TFRS 9 Financial Instruments:

TFRS 9 “Financial Instruments”, which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017. As of 1 January 2018, the application of TFRS 9 replaced “TAS 39: Financial Instruments: Recognition and Measurement.” standard.

All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

I. EXPLANATIONS ON BASIS OF PRESENTATION (continued)

Disclosures of IFRS 9 Financial Instruments Standard (continued):

The Group has applied the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods. In this respect, the explanations of impacts on equity regarding the adoption of TFRS 9 is given in the Section 3, Note VII.

Classification and measurement of financial assets:

For the determination of which category a financial instrument shall be classified at initial recognition and whether contractual cash flows represent solely payments of principal and interest in accordance with TFRS 9 Standard is tested by the Group. According to the test results and business model of the Group, financial assets are recognized in the financial statements.

Impairment of financial assets:

As of 1 January 2018, the Group has started to recognize provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Note XXVI of Explanation on Accounting Policies has been changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets have been divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

TFRS 15 Revenue From Contracts with Customers

TFRS 15 Revenue from Contracts with Customers standard provides single and comprehensive model and guidance regarding recognition of revenue and replaces TAS 18 Revenue Standard. The Standard is in effect starting from 1 January 2018 and does not have a significant impact on the financial statements.

New Standards not effective as of 1 January 2018

TFRS 16 Leases

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard will be effective from annual periods beginning on or after 1 January 2019 and the Group’s adoption process regarding the mentioned amendments continues as of the reporting date.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1) The Group's strategy on financial instruments:

Due to its historical mission, the Parent Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Bank can raise funds from money markets and borrowings abroad.

The Group follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Parent Bank are evaluated in the weekly Asset and Liability Committee meetings.

2) The Group's explanations on foreign currency transactions:

In the statutory records of the Group, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and collections of foreign currency transactions are reflected to the income statement.

The financial statements of the foreign branches and subsidiaries of the Parent Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches and subsidiaries are expressed in TRY which is the functional currency of the Group and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches and subsidiaries of the Parent Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. The foreign branches' income and expenses are converted by at exchange rates at the dates of the transactions. The foreign subsidiaries' income and expenses are converted by average rate of the exchange of the current year.

The Group hedged the net investment risk from the foreign currency exchange rate fluctuations on foreign financial investments (Halkbank A.D. Beograd (subsidiary), Demir-Halk Bank N.V. (affiliate) and Halk Banka A.D., Skopje (subsidiary) with the foreign currency denominated funds (hedging instrument) as of 1 July 2015. In this context, exchange differences recorded in profit/loss and arising from funds denominated in foreign currencies that are determined to be effective in the current period will be shown in equity.

III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES

1. Basis of consolidation:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" and the Turkish Accounting Standards are applied in the consolidation.

a. Basis of consolidation of subsidiaries:

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

A subsidiary is an entity that is controlled by the Parent Bank. Control is the power of the Parent Bank to appoint or remove from office the decision-taking majority of members of board of directors through direct or indirect possession of the majority of a legal person's capital irrespective of the requirement of owning minimum fifty-one per cent of its capital; or by having control over the majority of the voting right as a consequence of holding preferred shares or of agreements with other shareholders although not owning the majority of capital.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES (continued)

Under line-by-line method, the assets, liabilities, income and expenses and off-balance sheet items of subsidiaries are combined with the equivalent items of the Parent Bank on a line-by-line basis. The book value of the Parent Bank's investment in each subsidiary and the Group's each subsidiary are eliminated. All significant transactions and balances between the Parent Bank and its consolidated subsidiaries are eliminated. Minority interests in the net income and in the equity of consolidated subsidiaries are calculated separately from the Group's net income and the Group's equity. Minority interests are identified separately in the balance sheet and in the income statement.

In preparing the consolidated financial statements, if a subsidiary uses accounting policies other than those adapted by the Parent Bank, appropriate adjustments are made to subsidiaries' financial statements. There is no item that a different accounting policy is applied.

b. Basis of consolidation of associates:

Investments in associates, Demir-Halk Bank N.V. ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta AŞ are presented in the accompanying financial statements based on the equity method of accounting. An associate is an entity established domestically and abroad in which the Parent Bank invests with a significant influence but no control.

Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds ten percent or more of the voting power of the associate, it is presumed that the Parent Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

Qualified share is the share that directly or indirectly constitute ten percent of a subsidiary's capital or voting rights and irrespective of this requirement, possession of preferred shares giving right to appoint members of board of directors.

Equity accounting method is an evaluation method of associates by which the Parent Bank's share in the associates' equity is compared with the book value of the associate accounted for in the Parent Bank's balance sheet.

Accounting principles used by the consolidated associates accounted for at equity method, Demir Halk Bank N.V., Kobi Girişim Sermayesi AŞ and Türk P ve I Sigorta AŞ, are the same of the Parent Bank.

c. Basis of consolidation of joint ventures:

The Parent Bank does not have any joint ventures which subject to consolidation.

d. Principles applied during share transfer, merger and acquisition:

Accounting for business combinations

From 1 January 2010 the Group applies TFRS 3 Business Combinations (2008) in accounting for business combinations. Change in this accounting policy was applied prospectively and did not have a significant impact on earnings per share (EPS).

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES (continued)

d. Principles applied during share transfer, merger and acquisition: (continued)

Acquisitions on or after 1 January 2010

Goodwill at the acquisition date for business combinations on or after 1 January 2010 are measured as below:

- The fair value of the acquisition cost; plus
- The recognized amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, the gain on acquisition is recognized immediately in profit or loss.

Fair values of the identifiable acquired assets, liabilities and contingent liabilities if the initial recognition of the combination is to be made temporarily at the end of the period in which the combination takes place since the cost of the combination can be determined only temporarily on the basis of the carrying values, the acquirer accounts for the business combination on with temporary amounts. The temporary acquisition value of the combination should be adjusted within 12 months to reflect the completion of the transaction, including adjusting the goodwill.

The acquisition cost does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent liability is recognized at fair value at the acquisition date. If the contingent amount is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent amount are recognized in profit or loss.

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative, the gain on acquisition is recognized immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations are capitalized as part of the cost of the acquisitions.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

Derivative transactions of the Group consist of foreign currency and interest rate swaps, cross currency swaps, options and forwards. The Group uses derivatives to avoid economical risks and account for as trading under TFRS 9 Standard as "Changes in Fair Value through Profit or Loss".

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" or "derivative financial liabilities", respectively depending on the fair values being positive or negative. Fair value changes of derivative instruments are recorded under income statement. Fair values of derivatives are calculated using discounted cash flow model or market value.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS (continued)

Explanations related to credit derivatives and its risk exposures:

The Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic's credit risk. As of 31 March 2018, the bank has credit default swap transaction amounting to USD 230 million with 5 year maturity. In this transactions the Parent Bank sells protection.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TFRS 9 Standard".

Starting from 1 January 2018, the Group has started accruing interest accrual on non-performing loans. Net book value of the non-performing loans are discounted with effective interest rate and recognized with the gross book value of the non-performing loan.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

Banking service income is recorded in the income in the period when they are collected. Prepaid fees and commission income obtained from cash and non-cash loans are recorded in the related period by using discounting method with internal rate of return according to the loan maturity within the matching principle.

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.

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

The estimated fair values of financial assets have been determined by the Group 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Classification of the category of a financial instrument at initial recognition depends on both the business model for managing the financial assets and their contractual cash flow characteristics

Assesment of Business Model

The Group classifies its financial assets in accordance with TFRS 9 through its business model which is used for financial assets management.

The Group's business model is related with how the Group manages its financial assets to generate cash flows. In other terms, the source of cash flows depends on the Group's business model whether the cash flow is generated from contractual terms or through sale of financial asset or both.

Assesment of business model is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as so called "worst case" or "stress case" scenarios.

Classification of financial assets is made at initial recognition considering the aim of purchase of the financial asset.

The Group's business models are classified in three main categories in accordance with TFRS 9.

1. A business model whose objective is to hold assets in order to collect contractual cash flows:

A business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The purpose of the business model does not require to hold to collect the contractual cash flows of the instruments over their life, even the aim of the business model is to hold the instruments up to maturity for the contractual cash flows. Therefore, even when financial asset sales are anticipated or expected to occur in the future, the business model may still be a model that aims to retain financial assets in order to collect contractual cash flows.

The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value changes of the financial assets that are held within the scope of this business model are accounted for under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Other Business Models:

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Group makes its decisions on the basis of business model, which is based on the fair value of the assets and manages the assets to obtain their fair value. Therefore, if the financial assets are held for the purpose of obtaining cash flows arising from their sale, the change in fair value are measured at fair value through profit or loss.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Measurement Categories of Financial Assets and Liabilities

As of 1 January 2018, the Group classified all its financial assets based on the business model for managing the financial assets. Accordingly, the financial assets are classified as per TFRS 9 in three main categories listed below:

1. Financial assets measured at amortized cost,
2. Financial assets measured at fair value through other comprehensive income and
3. Financial assets measured at fair value through profit/loss.

TFRS 9, the paragraph 4, explains how financial assets are classified in accordance with methods explained in Article 1 and 2 and other than these financial assets, remaining financial assets are classified in accordance with the method detailed in Article 3.

1. Financial Assets Measured at Amortised Cost

A financial asset is measured at amortized cost if both of the following conditions are met.

- a) Asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are loans and receivables and financial assets. Subsequent to the initial recognition, financial investments are accounted for at amortised cost calculated by using the effective interest rate method. Loans are initially recognized with their cost and carried at their amortized costs calculated using the internal rate of return subsequent to recognition.

2. Financial Assets Measured at Fair Value through other comprehensive income

A financial asset is measured if both of the following conditions are met.

- a) Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

3. Financial Assets Measured at Fair Value through profit or loss

According to TFRS 9 paragraph 4.1.4, the financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement. However, the Group may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Cash Equivalents and Banks

Cash and bank balances in foreign currencies are valued by using the Group'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.

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.

Reclassification of Financial Assets in accordance with TFRS 9

Reclassifications and remeasurements during the first time adoption of TFRS 9 Financial Instruments standard and the impairment provision as of 31 December 2017 calculated by the Group and expected loss provision as of 1 January 2018 in accordance with TFRS 9 are reconciled as follows:

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)
Reclassification of Financial Assets in accordance with TFRS 9 (continued)

ASSETS	Before TFRS 9	Reclassification Effect	Measurement Effect	TFRS 9
	Book Value			Book Value
	31 December 2017			1 January 2018
Financial Assets (Net)	94.452.497	(23.511)	7.229	94.436.215
Cash and Cash Equivalents	44.282.712	-	-	44.282.712
Cash Balances and Central Bank	36.681.377	-	-	36.681.377
Banks	6.313.167	-	-	6.313.167
Receivables from Money Market	1.288.168	-	-	1.288.168
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	10.120.992	-	-	10.120.992
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	-	17.699.178	-	17.699.178
Financial Assets Measured at Amortised Cost	-	21.987.099	-	21.987.099
Derivative Financial Assets	362.516	-	-	362.516
Non – Performing Financial Assets	-	-	-	-
Expected Credit Losses (-)	-	23.511	(7.229)	16.282
Financial Assets Available for Sale (Net)	17.699.178	(17.699.178)	-	-
Investments Held to Maturity (Net)	21.987.099	(21.987.099)	-	-
Hedging Derivative Financial Assets	-	-	-	-
Loans (Net)	209.435.780	(2.185.709)	284.212	207.534.283
Loans	204.142.270	-	-	204.142.270
Performing Loans	198.939.764	-	-	198.939.764
Loans Under Follow up	5.202.506	-	-	5.202.506
Lease Receivables	2.671.253	(90.437)	-	2.580.816
Factoring Receivables	1.211.932	-	-	1.211.932
Non – performing Receivables	6.296.406	327.506	-	6.623.912
Expected Credit Losses (-)*	4.886.081	2.422.778	(284.212)	7.024.647
12 Month ECL (Stage 1)	-	2.080.595	(1.066.065)	1.014.530
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	105.114	662.865	767.979
Lifetime ECL Impaired Credits (Stage 3/Special Provision)	4.886.081	237.069	118.988	5.242.138
Assets Held for Sale and Assets of Discontinued Operations (Net)	790	-	-	790
Equity Investments	405.316	-	-	405.316
Associates (Net)	353.138	-	-	353.138
Subsidiaries (Net)	52.178	-	-	52.178
Joint Ventures (Net)	-	-	-	-
Tangible Assets (Net)	3.751.600	-	-	3.751.600
Intangible Assets (Net)	143.095	-	-	143.095
Investment Properties (Net)	910.378	-	-	910.378
Current Tax Asset	6.862	-	-	6.862
Deferred Tax Assets	87.181	-	-	87.181
Other Assets	3.026.257	-	-	3.026.257
TOTAL ASSETS	312.219.756	(2.209.220)	291.441	310.301.977

*The table above does not include the expected credit loss provisions calculated for non-cash loans that accounted for under liabilities.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Effects on Equity with TFRS 9 Transition

The Group reflected the classification, measurement and impairment requirements to opening equity without restating previous period financial statements. In this respect, TRY 249.633 arising between the provision for impairments of the previous period of the Group and the provision for the loan losses that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as “Prior Period Profit or Loss”.

Deferred tax on previously booked general provisions (formerly general provisions now allocated for TFRS 9 expected loss provisions for the loans under first and second stages), is accounted for the first time as of 1 January 2018. Accordingly, deferred tax assets amounting to TRY 421.222 have been booked to the opening financial statements of 1 January 2018 and the related amount has been classified under “Prior Period Profit or Loss” under equity.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

As of 1 January 2018, the Group recognizes loan loss allowances for expected credit losses on financial assets and loans measured at amortised cost and measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit / loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classifications of Loans and Allowances Allocated for Such Loans” effective from 1 January 2018. Financial assets measured at fair value are not assessed for impairment.

As of the reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition in accordance with TFRS 9 paragraph 5.4.4. When making the assessment, the Group shall use the change in the risk of a default occurring for the financial instrument.

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group shall measure the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Group measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Group calculates the expected credit loss on a collective basis by grouping the financial assets having common credit risk features or on an individual basis.

The Group constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration the change in the risk of a default event occurring over the expected life of the financial instrument.

Calculation of expected credit losses

A credit loss is present value of calculated difference between the total cash flows that will occur based on the contractual terms of financial instruments and the total cash flows, which the Group expects to collect, with the initial effective interest rate. The Group calculates expected credit losses based on a probability – weighted estimate of credit losses (the present value of all cash shortfalls) over the expected life of the financial instruments. The Group estimates cash flows over expected life of a financial instrument with the consideration of contractual terms of the financial instrument, and considers the weighted average of the credit losses as the expected default risk as the expected credit loss.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Probability of Default (PD):

It is defined as the probability that the debtor does not fulfill its obligations to the Group or in other words it can not repay its debts to the Group. This ratio is calculated for each loan based on various statistical assumptions depending on the maturity, internal behavioral model, external behavioral model and financial module data. The probability values take a value between 0 and 1, and as the probability value increases, the likelihood of the credit defaulting increases.

Loss given Default (LGD):

This is the parameter indicates the expected economic loss of the Group if the credit defaults. In the case of the credit defaults and the Group collects the entire amount of the default, LGD is zero, in the case of no collection, LGD is 100% percent. LGD rates are reviewed on a maximum of 1 year basis.

Exposure at Default (EAD)

It is the parameter that indicates how much of a loan will default. The default amount for a spot or installment loan is the amount, which is listed on the payment schedule at the time of default. Additionally, the default amount for the credit cards and limit gaps of overdraft accounts and non-cash loans, are calculated with a parameter called credit conversion rate (LCR). The default risk amount in the future is estimated by calculating by the statistical methods with the credit conversion rate, since it is not known at the time of loan origination due to undrawn commitment for limit of credit cards and overdraft accounts.

12 Month Probability of Default (PB)

It is the estimated probability of default occurring within the next 12 months following the balance sheet date. According to Article 5.5.5 of TFRS 9 standard, in the case of that there is no significant increase in credit risk of a financial instrument since its first recognition, the Group shall measure at the provision for loss of the related financial instrument as equal as 12 month expected credit losses.

In the case of a customer or a loan that is classified under Standard Loans (Stage I), the provision for loan is calculated on 365 days even if the maturity of the loan is above 1 year. In the case of maturity of the loan is under 1 year, number of days left to maturity (except revolving loans and credit cards) are used in calculations.

Lifetime PD

It is the estimated probability of default occurring over the remaining life of the financial instrument. According to article 5.5.5 of TFRS 9 standard, in case of a significant increase in credit risk for a financial instrument since its initial recognition, the Group shall measure provision for loss of related financial instrument as equal as expected lifetime probability of default amount.

In the case of a customer or loan is classified as Stage 2 and / or Stage 3, the provision for expected credit loss is measured at the lifetime probability of default. Despite the fact that the methods for used calculation for provision of expected credit loss are similar for Stage 2 and Stage 3 loans, the probability of default for Stage 3 credits is accepted as 100%.

TFRS 9 Standard does not include a direct definition of default, but requires a consistent definition of default to be used in credit risk management. The Group is considering qualitative indicators (eg financial commitments), if appropriate, when defining a default according to article B5.5.37 of TFRS 9, for the purpose of determining the risk of business default and adopts a definition of default, consistent with the definition used for in-house credit risk management purposes for the relevant financial instruments. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Lifetime PD (continued)

“The definition of default used for these purposes applies consistently to all financial instruments unless information can be obtained that demonstrates that another definition of default is more appropriate for a particular financial instrument.” in line with the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches assumes that debt defaulted if at least one of the following two conditions occurs.

- a) Considering that a debtor is unlikely to pay credit obligations to the Parent Bank and to the Parent Bank’s consolidated financial subsidiaries without using guarantees
- b) Considering that a debt having past due more than 90 days to the Parent Bank or its financial subsidiaries

The expected loan loss provision for the loans classified as non-performing loans (Stage 3) is calculated using the estimation of loss given default (LGD). Aforementioned estimation is based on the historical data on a segment basis and determined by the principle loss charge, being the remaining amount after the collection made within the period after each segment has defaulted.

Low Credit Risk

TFRS 9 standard states that in some cases, the credit risk on a financial instrument can be calculated as low if the financial instrument has a low risk of default when there is no reliable past default data.

According to Article 5.5.20 of TFRS 9, if the entity determines that a financial instrument has a low credit risk as of the reporting date, it assumes that the credit risk on the financial instrument has not increased significantly following its initial recognition in the financial statement. Those transactions in the Group are classified as follows:

- a) CBRT transactions (Currencies held in CBRT and reserve requirements)
- b) Securities (Fair value through other comprehensive income and financial assets measured at amortised cost)
- c) Treasury Loans (Transactions with Treasury Republic of Turkey)
- d) Loans guaranteed by Treasury of Republic of Turkey

The Rules of Significant Increase in Credit Risk

Significant increase in credit risk requires measurement of the Group’s provision for expected credit losses at lifetime probability of default instead of 12 month expected credit loss. In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are classified under “Financial Assets at Fair Value through Other Comprehensive Income” or “Fair Value measured at Amortised Cost” in the Group’s portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under “Funds Obtained from Money Market” 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 Money Markets” account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

XI. EXPLANATIONS ON ASSETS HELD FOR SALE, ASSETS OF DISCONTINUED OPERATIONS AND RELATED LIABILITIES

Assets that meet the criteria to be classified as held for sale are measured at carrying amount and depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify an asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active program to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year.

Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the income statement.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the consolidated balance sheet of the Group.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 3 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

Property and equipment except buildings that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property 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 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 Group 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 ““Accumulated Other Comprehensive Income or Loss Not Reclassified through Profit or Loss”” under the shareholders’ equity.

Ordinary maintenance and repair expenses of property and equipment items are recognized as expenses.

Estimated useful lives of property, plant and equipment are as follows:

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

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

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

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

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

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

Investment properties in the attached consolidated financial statements that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property 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 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)

XV. EXPLANATIONS ON LEASING TRANSACTIONS

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

In the cases of the Group as lessor, the net investment of the assets held under financial leases at the initial recognition is recognized as financial lease receivables in the balance sheet. Finance lease income, as the difference between total financial lease receivable and investment value, is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Unrealised finance lease income is recognized in the account of unaccrued interest income in the related period.

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

XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

Insurance premium income is recognised subsequent to the share of reinsurers in policy income is deducted.

Claims are recorded in expense as they are reported. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding claims are offset in these provisions.

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

According to the current insurance regulation, insurance companies should recognize provisions for unearned premium claims, unexpired risk reserves, provision for outstanding claims and life-mathematical provisions.

The unearned premiums consist of the gross portion of accrued premiums for insurance contracts that are overlapping to other period or periods on a daily basis without deducting a commission or any other discount. In case the expected loss premium ratio is over 95%, the unexpired risk reserves are recognized for the branches specified by the Undersecretariat of Treasury. For each branch, the amount calculated by multiplying the ratio exceeding 95% by the net unearned premium provision is recognized in the financial statements as net unexpired risk reserve; and the amount found by multiplying the ratio exceeding 95% by the gross unearned premium provision is recognized as gross unexpired risk reserve. The difference between the gross and the net amounts is considered as the share of the reinsurer. In accordance with the circular numbered 2016/37 issued on 11 November 2016, URR computation method is revised. Based on the new method, motor vehicles, compulsory traffic, third party liability and general liability branches' multiplier will be used as 95% for 2016, 90% for 2017 and 85% for 2018.

Outstanding claims reserves comprise incurred and accrued but not yet paid claims in the current or prior periods or incurred but not reported claims. Insurance companies may discount net cash outflows from outstanding claims reserves with respect to related insurance legislation, as per the Undersecretariat of Treasury's "Circular on Outstanding Claims Reserves Arising from Discounting of the Net Cash Flow" No. 2016/22 dated 10 June 2016.

Mathematical provision is recognized in order to meet the requirements of policyholders and beneficiaries for long-time life, health and personal accident insurance contracts on an actuarial basis.

Effective from 1 January 2005, the insurance entities comply with TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 represents the completion of phase I and is a transitional standard until the recognition and measurement of insurance contracts are fully addressed. TFRS 4 requires that all contracts issued by insurance companies are classified as either insurance contracts or investment contracts.

Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS (continued)

A change in accounting policy is adopted only in case of presentation of more reliable results. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TFRS 9.

Insurance companies of the Group cede premium and risks in the normal course of business in order to limit the potential for losses arising from risks accepted. Insurance premiums ceded to reinsurers on contracts that are deemed to transfer significant insurance risk are recognized as an expense in a manner that is consistent with the recognition of insurance premium revenue arising from the underlying risks being protected.

Costs which vary and are directly associated with the acquisition of insurance and reinsurance contracts including brokerage, commissions, underwriting expenses and other acquisition costs are deferred and amortized over the period of contract, consistent with earning of premium.

In accordance with TFRS 4, at each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related Deferred Acquisition Costs (DAC) and premiums receivable. Investment income from the assets matching the liabilities is taken into account in calculating the provision. The deficit, if any, is immediately charged to the income statement initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests. Any DAC written off as a result of this test cannot subsequently be reversed.

XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 “Employee Benefits”. According to related legislation and union agreements, the 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 Parent Bank has been determined by the actuarial report of an independent actuary firm. As of 1 January 2013, actuarial gains and losses are recorded under the shareholders’ equity according to the revised TAS 19.

T. Halk Bankası Employee Pension Fund and T. Ziraat Bankası ve 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)

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

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

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the present value of the actuarial liabilities will be calculated with the technical interest rate of 9,8%. Moreover, after the transfer to SII, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2017 no technical deficit has been reported.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XX. EXPLANATIONS ON TAXATION

In accordance with provisional article 10 of the Law No. 5520 on Taxation No. 7061 added to the Article No 91 of the Law on Taxation, the 20% rate institutions listed in the first paragraph of the Article 32 of the Corporate Tax Law are subject to the taxation periods of 2018, 2019 and 2020 (for fiscal years beginning in the year concerned for the designated institutions). In addition, the Council of Ministers is authorized to reduce the rate of 22% written in the first sentence to 20%.

The tax rate used in the calculation of deferred tax assets and liabilities is 22% over temporary timing differences expected to reverse in 2018, 2019 and 2020 and 20% over temporary timing differences expected to reverse on and after 2021 (31 December 2017: 20%)

Calculated corporate tax as of 31 December 2017 has been paid in February 2018 thereby setting off calculated advanced taxes in previous periods. Moreover, accrued advance tax for 1 January-31 March 2018 period is paid in May 2018.

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

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

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

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

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority on each consolidated entity's non-consolidated financial statements. Deferred tax assets and liabilities are also offset.

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)

XX. EXPLANATIONS ON TAXATION (continued)

Tax practices in the countries that foreign branches operate:

Halk Gayrimenkul Yatırım Ortaklığı AŞ

Income from the operations related with the investment properties of the Parent Bank's subsidiary, Halk Gayrimenkul Yatırım Ortaklığı AŞ established in 2010, is exempt from corporate tax in accordance with the Article 5/1(d) (4) of the Corporate Tax Law No: 5520. This exemption is also applied for the advanced tax periods.

Halk Banka A.D., Skopje

The Parent Bank's newly acquired subsidiary in 2011 Halk Banka A.D., Skopje is subject to tax regulations in the Republic of Macedonia. The income tax computation base had been shifted from the profit before taxes to the income "distribution" concept in the Republic of Macedonia.

"Distributions" are split into two components:

- Tax on any dividend distribution – i.e. the tax base is the dividend paid,
- Tax on non deductible items – i.e. the tax base is the non deductible items specified in the tax rulebook less any allowable tax credits. The tax on non deductible items is paid each month in monthly advance installments based on the previous fiscal year computation of such non deductible differences. At year end a final tax computation is prepared with a final tax settlement.

As such, the new income tax regime provokes certain implications on the presentation of the tax in the financial statements which are summarized below:

Recognition of tax provisions:

In case of tax contingencies, provisions are made in line with TAS 37 adopted in the Republic of Macedonia.

Such provisions are not presented as deferred tax assets or deferred tax liabilities, but as other assets or other liabilities.

Recognition/reversal of such tax provisions (that is not income taxes) is presented within the other expenses/other income.

Halk Bank A.D. Beograd,

The Parent Bank's subsidiary acquired in 2015 Halk Bank AD, Beograd is subject to tax regulations in the Republic of Serbia. The annual corporate income tax is payable at the rate of 15% on profit before tax, adjusted for temporary differences.

The Law on Corporate Income Tax in the Republic of Serbia does not allow any tax losses of the current period to be used to recover taxes paid in previous periods. However, any current year losses disclosed in the tax balance up to 2009 may be used to reduce tax base for future periods, but only for a period not longer than ten years. Tax losses carried forward after 2010 may be used for reduction of tax base for the following accounting periods for a maximum 5 years. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

XXII. EXPLANATIONS ON SHARES ISSUED

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

The Parent Bank has not issued any shares in the current and prior period. In accordance with the decision of the Higher Council of Privatization dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the 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.

Halk GYO has applied to the CMB on 29 August 2012 to increase its issued capital from TRY 477.000 to TRY 662.500 within TRY 1.500.000 registered capital ceiling, by public offering of the corresponding B group bearer shares of TRY 185.500. Application was approved in accordance with the decision promulgated by the CMB's decision numbered 4/97 dated 8 February 2013. As at 15 February 2013 the public offering of B group bearer shares of TRY 185.500 was made by restricting the preemptive rights of the existing shareholders. After completing the investors' book building, Halk GYO's shares started to be traded on Borsa İstanbul AŞ on 22 February 2013.

Halk Varlık Kiralama A.Ş. applied to the the Capital Markets Board for public offering of lease certificates with a maturity of 87 days, with regards to initial issue of TRY 100.000, at 19 December 2017, with a maturity of 96 days second issue of TRY 100.000 was issued at 16 March 2018, with a maturity of 89 days third issue of TRY 25.000 was issued at 23 March 2018 within the total public offering limit of TRY 1.000.000.

XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Parent Bank in the current and prior period.

XV. EXPLANATIONS ON SEGMENT REPORTING

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXVI. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD

TFRS 9 Financial Instruments" standard came into effect to replace "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies no longer applicable after the transition of TFRS 9 are given below.

The Group categorized its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity" in prior periods.

1. Financial assets at fair value through profit and loss

1.1. 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.

1.2. 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.

2. Investments held to maturity

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

3. 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXVI. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD (continued)

4. 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.

Explanations on Impairment of Financial Assets

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXVI. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD (continued)

Explanations on Impairment of Financial Assets (continued)

For loans and receivables; the Group'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.

The Parent Bank provides general allowances for loan and other receivables in accordance with the Provisioning Regulation. The allowances are recorded in income statement of the related period. Provisions made during the period are recorded under "provision for losses on loans and other receivables". Provisions booked in the prior periods and released in the current year are recorded under "other operating income

XXVIII. EXPLANATION ON OTHER MATTERS

None.

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

I. EXPLANATIONS ON CONSOLIDATED EQUITY

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 March 2018, the Group's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 12,86% (31 December 2017: 13,59%), The equity is calculated as TRY 29.347.250 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2017: TRY 28.415.296).

1. Information About Total Consolidated Capital Items:

Current Period	Amount	Amounts related to treatment before 1/1/2014^(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	39.737	
Reserves	16.936.306	
Other Comprehensive Income according to TAS Profit	1.291.762	
Current Period Profit	5.752.094	
Prior Period Profit	941.903	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	4.810.191	
Minority Interest	4.723	
	1.692	
Common Equity Tier I Capital Before Deductions	26.496.765	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	-	
Leasehold Improvements on Operational Leases	64.786	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	135.643	135.643
Net Deferred Tax Asset/Liability	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined pension benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions From Common Equity Tier I Capital	200.429	
Total Common Equity Tier I Capital	26.296.336	

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

I. EXPLANATIONS ON EQUITY (continued)

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Shares of Third Parties in Additional Tier I Capital	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
Items to be Deducted from Tier I Capital During the Transition Period	-
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 (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	26.296.336
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.000.000
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.062.880
Tier II Capital Before Deductions	3.062.880
Deductions From Tier II Capital	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	3.062.880
Total Capital (The sum of Tier I Capital and Tier II Capital)	29.359.216
Total Tier I Capital and Tier II Capital (Total Equity)	29.347.250
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be Defined by the BRSA (-)	11.956

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

I. EXPLANATIONS ON EQUITY (continued)

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital	29.347.250
Total Risk Weighted Assets	228.124.221
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	11,53
Tier I Capital Ratio (%)	11,53
Capital Adequacy Ratio (%)	12,86
BUFFERS	
Bank-specific total CET1 Capital Ratio	7,174
Capital Conservation Buffer Ratio (%)	1,875
Bank-specific Counter-Cyclical Capital Buffer Ratio (%) **	0,049
Systemic significant bank buffer ratio (%)	0,750
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,865
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	68.988
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	1.988.060
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	777.086
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.062.880
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.062.880
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

I. EXPLANATIONS ON EQUITY (continued)

Prior Period	Amount	Amounts related to treatment before 1/1/2014 ^(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	39.737	
Reserves	17.028.610	
Other Comprehensive Income according to TAS	1.635.974	
Profit	4.139.070	
Current Period Profit	4.038.239	
Prior Period Profit	100.831	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	4.723	
Minority Interests	1.655	
Common Equity Tier I Capital Before Deductions	25.320.220	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	-	
Leasehold Improvements on Operational Leases (-)	64.929	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	114.476	143.095
Net Deferred Tax Asset/Liability	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined pension benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions From Common Equity Tier 1 Capital	179.405	
Total Common Equity Tier 1 Capital	25.140.815	

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

I. EXPLANATIONS ON EQUITY (continued)

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Shares of Third Parties in Additional Tier I Capital	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
Items to be Deducted from Tier I Capital During the Transition Period	28.619
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	28.619
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	25.112.196
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.000.000
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.317.157
Tier II Capital Before Deductions	3.317.157
Deductions From Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	3.317.157
Total Capital (Total Tier I Capital and Tier II Capital)	28.429.353
Total Tier I Capital and Tier II Capital (Total Equity)	28.415.296
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be defined by the BRSA (-)	14.047

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

I. EXPLANATIONS ON EQUITY (continued)

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	28.415.296
Total Risk Weighted Assets	209.028.282
CAPITAL ADEQUACY RATIOS	
CET1 Capital Ratio (%)	12,03
Tier I Capital Ratio (%)	12,01
Capital Adequacy Ratio (%)	13,59
BUFFERS	
Bank-specific total CET1 Capital Ratio	6,278
Capital Conservation Buffer Ratio (%)	1,250
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,028
Systemic Bank Buffer Ratio (%)	0,500
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,594
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	65.577
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	1.965.971
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	317.442
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.317.157
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.317.157
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

*Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary

- (2) The equity is calculated on the capital adequacy ratio calculation basis having reduced deductible assets on equity from the sum of core capital and supplementary capital within the scope of "Regulation on Equities of Banks" (Regulation). The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the general provision and subordinated debt instruments. On the other hand, in the calculation of the Total Capital, development costs for operating leases followed under property and equipment in the balance sheet and intangible assets. Additionally, some of the accounts determined by the Board are reduced from the total equity in the calculation of capital.

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

I. EXPLANATIONS ON EQUITY (continued)

Information about instruments to be included in the Equity Calculation

Details on Subordinated Liabilities:	
Issuer	T. Halk Bankası A.Ş.
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHALE2716
Governing Law(s) of the instrument	BRSA and CMB Legislation
Regulatory treatment	
Transitional Basel III rules	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000
Par value of instrument	1.000
Accounting classification	346.011
Original date of issuance	20.10.2017
Perpetual or dated	Dated
Original maturity date	20.10.2017
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
Coupons / dividends	
Fixed or floating dividend/coupon	Floating Coupon
Coupon rate and any related index	Government Debt Security for 5 years +350 base points
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	-
In compliance with article number 7 and 8 of "Own fund regulation"	The instrument is in compliance with article number 8.
Details of noncompliances with article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.

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

II. EXPLANATIONS ON CURRENCY RISK

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

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

Announced current foreign exchange buying rates of the Bank as at 31 March 2018 and the previous five working days in full TRY are as follows:

	23.03.2018	26.03.2018	27.03.2018	28.03.2018	29.03.2018	30.03.2018
USD	3,9550000	3,9600000	3,9600000	3,9800000	3,9300000	3,9450000
CHF	4,1685000	4,1884000	4,1685000	4,1626000	4,1092000	4,1314000
GBP	5,5941000	5,6209000	5,5912000	5,6052000	5,5214000	5,5315000
JPY	0,0375690	0,0376200	0,0374224	0,0374149	0,0368928	0,0370876
EUR	4,8838000	4,9264000	4,9072000	4,9147000	4,8431000	4,8612000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 March 2018 are as follows:

	Monthly average
USD	3,8718182
CHF	4,0792818
GBP	5,4044182
JPY	0,0364401
EUR	4,7746273

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

II. EXPLANATIONS ON CURRENCY RISK (continued)

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	7.989.129	12.874.783	5.181.061	26.044.973
Banks	799.089	3.459.326	563.954	4.822.369
Financial assets at fair value through profit and loss ⁽³⁾	39	79	1.030	1.148
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income ⁽⁵⁾	483.498	5.122.716	506.503	6.112.717
Loans ⁽²⁾	39.247.516	32.754.049	1.884.653	73.886.218
Subsidiaries, associates and entities under common control ⁽⁵⁾	358.182	-	-	358.182
Financial assets measured at amortized cost	2.297	2.597.617	155.240	2.755.154
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	97.968	97.968
Intangible assets	-	-	-	-
Other assets ⁽³⁾	134.809	785.860	41.941	962.610
Total assets	49.014.559	57.594.430	8.432.350	115.041.339
Liabilities				
Bank deposits	5.822.902	5.354.849	857.265	12.035.016
Foreign currency deposits	34.363.572	29.970.995	4.274.850	68.609.417
Money market balances	-	7.886.173	-	7.886.173
Funds provided from other financial institutions	8.140.489	8.946.869	40.026	17.127.384
Bonds issued	-	8.942.564	-	8.942.564
Sundry creditors	171.216	94.081	23.065	288.362
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	346.039	260.375	86.402	692.816
Total liabilities	48.844.218	61.455.906	5.281.608	115.581.732
Net balance sheet position	170.341	(3.861.476)	3.150.742	(540.393)
Net off-balance sheet position	(653.323)	4.282.846	(2.488.942)	1.140.581
Financial derivative assets ⁽⁴⁾	1.097.115	8.607.688	997.667	10.702.470
Financial derivative liabilities ⁽⁴⁾	1.750.438	4.324.842	3.486.609	9.561.889
Non-cash loans ⁽¹⁾	14.034.883	17.027.541	1.886.315	32.948.739
Prior period				
Total assets	43.271.609	58.465.139	7.839.511	109.576.259
Total liabilities	43.859.517	61.136.255	5.270.971	110.266.743
Net balance sheet position	(587.908)	(2.671.116)	2.568.540	(690.484)
Net off-balance sheet position	223.198	2.534.947	(1.995.069)	763.076
Financial derivative assets	1.065.746	5.996.311	1.250.482	8.312.539
Financial derivative liabilities	842.548	3.461.364	3.245.551	7.549.463
Non-cash loans ⁽¹⁾	12.618.873	16.362.849	1.714.234	30.695.956

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

⁽²⁾ Includes TRY 2.100.133 of foreign currency indexed loans and their accruals (31 December 2017: TRY 2.070.996).

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", foreign currency intangible assets TRY 24.867, prepaid expenses TRY 140 in assets; and shareholders' equity (TRY 43.422) in liabilities and foreign currency minority shares TRY 3.692 are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 54.458. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.971.091. Besides, derivative transactions under forward foreign currency purchase and sale commitments 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 Parent Bank. The Parent 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 Parent Bank's risk management department is to avoid the effects of the interest rate volatility. Sensitivity analysis performed within this context is calculated by the risk management department and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budgeting process of the Parent Bank. The effects of the fluctuations in the market interest rates on the financial position and on the cash flows are minimized by revising budget targets. The 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 Parent Bank does not allow or limits interest rate mismatch and therefore, significant interest rate risk exposures is not expected.

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	21.049.467	-	-	-	-	14.694.965	35.744.432
Banks	3.295.348	471.769	4.000	-	-	1.651.545	5.422.662
Financial assets at fair value through profit and loss	75.809	107.234	7.504	30.151	61	10.009.614	10.230.373
Money market placements	3.863.345	-	-	-	-	4.658	3.868.003
Financial assets at fair value through other comprehensive income	166.817	4.922.242	1.764.416	4.890.030	6.798.535	87.742	18.629.782
Loans	101.077.092	38.615.751	38.444.334	32.433.578	8.221.205	2.927.058	221.719.018
Financial assets measured at amortised cost	1.008.179	12.305.099	928.298	3.296.104	4.548.402	-	22.086.082
Other assets ^{(1) (2)}	4.462	228.897	224.042	40.978	3.163	9.348.925	9.850.467
Total assets	130.540.519	56.650.992	41.372.594	40.690.841	19.571.366	38.724.507	327.550.819
Liabilities							
Bank deposits	10.332.941	3.737.084	341.711	-	-	5.089.051	19.500.787
Other deposits	102.187.415	38.158.650	11.832.330	775.477	10.291	27.985.247	180.949.410
Money market balances	42.193.705	161.141	1.589.825	-	-	39.740	43.984.411
Sundry creditors	1.933.836	5.920	84.087	146.231	-	1.900.662	4.070.736
Bonds issued	328.488	2.944.208	599.175	8.860.399	-	82.165	12.814.435
Funds provided from other financial institutions ⁽³⁾	2.716.577	2.451.168	9.839.923	2.359.129	1.129.179	146.752	18.642.728
Other liabilities ⁽⁴⁾	1.200.217	2.482.425	11.450.081	-	-	32.455.589	47.588.312
Total liabilities	160.893.179	49.940.596	35.737.132	12.141.236	1.139.470	67.699.206	327.550.819
Balance sheet long position	-	6.710.396	5.635.462	28.549.605	18.431.896	-	59.327.359
Balance sheet short position	(30.352.660)	-	-	-	-	(28.974.699)	(59.327.359)
Off-balance sheet long position	901.238	3.406.447	899.504	852.871	1.997.019	11.601.198	19.658.277
Off-balance sheet short position	(474.324)	(3.563.960)	(277.460)	(1.574.831)	(1.997.019)	(11.551.699)	(19.439.293)
Total position	(29.925.746)	6.552.883	6.257.506	27.827.645	18.431.896	(28.925.200)	218.984

⁽¹⁾ TRY 104.643 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 270.040 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	26.154.546	-	-	-	-	10.526.831	36.681.377
Banks and financial institutions	4.962.270	78.154	4.019	-	-	1.268.724	6.313.167
Financial assets at fair value through profit and loss	70.098	20.154	20.268	253	27	10.372.708	10.483.508
Money market placements	1.285.499	-	-	-	-	2.669	1.288.168
Financial assets available-for-sale	209.656	3.283.663	1.797.894	4.690.439	7.634.250	83.276	17.699.178
Loans	92.563.366	23.010.263	46.800.052	31.070.822	7.744.943	2.952.824	204.142.270
Held-to-maturity investments	378.421	8.694.535	1.541.221	4.447.720	6.925.202	-	21.987.099
Other assets ⁽¹⁾⁽²⁾	708.980	889.929	945.432	1.493.736	418.697	9.168.215	13.624.989
Total assets	126.332.836	35.976.698	51.108.886	41.702.970	22.723.119	34.375.247	312.219.756
Liabilities							
Bank deposits	13.061.761	2.079.237	212.098	1.094	-	3.860.508	19.214.698
Other deposits	98.554.760	33.932.876	14.099.653	785.744	9.584	26.673.306	174.055.923
Money market balances	33.735.853	1.216.309	2.938	3.603	-	44.619	35.003.322
Sundry creditors	1.815.820	3.003	50.894	123.013	-	1.865.628	3.858.358
Bonds issued	777.925	2.308.085	295.215	8.510.538	-	130.367	12.022.130
Funds provided from other financial institutions ⁽⁴⁾	1.696.625	6.003.694	8.775.415	2.366.544	1.088.283	127.923	20.058.484
Other liabilities ⁽³⁾	1.325.837	2.410.526	11.375.120	-	-	32.895.358	48.006.841
Total liabilities	150.968.581	47.953.730	34.811.333	11.790.536	1.097.867	65.597.709	312.219.756
Balance sheet long position	-	-	16.297.553	29.912.434	21.625.252	-	67.835.239
Balance sheet short position	(24.635.745)	(11.977.032)	-	-	-	(31.222.462)	(67.835.239)
Off-balance sheet long position	379.000	568.500	2.919.781	819.361	1.902.329	8.939.672	15.528.643
Off-balance sheet short position	-	(568.500)	(2.532.191)	(1.424.801)	(1.902.329)	(8.985.269)	(15.413.090)
Total position	(24.256.745)	(11.977.032)	16.685.143	29.306.994	21.625.252	(31.268.059)	115.553

⁽¹⁾ TRY 87.181 of deferred tax assets is disclosed under the non-bearing interest column in other assets and TRY 574.170 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

⁽²⁾ TRY 1.140.325 of net non-performing loans is disclosed under the non-bearing interest column in other assets.

⁽³⁾ Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

⁽⁴⁾ Funds provided from other financial institutions include borrowings.

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

2. Average interest rates applied to financial instruments:

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	1,25	-	4,00
Banks	0,17	1,67	-	13,85
Financial assets at fair value through profit and loss	0,26	-	-	12,01
Money market placements	-	-	-	12,76
Financial assets at fair value through other comprehensive income	4,58	5,48	-	11,70
Loans ⁽²⁾	4,82	6,56	0,84	13,36
Financial assets measured at amortised cost	-	5,88	-	12,47
Liabilities				
Bank deposits	1,38	4,34	0,10	11,01
Other deposits ⁽⁴⁾	1,67	3,54	0,25	11,82
Money market borrowings	-	2,47	-	11,41
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	13,84
Funds provided from other financial institutions ⁽⁴⁾	1,08	3,28	0,84	9,74

⁽¹⁾ Interest rates are calculated using weighted average method for placements as of the balance sheet date.

⁽²⁾ Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.

⁽³⁾ Declared maximum deposits interest rate with a maturity of 3 months as of 31 March 2018.

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 March 2018.

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

Prior Period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	1,25	-	4,00
Due from other banks and financial institutions ⁽¹⁾	0,08	1,41	-	13,32
Financial assets at fair value through profit and loss	1,10	1,86	-	9,86
Money market placements	-	-	-	12,78
Available-for-sale financial assets	4,60	5,46	-	15,00
Loans ⁽²⁾	4,78	6,42	0,84	13,12
Held-to-maturity investments	2,50	5,89	-	18,33
Liabilities				
Bank deposits	1,59	4,24	0,10	10,67
Other deposits ⁽⁴⁾	1,68	3,50	0,25	12,02
Money market borrowings	-	2,43	-	12,75
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	13,10
Funds provided from other financial institutions	1,14	3,03	0,84	12,22

⁽¹⁾ Interest rates are calculated using weighted average method for placements as of the balance sheet date.

⁽²⁾ Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.

⁽³⁾ Declared maximum deposits interest rate with a maturity of 12 months as of 31 December 2017.

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

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

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

IV. EXPLANATIONS ON THE POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Comparison			The Amount of Capital Requirement
	Balance Sheet Value	Fair Value Change	Market Value	
Stock investment excluding A,B,C,D group	433.236 ^(*)	335.423 ^(**)	-	74.392

(*) Includes TRY 52.178 of unconsolidated subsidiary, TRY 374.738 of associates accounted for under the equity method and TRY 6.320 of unconsolidated associates.

(**)The financial information about the fair value of Demir-Halk Bank N.V. has been obtained from its valuation report as of 31 March 2018.

Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in core and supplementary capitals:

Portfolio	Revaluation surplus in the fair value			Unrealized gains and losses		
	Realized gains (losses) in the current period	Total	Included in supplementary capital	Total	Included in total core capital	Included in supplementary capital
1. Private equity investments	-	-	-	-	-	-
2. Share certificates quoted on a stock exchange	-	-	-	-	-	-
3. Other share certificates	-	23.865	23.865	-	-	-
Total	-	23.865	23.865	-	-	-

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

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

The 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 Parent Bank's position against such ratios.

The upper limits of the Parent Bank consist of the following: max lending amount of TRY and FC category on all maturity in interbank OTC markets, the upper limit of repurchase and reverse repurchase transactions in TRY and FC category on all maturity in the interbank OTC markets, the maximum foreign exchange position limits that can be carried, and finally; the upper limit relating to forward and swap transactions is determined on the that the whole term of TRY and foreign currency denominated, forward and the upper limit relating to swap transactions is determined.

The extension of the maturity structure of term deposits reflects the primary funding source for the Parent Bank; the development of new products that encourage saving and the protection of core deposit levels have been implemented as a strategic objective. Limits have been determined for issuing bonds based on Turkish Lira to provide long term funding resource for the purposes of extending maturity structure of liabilities besides deposits.

For the purposes of utilizing advantage of the new borrowing facilities in line with the needs of the bank, alternative fund resources in parallel with the close monitoring of price/cost movements in international capital markets and compliance with the conditions are evaluated.

Effective collateral management structure is provided by the reduction of liquidity risk. The Parent Bank participates in the organized markets (CBRT, BIST and TAKASBANK). Debt upper limits and balance sheet size are determined under certain criteria by the relevant authorities. Existing limits available to use are continuously monitored with the cooperation of Treasury Management Middle Office and Treasury Operations Department thought the Bank's projected and instant liquidity needs under the condition that depositing and/or withdrawing additional collateral.

Effects of macro size balance sheet changes or important changes of market data on bank liquidity; based on legal liquidity ratio and according to liquidity emergency action plan, analysis is made on the effects of the ratios that are being followed. Whether originated from the Bank or the market, under the condition that the potential stress tests are applied, the legal and internal changes on liquidity ratio and their effects of bank liquidity is quantified.

Moreover, to analyze the withdrawal rates of time deposits, the core deposit analysis is performed relating to deposit items based on each currency type.

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

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

According to the "Regulations on the Banks' Liquidity Coverage Ratio Calculation" published by the BRSA, foreign currency and total liquidity coverage ratios calculated are monitored to ensure that banks keep high levels of liquid assets to cover net cash outflows.

Liquidity ratios and its daily changes monitored under calculated "Liquidity Coverage Ratio" and "Liquidity Emergency Action Plan" within the scope of the Regulation on "Banks' Liquidity Coverage Ratio Calculation" prepared by BRSA and then they are notified to the Audit Committee and the Asset-Liability Committee regularly.

Throughout the current period, Bank's Liquidity Coverage Ratio's lowest and highest values and the weeks these values are monitored are given in the table below:

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Month	(%)	Related Month	(%)
Maximum	March	137,30	March	112,03
Minimum	January	121,55	January	105,41

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

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

Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			45.725.587	23.317.776
Cash Outflows				
Retail and Small Business Customers, of which;	90.255.473	30.933.650	7.866.116	3.093.365
Stable Deposits	23.188.620	-	1.159.431	-
Less Stable Deposits	67.066.853	30.933.650	6.706.685	3.093.365
Unsecured wholesale funding , of which;	81.521.898	35.940.029	44.786.427	20.985.543
Operational Deposits	2.399.983	36.369	599.996	9.092
Non-operational Deposits	71.185.389	32.142.217	37.400.442	18.067.319
Other Unsecured Funding	7.936.526	3.761.443	6.785.989	2.909.132
Secured Funding			-	-
Other cash outflows, of which;	5.762.413	3.122.485	2.649.835	1.592.874
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	54.597	342.136	54.597	342.136
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	5.707.816	2.780.349	2.595.238	1.250.738
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	79.125.747	28.836.871	6.199.388	2.300.684
Total Cash Outflows			61.501.766	27.972.466
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	26.776.186	10.957.405	19.027.190	9.905.137
Other Cash Inflows	12.603	12.603	12.603	12.603
Total Cash Inflows	26.788.789	10.970.008	19.039.793	9.917.740
			Total Adjusted Value	
Total HQLA Stock			45.725.587	23.317.776
Total Net Cash Outflows			42.461.973	18.054.726
Liquidity Coverage Ratio (%)			108,03%	129,20%

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

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

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

	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
Prior Period				
High Quality Liquid Assets				
High Quality Liquid Assets			41.538.443	27.288.632
Cash Outflows				
Retail and Small Business Customers, of which;	89.583.117	31.827.153	7.824.424	3.182.715
Stable Deposits	22.677.760	-	1.133.888	-
Less Stable Deposits	66.905.357	31.827.153	6.690.536	3.182.715
Unsecured wholesale funding , of which;	80.572.284	39.354.420	45.103.830	23.098.605
Operational Deposits	1.475.503	25.764	368.876	6.441
Non-operational Deposits	70.160.212	34.173.507	37.427.882	19.355.493
Other Unsecured Funding	8.936.570	5.155.150	7.307.072	3.736.671
Secured Funding			-	-
Other cash outflows, of which;	5.608.065	3.687.070	2.673.873	2.164.857
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	230.559	918.474	230.559	918.474
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	5.377.506	2.768.596	2.443.314	1.246.383
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	77.397.763	28.958.391	5.990.250	2.309.291
Total Cash Outflows			61.592.377	30.755.469
Cash Inflows				
Secured Lending	585	-	-	-
Unsecured Lending	29.527.022	14.311.864	22.340.233	12.953.281
Other Cash Inflows	-	-	-	-
Total Cash Inflows	29.527.607	14.311.864	22.340.233	12.953.281
			Total Adjusted Value	
Total HQLA Stock			41.538.443	27.288.632
Total Net Cash Outflows			39.252.144	17.802.188
Liquidity Coverage Ratio (%)			106,23%	155,86%

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

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

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

1. Presentation of assets and liabilities according to their remaining maturities:

The Bank follows up and measures the consistency of payments comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	2.516.995	33.142.746	-	84.691	-	-	-	35.744.432
Banks	1.881.800	3.061.614	473.500	5.748	-	-	-	5.422.662
Financial assets at fair value through profit and loss	6.087	77.916	104.301	10.007.933	33.084	61	991	10.230.373
Receivables from Money market	-	3.868.003	-	-	-	-	-	3.868.003
Financial assets at fair value through other comprehensive income	-	6.555	421.325	1.680.621	6.933.692	9.502.868	84.721	18.629.782
Loans	1.806.917	15.437.150	17.141.884	63.480.959	95.064.504	28.787.604	-	221.719.018
Financial assets measured at amortised cost	-	200.138	948.845	1.056.941	10.277.478	9.602.680	-	22.086.082
Other assets ⁽²⁾	274.805	197.508	606.670	238.834	40.978	3.163	8.488.509	9.850.467
Total assets	6.486.604	55.991.630	19.696.525	76.555.727	112.349.736	47.896.376	8.574.221	327.550.819
Liabilities								
Bank deposits	5.073.198	10.337.730	3.744.965	344.894	-	-	-	19.500.787
Other deposits	26.910.383	102.664.926	38.491.480	12.046.143	811.415	20.756	4.307	180.949.410
Funds provided from other financial institutions ⁽³⁾	730	2.429.425	1.597.029	7.220.394	4.730.382	2.664.768	-	18.642.728
Money market balances	-	42.222.569	161.205	1.600.637	-	-	-	43.984.411
Bonds issued	-	328.488	3.275.478	350.070	8.860.399	-	-	12.814.435
Sundry creditors	13.682	1.640.272	10.488	167.056	1.869.660	5.812	363.766	4.070.736
Other liabilities ⁽¹⁾	651.696	2.512.694	681.634	11.597.896	255.203	3.263.004	28.626.185	47.588.312
Total liabilities	32.649.689	162.136.104	47.962.279	33.327.090	16.527.059	5.954.340	28.994.258	327.550.819
Liquidity gap	(26.163.085)	(106.144.474)	(28.265.754)	43.228.637	95.822.677	41.942.036	(20.420.037)	-
Net off balance sheet position	-	17.838	18.425	(2.669)	185.390	-	-	218.984
Derivative financial assets	-	6.871.568	2.983.030	3.180.281	2.629.359	3.994.039	-	19.658.277
Derivative financial liabilities	-	(6.853.730)	(2.964.605)	(3.182.950)	(2.443.969)	(3.994.039)	-	(19.439.293)
Non-cash loans	9.411.996	2.167.633	5.100.048	14.568.180	12.722.490	20.709.144	-	64.679.491
Prior Period								
Total Assets	5.976.920	53.989.072	14.969.679	74.950.291	106.647.425	48.029.463	7.656.906	312.219.756
Total Liabilities	29.918.047	151.990.459	43.075.481	38.584.436	16.026.374	5.964.981	26.659.978	312.219.756
Liquidity Gap	(23.941.127)	(98.001.387)	(28.105.802)	36.365.855	90.621.051	42.064.482	(19.003.072)	-
Net off balance sheet position	-	(30.015)	(18.941)	11.949	152.560	-	-	115.553
Derivative financial assets	-	5.319.725	1.400.784	2.606.753	2.396.724	3.804.657	-	15.528.643
Derivative financial liabilities	-	(5.349.740)	(1.419.725)	(2.594.804)	(2.244.164)	(3.804.657)	-	(15.413.090)
Non-cash loans	19.713.335	2.090.829	4.541.264	18.634.374	12.409.276	1.098.547	300.033	58.787.658

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

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

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

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

VI. EXPLANATIONS ON LEVERAGE RATIO

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

	Current Period⁽²⁾
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS ⁽¹⁾	311.354.034
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽¹⁾	(865.722)
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments	17.238.807
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments	4.535.928
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	831.550
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-
Total Risk Amount	402.590.213
	Prior Period⁽²⁾
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS ⁽¹⁾	270.533.226
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽¹⁾	(1.145.283)
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments	17.716.168
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments	3.364.403
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	797.772
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-
Total Risk Amount	393.862.493

⁽¹⁾ The amounts are represented in the table as of 31 December 2017 and 30 June 2017.

⁽²⁾ The amounts in the table represent three-month averages.

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

VI. EXPLANATIONS ON LEVERAGE RATIO (continued)

	Current Period ⁽¹⁾
On-Balance Sheet Items	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	313.917.066
Assets that are deducted from core capital	(202.260)
Total on balance sheet exposures	313.714.806
Derivative exposures and credit derivatives	
Replacement cost associated with derivative financial instruments and credit derivatives	415.169
The potential amount of credit risk with derivative financial instruments and credit derivatives	217.407
The total amount of risk on derivative financial instruments and credit derivatives	632.576
Investment securities or commodity collateral financing transactions	
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.403.959
Risk amount of exchange brokerage operations	-
Total risks related with securities or commodity financing transactions	1.403.959
Off -Balance Sheet Items	
Gross notional amount of off-balance sheet items	87.670.422
Adjustments for conversion to credit equivalent amounts	(831.550)
The total risk of off-balance sheet items	86.838.872
Capital and Total Exposures	
Tier 1 Capital	26.237.800
Total Exposures	402.590.213
Leverage Ratio	
Leverage Ratio	6,52

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

	Prior Period⁽¹⁾
On-Balance Sheet Items	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	306.253.039
Assets that are deducted from core capital	(169.958)
Total on balance sheet exposures	306.083.081
Derivative exposures and credit derivatives	
Replacement cost associated with derivative financial instruments and credit derivatives	456.562
The potential amount of credit risk with derivative financial instruments and credit derivatives	236.834
The total amount of risk on derivative financial instruments and credit derivatives	693.396
Investment securities or commodity collateral financing transactions	
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.268.407
Risk amount of exchange brokerage operations	-
Total risks related with securities or commodity financing transactions	1.268.407
Off -Balance Sheet Items	
Gross notional amount of off-balance sheet items	86.615.381
Adjustments for conversion to credit equivalent amounts	(797.772)
The total risk of off-balance sheet items	85.817.609
Capital and Total Exposures	
Tier 1 Capital	24.625.572
Total Exposures	393.862.493
Leverage Ratio	
Leverage Ratio	6,25

⁽²⁾The amounts in the table represent three-month average.

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

VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

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

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the 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 Parent Bank's application.

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

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

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

VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 March 2018 are presented in the table below.

Current Period (1 January – 31 March 2018)	Corporate	Commercial	Integrated	Treasury / Investment⁽¹⁾	Other⁽³⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	656.741	1.040.946	4.045.300	1.242.332	125.447	7.110.766
Interest on loans	656.289	1.040.860	3.958.771	108.572	-	5.764.492
Interest income on marketable securities	-	-	79.440	982.425	13.281	1.075.146
Interest received from banks	-	-	-	100.204	3	100.207
Other interest income	452	86	7.089	51.131	112.163	170.921
Interest expense	404.253	230.814	2.839.946	1.426.334	65.290	4.966.637
Interest on deposits	401.073	224.134	2.766.163	312.753	-	3.704.123
Interest on borrowings	81	1.638	6.888	99.622	52.876	161.105
Interest on money market borrowings	-	-	30.753	754.042	2.774	787.569
Interest on marketable bonds issued	-	-	-	241.462	9.155	250.617
Other interest expense ⁽²⁾	3.099	5.042	36.142	18.455	485	63.223
Net interest income	252.488	810.132	1.205.354	(184.002)	60.157	2.144.129
Net fees and commissions income / (expenses)	66.598	60.152	201.934	106.531	(39.274)	395.941
Net trading profit / (loss) (Net)	425	1.371	126.235	(95.849)	4.879	37.061
Dividend income	-	-	-	85	-	85
Other income	27.665	78.718	99.902	63.202	320.319	589.806
Loans and other receivables' impairment loss	31.847	(2.035)	267.937	173.820	2.199	473.768
Other expenses	7.954	18.801	506.300	717.978	263.838	1.514.871
Income before taxes	307.375	933.607	859.188	(1.001.831)	80.044	1.178.383
Income tax provision	-	-	-	(206.500)	(27.086)	(233.586)
Net profit for the period	307.375	933.607	859.188	(1.208.331)	52.958	944.797

**SEGMENT ASSETS
(31 March 2018)**

Marketable securities	-	-	5.705.969	44.954.988	285.280	50.946.237
Derivative financial assets	-	-	61.324	402.113	-	463.437
Banks and money market receivables	-	-	564	9.268.319	21.782	9.290.665
Associates and subsidiaries (net)	-	-	-	433.236	-	433.236
Loans	32.014.054	43.758.842	135.643.217	6.219.936	4.082.969	221.719.018
Other assets ⁽¹⁾	88.223	650.432	2.058.566	41.196.505	704.500	44.698.226
TOTAL ASSETS	32.102.277	44.409.274	143.469.640	102.475.097	5.094.531	327.550.819

**SEGMENT LIABILITIES
(31 March 2018)**

Deposits	26.868.435	16.337.060	141.308.938	15.935.764	-	200.450.197
Derivative financial liabilities	-	-	27.792	92.900	-	120.692
Money market balances	-	-	4.185.978	39.709.469	88.964	43.984.411
Loans	7.197	216.767	979.232	14.967.211	2.472.321	18.642.728
Marketable Securities issued	-	-	-	12.544.825	269.610	12.814.435
Other liabilities	297.245	374.458	6.614.178	12.869.595	250.821	20.406.297
Provisions and tax payable	50.875	88.329	268.131	2.029.609	1.987.000	4.423.944
Shareholders' equity	915.687	3.457.399	4.680.044	16.234.045	1.420.940	26.708.115
TOTAL LIABILITIES	28.139.439	20.474.013	158.064.293	114.383.418	6.489.656	327.550.819

**OFF BALANCE SHEET ITEMS
(31 March 2018)**

Guarantees and surety ships	17.519.428	16.801.647	36.751.385	58.082.617	26.182	129.181.259
Commitments	63.208	897.310	10.545.109	13.872.389	26.182	25.404.198
Derivative financial instruments	-	-	7.324.739	31.772.831	-	39.097.570

⁽¹⁾ Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Bank A.D., Skopje transactions are presented under the treasury / investment column. In this context net of tangible assets amounting TRY 4.212.120 (net), deferred tax assets amounting TRY 106.606 is presented under the other column.

⁽²⁾ Funds transfer pricing was distributed in other interest income and other interest expense.

⁽³⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are presented in other column.

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VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

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

Prior Period (1 January – 31 March 2017)	Corporate	Commercial	SME / Integrated	Treasury / Investment ⁽¹⁾	Other ⁽³⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	478.967	669.065	2.903.774	1.160.862	93.772	5.306.440
Interest on loans	478.577	668.325	2.845.615	98.314	-	4.090.831
Interest income on marketable securities	-	-	48.982	983.079	8.656	1.040.717
Interest received from banks	-	-	3.060	42.797	368	46.225
Other interest income ⁽²⁾	390	740	6.117	36.672	84.748	128.667
Interest expense	301.549	98.908	1.508.498	955.003	40.826	2.904.784
Interest on deposits	301.232	87.053	1.463.639	245.099	-	2.097.023
Interest on borrowings	180	1.572	7.214	93.012	36.686	138.664
Interest on money market borrowings	-	-	10.437	424.156	-	434.593
Interest on marketable bonds issued	-	-	-	192.262	3.900	196.162
Other interest expense ⁽²⁾	137	10.283	27.208	474	240	38.342
Net interest income	177.418	570.157	1.395.276	205.859	52.946	2.401.656
Net fees and commissions income / (expense)	58.502	105.337	264.509	128.803	(51.995)	505.156
Net trading profit / (loss)	-	-	-	69.291	6.132	75.423
Dividend income	-	-	-	63	141	204
Other income	24.330	23.503	83.786	42.267	306.693	480.579
Loans and other receivables' impairment loss	1.347	216.661	166.169	93.262	1.690	479.129
Other expenses	7.871	16.471	420.848	617.932	207.417	1.270.539
Income before taxes	251.032	465.865	1.156.554	(264.911)	104.810	1.713.350
Income tax provision	-	-	-	(329.823)	(26.882)	(356.705)
Net profit for the period	251.032	465.865	1.156.554	(594.734)	77.928	1.356.645

**SEGMENT ASSETS
(31 December 2017)**

Marketable securities	-	-	5.489.437	44.036.225	281.607	49.807.269
Derivative financial assets held for trading	-	-	79.852	282.664	-	362.516
Banks and money market receivables	-	-	289	7.594.793	6.253	7.601.335
Associates and subsidiaries (net)	-	-	-	405.316	-	405.316
Loans	29.738.256	41.267.495	127.277.838	7.269.006	-	205.552.595
Other assets ⁽¹⁾	90.690	264.257	1.885.260	41.804.276	4.446.242	48.490.725
TOTAL ASSETS	29.828.946	41.531.752	134.732.676	101.392.280	4.734.102	312.219.756

**SEGMENT LIABILITIES
(31 December 2017)**

Deposits	27.081.876	16.011.238	136.068.623	14.108.884	-	193.270.621
Derivative financial liabilities held for trading	-	-	46.160	104.509	4	150.673
Money market balances	-	-	4.140.748	30.822.778	39.796	35.003.322
Borrowing funding loans	9.973	233.252	954.275	16.550.464	2.310.520	20.058.484
Bonds issued	-	-	-	11.727.130	295.000	12.022.130
Other liabilities	286.437	379.543	6.336.640	12.356.196	235.239	19.594.055
Provisions and tax payable	57.741	88.335	252.213	4.308.512	1.884.981	6.591.782
Shareholders' equity	767.670	2.565.774	4.065.401	16.797.501	1.332.343	25.528.689
TOTAL LIABILITIES	28.203.697	19.278.142	151.864.060	106.775.974	6.097.883	312.219.756

**OFF BALANCE SHEET ITEMS
(31 December 2017)**

Guarantees and surety ships	15.446.074	13.990.756	17.241.640	12.109.188	-	58.787.658
Commitments	63.996	878.037	10.134.667	14.002.992	34.502	25.114.194
Derivative financial instruments	-	-	6.914.990	24.026.071	672	30.941.733

⁽¹⁾ Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Bank A.D., Skopje transactions are presented under the treasury / investment column. In this context net of tangible assets amounting TRY 3.751.600 (net), deferred tax assets amounting TRY 94.043 is presented under the other column.

⁽²⁾ Funds transfer pricing was distributed in other interest income and other interest expense.

⁽³⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, Halk Portföy Yönetimi AŞ and Halk Faktoring AŞ transactions are presented in other column.

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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 Parent 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 Parent Bank effectively implements risk management policies and procedures for loan and other risks which is determined within the framework of risk capacity and appetite and approved by board of directors. Risk appetite and capacity, which are directly related to the Parent Bank's strategic objectives, are limited by legal rates therefore the 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 Parent Bank is exposed in relation to its duties.

The Parent Bank is using information technologies and training documents openly and effectively for the dissemination and application of risk culture, and the development of bank staff is supported in line with this goal with face to face learning and e-learning. In addition, all personnel are regularly informed and aware of the risks that the Parent Bank is exposed to.

Risk measurement systems are based on accepted risk models and workflows for the identification, monitoring and reporting of risks in accordance with legislation. Methods and software that are in line with international standards are used for risk groups such as credit, market, operational and counterparty credit risk etc.

Within the scope of risk management activities, regular reporting and presentations are made by related units to the board of directors, asset-liability and audit committees and to the other committees, in order to manage the risks that the Parent Bank is exposed to more effectively, to support the decision making processes related to them, to create new strategies and policies.

The Parent Bank reports to the BRSA by applying the stress tests determined in accordance with the Internal Capital Adequacy Assessment Process (ISEDES). In addition, stress tests are carried out in line with the scenarios created by the risks exposed and the macroeconomic conditions. This test which is made by applying shocks for various risk factors, shows the results on risk weighted assets, own funds and capital adequacy ratio.

The Parent Bank monitors its effectiveness by closely monitoring the processes of managing and reducing the risks arising from the business model. The Parent Bank regularly revises the strategies it has established regarding these processes in line with the existing conditions and sets policies.

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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)	202.155.371	187.858.563	16.172.430
2	Standardized approach (SA)	202.155.371	187.858.563	16.172.430
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	2.232.151	1.948.749	178.572
5	Standardized approach for counterparty credit risk (SA-CCR)	2.232.151	1.948.749	178.572
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	4.251.850	3.629.588	340.148
17	Standardized approach (SA)	4.251.850	3.629.588	340.148
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	18.548.004	14.724.338	1.483.840
20	Basic Indicator Approach	18.548.004	14.724.338	1.483.840
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	936.845	867.044	74.948
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	228.124.221	209.028.282	18.249.938

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

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

	Current period	
	TRY	FC
Cash and foreign currency	971.813	1.372.371
CBRT	8.727.646	24.416.171
Other ⁽¹⁾	-	256.431
Total	9.699.459	26.044.973

⁽¹⁾As of 31 March 2018, required reserve deposits kept in Central Bank of Macedonia amounted TRY 97.748 and amounted TRY 158.593 kept in Central Bank of Serbia.

	Prior period	
	TRY	FC
Cash and foreign currency	1.155.031	1.053.099
CBRT	11.762.459	22.491.457
Other	-	219.331
Total	12.917.490	23.763.887

⁽¹⁾As of 31 December 2017, required reserve deposits kept in Central Bank of Macedonia amounted TRY 78.808 and amounted TRY 140.516 kept in Central Bank of Serbia.

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

	Current period	
	TRY	FC
Demand unrestricted amount ⁽¹⁾	8.599.439	3.725.240
Time unrestricted amount	-	-
Time restricted amount	-	2.430.600
Other ⁽²⁾	128.207	18.260.331
Total	8.727.646	24.416.171

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

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

	Prior period	
	TRY	FC
Demand unrestricted amount ⁽¹⁾	11.647.057	3.585.219
Time unrestricted amount	-	-
Time restricted amount	437	2.425.300
Other ⁽²⁾	114.965	16.480.938
Total	11.762.459	22.491.457

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

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

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

The interest related to the reserve requirements set as TL is paid at a rate of 400 basis points less than the 1 week repo rate of the CBRT as of 1 January 2017.

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

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

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

With the change on 2 May 2015 made by the CBRT, interest is paid on USD denominated reserve requirements, reserve options and free reserves held at Central Bank of the Republic of Turkey. The interest rate is set on daily basis by taking global and local financial markets conditions into account. The applicable interest rate is 1,5% for the reporting period (announced on 18 December 2017).

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

With the Board of Directors decision No. 129 dated 2006 of the Central Bank of Macedonia, reserve requirement ratio is 8% for MKD currency liabilities and 15% for foreign currency liabilities.

According to the Official Gazette of Serbia No. 102/2015 of the Central Bank of Serbia, banks maintain reserve requirement of 5% for short term liabilities with maturities less than two years and 0% for long term liabilities with maturities more than two years, 20% for short term foreign currency liabilities with maturities less than two years and 13% for long term foreign liabilities with maturities more than two years.

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

I. EXPLANATIONS 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:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	10.002.442	-
Total:	10.002.442	-
	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	10.002.094	-
Total:	10.002.094	-

b) Financial assets at fair value through profit and loss subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	-	-
Total:	-	-
	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	18.213	-
Total:	18.213	-

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

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

c) Positive differences related to the derivative financial assets at fair value through profit and loss:

	Current Period	
	TRY	FC
Forward transactions	-	101.041
Swap transactions	-	362.122
Futures transactions	-	-
Options	20	254
Other	-	-
Total	20	463.417

Positive differences related to the derivative financial assets held for trading:

	Prior Period	
	TRY	FC
Forward transactions	-	43.494
Swap transactions	-	318.842
Futures transactions	-	-
Options	118	62
Other	-	-
Total	118	362.398

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period	
	TRY	FC
Banks		
Domestic banks	513.485	3.045.508
Foreign banks	86.808	1.776.861
Branches and offices abroad	-	-
Total	600.293	4.822.369

	Prior Period	
	TRY	FC
Banks		
Domestic banks	601.804	4.126.869
Foreign banks	75.556	1.508.938
Branches and offices abroad	-	-
Total	677.360	5.635.807

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

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

(4) Information on financial assets at fair value through other comprehensive income:

a) Financial assets at fair value through other comprehensive income subject to repurchase agreements or blocked/given as collateral

a.1. Information on financial assets at fair value through other comprehensive income and blocked/given as collateral:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	11.767.709	1.483.008
Total	11.767.709	1.483.008

Information on financial assets available for sale and blocked/given as collateral:

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	11.052.292	1.045.607
Total	11.052.292	1.045.607

a.2. Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	371.474	3.834.113
Total	371.474	3.834.113

Financial assets available to sale subject to repurchase agreements

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	154.578	4.308.531
Total	154.578	4.308.531

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

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

(4) Information on financial assets at fair value through other comprehensive income (continued)

b) Information on financial assets at fair value through other comprehensive income:

	Current Period
Debt securities	19.391.311
<i>Quoted on a stock exchange</i>	19.056.516
<i>Not quoted</i>	334.795
Share certificates	115.408
<i>Quoted on a stock exchange</i>	76.070
<i>Not quoted</i>	39.338
Impairment provision(-)	876.937
Total	18.629.782

Information on financial assets available for sale:

	Prior Period
Debt securities	17.990.330
<i>Quoted on a stock exchange</i>	17.667.333
<i>Not quoted</i>	322.997
Share certificates	106.162
<i>Quoted on a stock exchange</i>	67.523
<i>Not quoted</i>	38.639
Impairment provision(-)	397.314
Total	17.699.178

(5) Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Group:

	Current period	
	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	305.740	-
Total	305.740	-

	Prior period	
	Cash loans	Non-cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	275.131	-
Total	275.131	-

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

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

(5) Information on loans: (continued)

b) Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring ⁽³⁾		
			Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non-specialized loans	171.311.788	3.441.262	27.916	3.493.236
<i>Corporation loans</i>	119.137.207	2.604.396	-	3.330.714
<i>Export loans</i>	4.121.272	19.095	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	1.718.526	-	-	-
<i>Consumer loans⁽¹⁾</i>	39.139.757	619.743	27.916	22.625
<i>Credit cards⁽²⁾</i>	4.278.812	111.312	-	78.672
<i>Other</i>	2.916.214	86.716	-	61.225
Specialized lending	35.828.483	555.510	-	245
Other receivables	-	-	-	-
Accruals	2.937.479	361.094	474	126.647
Total	210.077.750	4.357.866	28.390	3.620.128

⁽¹⁾ Includes TRY 242.333 personnel loans.

⁽²⁾ Includes TRY 63.407 personnel credit cards.

⁽³⁾ The Parent Bank has a cash loan exposure of USD 160.040.606 related with the company operating in the telecommunication sector with a key position are classified under "Loans and Other Receivables Under Close Monitoring". Negotiations on restructuring of the loan have started among the telecommunication company's shareholders, creditor banks and related public authorities, which may also include a change in the shareholder structure of this company.

	Standard Loans	Loans under Close Monitoring
Provision for 12 Month Expected Credit Losses	1.073.838	-
Significant Increase in Credit Risk	-	785.315

Number of modifications made to extend payment plan	Standard Loans and Other Receivables ⁽¹⁾	Loans and Other Receivables Under Close Monitoring ⁽²⁾
Extended by 1 or 2 times	2.528.419	3.416.708
Extended by 3,4 or 5 times	30.834	48.335
Extended by more than 5 times	1.038	56.354

⁽¹⁾ Accruals amounting to TRY 93.180 are not included in the table above.

⁽²⁾ Accruals amounting to TRY 127.121 are not included in the table above.

Extended period of time	Standard Loans and Other Receivables ⁽¹⁾	Loans and Other Receivables Under Close Monitoring ⁽²⁾
0-6 Months	436.011	377.889
6 Months - 12 Months	295.664	292.454
1-2 Years	300.416	390.494
2-5 Years	870.586	1.285.522
5 Years and over	657.614	1.175.038

⁽¹⁾ Accruals amounting to TRY 93.180 are not included in the table above.

⁽²⁾ Accruals amounting to TRY 127.121 are not included in the table above.

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

I. EXPLANATIONS 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: ⁽¹⁾

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	394.479	36.934.430	37.328.909
<i>Real estate loans</i>	9.485	21.290.513	21.299.998
<i>Automobile loans</i>	3.952	263.155	267.107
<i>Consumer loans</i>	381.042	15.380.762	15.761.804
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	1.782	194.420	196.202
<i>Real estate loans</i>	12	1.184	1.196
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	1.770	193.236	195.006
<i>Other</i>	-	-	-
Consumer loans- FC	3.444	980.253	983.697
<i>Real estate loans</i>	555	345.639	346.194
<i>Automobile loans</i>	30	5.337	5.367
<i>Consumer loans</i>	1.828	557.274	559.102
<i>Other</i>	1.031	72.003	73.034
Individual credit cards-TRY	2.976.805	1.611	2.978.416
<i>Installment</i>	1.160.794	-	1.160.794
<i>Non-installment</i>	1.816.011	1.611	1.817.622
Individual credit cards-FC	380	63.307	63.687
<i>Installment</i>	174	63.307	63.481
<i>Non-installment</i>	206	-	206
Personnel loans-TRY	12.727	204.994	217.721
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	12.727	204.994	217.721
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	26	2.821	2.847
<i>Real estate loans</i>	-	7	7
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	26	2.814	2.840
<i>Other</i>	-	-	-
Personnel loans-FC	199	21.566	21.765
<i>Real estate loans</i>	19	18.636	18.655
<i>Automobile loans</i>	-	34	34
<i>Consumer loans</i>	180	2.782	2.962
<i>Other</i>	-	114	114
Personnel credit cards-TRY	61.844	-	61.844
<i>Installment</i>	21.637	-	21.637
<i>Non-installment</i>	40.207	-	40.207
Personnel credit cards-FC	63	1.500	1.563
<i>Installment</i>	2	1.500	1.502
<i>Non-installment</i>	61	-	61
Overdraft accounts-TRY (Retail customers)	1.012.305	-	1.012.305
Overdraft accounts-FC (Retail customers)	46.510	85	46.595
Total	4.510.564	38.404.987	42.915.551

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

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II. EXPLANATIONS 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 (continued):⁽¹⁾

Prior Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	406.948	36.405.136	36.812.084
<i>Real estate loans</i>	10.525	20.856.426	20.866.951
<i>Automobile loans</i>	4.950	275.611	280.561
<i>Consumer loans</i>	391.473	15.273.099	15.664.572
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	1.422	167.229	168.651
<i>Real estate loans</i>	11	1.172	1.183
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	1.411	166.057	167.468
<i>Other</i>	-	-	-
Consumer loans- FC	5.758	881.118	886.876
<i>Real estate loans</i>	512	288.516	289.028
<i>Automobile loans</i>	33	4.780	4.813
<i>Consumer loans</i>	4.208	523.567	527.775
<i>Other</i>	1.005	64.255	65.260
Individual credit cards-TRY	2.931.375	1.900	2.933.275
<i>Installment</i>	1.197.690	-	1.197.690
<i>Non-installment</i>	1.733.685	1.900	1.735.585
Individual credit cards-FC	495	59.339	59.834
<i>Installment</i>	204	59.339	59.543
<i>Non-installment</i>	291	-	291
Personnel loans-TRY	11.167	179.270	190.437
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	11.167	179.270	190.437
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	23	2.287	2.310
<i>Real estate loans</i>	-	7	7
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	23	2.280	2.303
<i>Other</i>	-	-	-
Personnel loans-FC	189	18.433	18.622
<i>Real estate loans</i>	16	16.061	16.077
<i>Automobile loans</i>	-	34	34
<i>Consumer loans</i>	173	2.226	2.399
<i>Other</i>	-	112	112
Personnel credit cards-TRY	62.366	-	62.366
<i>Installment</i>	20.308	-	20.308
<i>Non-installment</i>	42.058	-	42.058
Personnel credit cards-FC	34	1.362	1.396
<i>Installment</i>	2	1.362	1.364
<i>Non-installment</i>	32	-	32
Overdraft accounts-TRY (Retail customers)	953.999	-	953.999
Overdraft accounts-FC (Retail customers)	43.183	105	43.288
Total	4.416.959	37.716.179	42.133.138

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

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

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

(5) Information on loans: (continued)

d) Information on commercial installments loans and corporate credit cards: ⁽¹⁾

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.522.352	27.954.226	29.476.578
<i>Business premises loans</i>	-	676.523	676.523
<i>Automobile loans</i>	11.254	428.696	439.950
<i>Consumer loans</i>	1.511.098	26.849.007	28.360.105
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	34.325	46.746	81.071
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	34.325	46.746	81.071
Commercial installment loans - FC	635.185	14.519.383	15.154.568
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	145.404	13.078.983	13.224.387
<i>Other</i>	489.781	1.440.400	1.930.181
Corporate credit cards-TRY	1.360.771	-	1.360.771
<i>Installment</i>	567.933	-	567.933
<i>Non-installment</i>	792.838	-	792.838
Corporate credit cards-FC	74	2.441	2.515
<i>Installment</i>	-	2.441	2.441
<i>Non-installment</i>	74	-	74
Overdraft accounts-TRY (Commercial customers)	1.544.683	-	1.544.683
Overdraft accounts-FC (Commercial customers)	13.606	-	13.606
Total	5.110.996	42.522.796	47.633.792

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

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

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

(5) Information on loans: (continued)

d) Information on commercial installments loans and corporate credit cards (continued): ⁽¹⁾

Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	835.787	26.928.317	27.764.104
<i>Business premises loans</i>	-	681.102	681.102
<i>Automobile loans</i>	8.417	393.974	402.391
<i>Consumer loans</i>	827.370	25.853.241	26.680.611
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	36.242	43.900	80.142
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	36.242	43.900	80.142
Commercial installment loans - FC	449.460	10.956.464	11.405.924
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	14.226	9.695.831	9.710.057
<i>Other</i>	435.234	1.260.633	1.695.867
Corporate credit cards-TRY	1.258.098	-	1.258.098
<i>Installment</i>	529.167	-	529.167
<i>Non-installment</i>	728.931	-	728.931
Corporate credit cards-FC	25	2.156	2.181
<i>Installment</i>	-	2.156	2.156
<i>Non-installment</i>	25	-	25
Overdraft accounts-TRY (Commercial customers)	1.239.335	-	1.239.335
Overdraft accounts-FC (Commercial customers)	10.144	-	10.144
Total	3.829.091	37.930.837	41.759.928

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

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

(5) Information on loans: (continued)

e) Domestic and foreign loans:

	Current Period
Domestic loans	213.091.604
Foreign loans	4.992.530
Total	218.084.134

	Prior Period
Domestic loans	199.539.151
Foreign loans	4.603.119
Total	204.142.270

f) Loans granted to subsidiaries and associates:

None.

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

(5) Information on loans: (continued)

g) Credit-impaired losses (Stage III):

	Current Period
Loans and receivables with limited collectability	278.136
Loans and receivables with doubtful collectability	419.422
Uncollectible loans and receivables	4.641.194
Total	5.338.752

Special provision for loans:

	Prior Period
Specific provisions	
Loans and receivables with limited collectability	356.224
Loans and receivables with doubtful collectability	483.434
Uncollectible loans and receivables	4.046.423
Total	4.886.081

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

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

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables with	receivables with	loans and
	limited	doubtful	receivables
	collectability	collectability	receivables
Current period	284.868	30.297	1.252.489
(Gross amounts before provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	284.868	30.297	1.252.489
	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables with	receivables with	loans and
	limited	doubtful	receivables
	collectability	collectability	receivables
Prior period	77.659	59.104	1.309.399
(Gross amounts before specific provisions)			
Loans and other receivables which are restructured	-	-	-
Rescheduled loans and other receivables	77.659	59.104	1.309.399

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

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

(5) Information on loans: (continued)

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

Current Period:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	679.089	768.024	5.176.799
Additions (+)	528.167	10.605	34.442
Transfers from other categories of loans under follow-up (+)	-	493.878	450.117
Transfers to other categories of loans under follow-up (-)	519.891	436.132	-
Collections (-)	85.922	71.419	230.305
Write-offs (-)	931	-	2.175
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	600.512	772.013	5.433.849
Provision (-)	278.136	419.422	4.641.194
Net balance on balance sheet	322.376	352.591	792.655

Prior Period:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	950.477	467.221	3.902.814
Additions (+)	1.544.335	34.415	127.455
Transfers from other categories of loans under follow-up (+)	-	1.601.059	1.230.296
Transfers to other categories of loans under follow-up (-)	1.627.408	1.203.947	-
Collections (-)	213.825	145.077	369.261
Write-offs (-)	-	-	2.148
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	2.148
Current period end balance	653.579	753.671	4.889.156
Specific provision (-)	356.224	483.434	4.046.423
Net balance on balance sheet	297.355	270.237	842.733

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

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	153.531	162.266	2.167.244
Specific provisions(-)	60.962	91.773	1.894.996
Net balance in the balance sheet	92.569	70.493	272.248
Prior period			
Balance at the end of the period	162.249	195.411	1.913.175
Specific provisions(-)	96.465	150.886	1.230.028
Net balance in the balance sheet	65.784	44.525	683.147

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	322.376	352.591	792.655
Loans to granted real persons and legal entities (Gross)	599.480	771.043	5.363.170
Specific provisions (-)	277.104	418.452	4.570.515
Loans to granted real persons and legal entities (Net)	322.376	352.591	792.655
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1.032	970	70.679
Specific provisions (-)	1.032	970	70.679
Other loans and receivables (Net)	-	-	-

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

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

(5) Information on loans: (continued)

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period (Net)	297.357	270.235	842.733
Loans to granted real persons and legal entities (Gross)	652.752	752.744	4.819.104
Specific provisions (-)	355.395	482.509	3.976.371
Loans to granted real persons and legal entities (Net)	297.357	270.235	842.733
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	829	925	70.052
Specific provisions (-)	829	925	70.052
Other loans and receivables (Net)	-	-	-

i) Information on the collection policy of non-performing loans and other receivables:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	22.744	4	13
Interest Accruals and Valuation			
Differences	39.961	9	19
Provision (-)	17.217	5	6

*Interest accruals balances relating to loans classified as non-performing loans on or after 1 January 2018 are accounted for under off balance sheet items, and such balances together with respective provision amounts are presented for the purpose of information.

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period (Net)	-	-	-
Interest Accruals and Valuation			
Differences	-	-	-
Provision (-)	-	-	-

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

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

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

(6) Information on financial assets measured at amortised cost:

a) Information on financial assets measured at amortised cost blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Financial assets measured at amortised cost blocked/given as collateral:

	Current Period	
	TRY	FC
Government bonds and similar securities	44.898	-
Treasury Bills	19.072.657	834.065
Total	19.117.555	834.065

Held-to-maturity blocked/given as collateral:

	Prior Period	
	TRY	FC
Government bonds and similar securities	43.395	-
Treasury Bills	19.146.025	1.333.136
Total	19.189.420	1.333.136

a.2. Financial assets measured at amortised cost subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar	15.872	1.753.250
Total	15.872	1.753.250

Held-to-maturity subject to repurchase agreements:

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar	34.794	1.169.918
Total	34.794	1.169.918

b) Information on public sector financial assets measured at amortised cost:

	Current Period
Government bonds	21.885.944
Treasury bills	155.240
Other public sector debt securities	-
Total	22.041.184

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

	Prior Period
Government bonds	21.791.279
Treasury bills	152.425
Other public sector debt securities	-
Total	21.943.704

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

(6) Information on financial assets measured at amortised cost (continued):

c) Information on financial assets measured at amortised cost:

	Current Period
Debt securities	22.086.082
<i>Quoted on a stock exchange</i>	21.930.842
<i>Not quoted</i>	155.240
Impairment provision (-)	-
Total	22.086.082

Information on held-to-maturity:

	Prior Period
Debt securities	21.987.099
<i>Quoted on a stock exchange</i>	21.834.674
<i>Not quoted</i>	152.425
Impairment provision (-)	-
Total	21.987.099

d) Movement of financial assets measured at amortised cost within the year:

	Current Period
Beginning balance	21.987.099
Foreign currency differences on monetary assets	118.459
Purchases during the year ⁽¹⁾	839.065
Disposals through sales and redemptions	(858.117)
Impairment provision (-) / provision reversal (+)	424
Balance at the end of the period	22.086.082

⁽¹⁾ Interest income accrual difference between 31 March 2018 amounting to TRY 3.146.193 and 31 December 2017 amounting to TRY 2.902.480 has been included in purchases row.

Movement of held-to-maturity within the year:

	Current Period
Beginning balance	18.344.626
Foreign currency differences on monetary assets	234.386
Purchases during the year ⁽¹⁾	5.884.168
Disposals through sales and redemptions	(2.476.081)
Impairment provision (-) / provision reversal (+)	-
Balance at the end of the period	21.987.099

⁽¹⁾ Interest income accrual difference between 31 December 2017 amounting to TRY 2.902.480 and 31 December 2016 amounting to TRY 1.952.915 has been included in purchases row.

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

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

(7) Information on associates (Net):

a) The reasons behind unconsolidated associates being out of consolidation scope:

The non-financial investments in associates are accounted for under cost method of accounting since reliable fair values cannot be determined.

b) Information on unconsolidated associates:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul	18,18	18,18
2. Bankalararası Kart Merkezi AŞ ⁽²⁾	İstanbul	18,95	18,95

Information related to the associates as sorted above:

	Total assets	Shareholders ' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1	260.628	172.471	150.117	798	-	12.685	13.907	-
2	87.701	55.184	46.007	685	-	6.090	3.416	-

⁽¹⁾ The financial data is obtained from 31 March 2018 financial statements used in consolidation.

⁽²⁾ The financial data is obtained from 31 March 2018 financial statements used in consolidation.

c) Information on consolidated associates:⁽¹⁾

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Demir-Halk Bank NV	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara	31,47	33,12
3. Türk P ve İ Sigorta AŞ	İstanbul	16,67	16,67

Information related to the associates as sorted above:

	Total assets	Shareholders ' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽²⁾
1.	8.764.967	1.193.945	17.014	72.142	2.452	22.033	17.368	335.423
2.	49.173	48.482	100	865	-	81	(149)	-
3.	36.433	7.795	515	131	-	385	672	-

⁽¹⁾ The financial data is obtained from 31 March 2018 financial statements used in consolidation.

⁽²⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 March 2018.

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

(7) Information on associates (Net) (continued)

d) Movement of associates

	Current Period
Balance at the beginning of the period	353.138
Movements during the period	27.920
<i>Purchases</i>	375
<i>Bonus shares obtained profit from current year's share</i>	-
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfers</i>	-
<i>Revaluation decrease (-) / increase</i>	27.545
<i>Impairment Provisions (-) / Reversals</i>	-
Balance at the end of the period	381.058
Capital commitments	-
Share percentage at the end of the period (%)	-

	Prior Period
Balance at the beginning of the period	292.421
Movements during the period	60.717
<i>Purchases</i>	-
<i>Bonus shares obtained profit from current year's share</i>	-
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfers</i>	-
<i>Revaluation decrease (-) / increase</i>	60.717
<i>Impairment Provisions (-) / Reversals</i>	-
Balance at the end of the period	353.138
Capital commitments	-
Share percentage at the end of the period (%)	-

e) Sectorial information and related carrying amounts of associates:

	Current Period
Banks	358.182
Insurance companies	1.299
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	15.257
Other non- financial investments	6.320

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

(7) Information on associates (Net) (continued)

e) Sectorial information and related carrying amounts of associates: (continued)

	Prior Period
Banks	330.548
Insurance companies	1.038
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	15.232
Other non- financial investments	6.320

f) Associates quoted to a stock exchange:

None.

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

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

- (8) Information on subsidiaries (Net):
a) Information on consolidated subsidiaries:⁽¹⁾

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Bank A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
CORE CAPITAL										
Paid in Capital	82.000	187.000	412.000	820.000	272.250	18.000	147.843	70.000	141.991	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-	-
Share premium	-	98	-	49.945	-	-	11.633	-	44.552	-
Reserves	12.762	20.701	63.369	65.172	9.221	1.259	194.804	4.079	128.998	-
Other Comprehensive Income according to TAS	3.642	(1.136)	(11.433)	1.491	(95)	(35)	6.526	10	10.888	-
Profit / Loss	39.663	(67.753)	318.305	48.780	83.349	12.495	42.739	29.126	7.463	30
<i>Net Profit</i>	<i>10.628</i>	<i>19.927</i>	<i>76.875</i>	<i>8.142</i>	<i>14.940</i>	<i>2.272</i>	<i>8.376</i>	<i>6.562</i>	<i>5.183</i>	<i>21</i>
<i>Prior Period Profit/Loss</i>	<i>29.035</i>	<i>(87.680)</i>	<i>241.430</i>	<i>40.638</i>	<i>68.409</i>	<i>10.223</i>	<i>34.363</i>	<i>22.564</i>	<i>2.280</i>	<i>9</i>
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	750	-	-	-	-	-	-	-	-	-
Leasehold Improvements (-)	-	-	192	-	-	-	6.630	186	3.168	-
Intangible Assets (-)	777	3.203	1.277	128	978	20	4.179	635	5.507	-
Total Core Capital	138.040	135.707	780.772	985.260	363.747	31.699	392.736	102.394	325.217	130
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	27.282	-	3.081	-
CAPITAL	138.040	135.707	780.772	985.260	363.747	31.699	420.018	102.394	328.298	130
NET AVAILABLE CAPITAL	138.040	135.707	780.772	985.260	363.747	31.699	420.018	102.394	328.298	130

⁽¹⁾ The information is presented from companies' financial statements as of 31 March 2018.

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. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

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

b) Unconsolidated subsidiaries, reasons for not consolidating if any and information on total needed shareholder's equity that is subjected to minimum capital requirements:

The accompanying consolidated financial statements are prepared in accordance with the communiqué on "Preparation of Consolidated Financial Statements of Banks" and non-financial subsidiary is not included in the consolidation.

c) Information on unconsolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)									
				Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾	
1. Bileşim Alternatif Dağ. Kan. AŞ ⁽¹⁾	Istanbul	100,00	100,00									
1.				47.632	31.627	8.242	561	454	1.051	2.727	52.178	

⁽¹⁾ The financial data is obtained from 31 March 2018 financial statements used in consolidation.

⁽²⁾ Financial information about the fair value has been obtained from valuation report as of 31 December 2017.

d) Information on consolidated subsidiaries: (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,96	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	94,34
3. Halk Hayat ve Emeklilik AŞ	İstanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	79,33	79,36
5. Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	İstanbul	75,00	99,99
7. Halk Banka AD, Skopje	Macedonia	99,03	99,03
8. Halk Faktoring AŞ	İstanbul	97,50	100,00
9. Halkbank A.D. Beograd	Serbia	99,99	99,99
10. Halk Varlık Kiralama AŞ	İstanbul	100,00	100,00

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

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

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

e) Information related to the subsidiaries as sorted above ⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value ⁽²⁾
1.	835.430	138.817	2.896	36.435	475	10.628	5.518	193.371
2.	1.842.127	138.910	4.919	42.884	6.572	19.927	23.160	426.657
3.	1.329.986	782.241	3.117	44.630	8.826	76.875	54.027	1.212.842
4.	1.499.192	962.270	603.963	2.603	-	8.142	9.927	531.166
5.	3.050.437	364.725	1.593	57.373	-	14.940	23.879	474.507
6.	33.687	31.719	304	1.106	34	2.272	1.853	39.828
7.	3.206.016	403.545	63.255	32.748	3.108	8.376	4.411	406.454
8.	1.395.500	103.215	1.195	54.814	0	6.562	7.841	123.683
9.	1.811.214	333.892	37.962	17.101	2.077	5.183	3.129	269.648
10.	126.180	130	-	-	-	21	-	100

⁽¹⁾ The financial data is obtained from 31 March 2018 financial statements used in consolidation.

⁽²⁾ Halk Gayrimenkul Yatırım Ortaklığı A.Ş is valued at stock price.

⁽³⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul AŞ.

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

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

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

f) Movement of the subsidiaries:

	Current Period
Balance at the beginning of the period(before elimination)	3.626.708
Movements during the period	103.726
<i>Purchases⁽¹⁾</i>	88.413
<i>Bonus shares obtained profit from current year's share</i>	-
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfer</i>	-
<i>Revaluation increase</i>	-
<i>Reversals / Provisions(-) for impairment</i>	(35.405)
<i>Currency Differences on Valuation of Foreign Subsidiaries</i>	50.718
Share capital elimination of subsidiaries	(3.678.256)
Balance at the end of the period	52.178
Capital commitments	-
Share percentage at the end of the period (%)	-

⁽¹⁾ Between 1 January - 31 March 2018, The Parent Bank paid TRY 88.413 for 0,10% shares of Halkbank A.D. Beograd, and increased its shares to 99,99%.

	Prior Period
Balance at the beginning of the period(before elimination)	2.877.824
Movements during the period	748.884
<i>Purchases⁽¹⁾</i>	14.994
<i>Bonus shares obtained profit from current year's share</i>	230.201
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfer</i>	-
<i>Revaluation increase</i>	317.235
<i>Reversals / Provisions(-) for impairment</i>	27.562
<i>Currency Differences on Valuation of Foreign Subsidiaries</i>	158.892
Share capital elimination of subsidiaries	(3.574.530)
Balance at the end of the period	52.178
Capital commitments	-
Share percentage at the end of the period (%)	-

⁽¹⁾ As of 31 December 2017, The Parent Bank paid TRY 14.894 for 17,42% shares of Halkbank A.D. Beograd, which is located in Serbia, and increased its shares to 99,89%.

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

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

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

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

	Current Period
Banks	676.102
Insurance companies	1.639.499
Factoring companies	123.683
Leasing companies	474.507
Financing companies	-
Other financial subsidiaries	764.465
Other non-financial subsidiaries	52.178

	Prior Period
Banks	536.971
Insurance companies	1.639.499
Factoring companies	123.683
Leasing companies	474.507
Financing companies	-
Other financial subsidiaries	799.870
Other non-financial subsidiaries	52.178

h) Subsidiaries quoted in the stock exchange:

	Current Period
Quoted to domestic stock ^{(1), (2)}	957.823
Quoted foreign stock exchange	-

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company since Halk Sigorta AŞ does not have transaction depth on the Borsa İstanbul AŞ.

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

	Prior Period
Quoted to domestic stock ^{(1), (2)}	993.228
Quoted foreign stock exchange	-

⁽¹⁾In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa İstanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company since Halk Sigorta AŞ does not have transaction depth on the Borsa İstanbul AŞ.

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

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

None.

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

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

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

a) Maturity structure of investments on financial lease:

	Current Period	
	Gross	Net
Less than 1 year	1.049.383	875.484
Between 1-4 years	1.609.919	1.324.741
More than 4 years	493.634	441.957
Total	3.152.936	2.642.182
	Prior Period	
	Gross	Net
Less than 1 year	958.715	798.268
Between 1-4 years	1.756.371	1.446.211
More than 4 years	452.146	426.774
Total	3.167.232	2.671.253

b) Information on gross investments of financial lease:

	Current Period
Gross financial lease investment	3.152.936
Unearned revenues from financial lease	(510.754)
Total	2.642.182
	Prior Period
Gross financial lease investment	3.167.232
Unearned revenues from financial lease	(495.979)
Total	2.671.253

c) Information on receivables from non- performing loans of financial lease:

	Current Period
Financial lease receivables with limited collectability	22.827
Financial lease receivables with doubtful collectability	10.952
Uncollectible financial lease receivables	290.952
Provisions	(227.913)
Total	96.818
	Prior Period
Financial lease receivables with limited collectability	6.158
Financial lease receivables with doubtful collectability	14.353
Uncollectible financial lease receivables	282.817
Specific provisions	(226.693)
Total	76.635

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

None.

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

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

(12) Information on investment property:

	Current Period
Cost:	
Opening Balance	988.280
Acquisitions	33.966
Transfer	-
Disposals (-)	-
Impairment Charge	-
Ending Balance	1.022.246
Accumulated Depreciation	
Opening Balance	
Amortization Charge (-)	77.902
Acquisitions	1.438
Disposals (-)	-
Impairment Provisions	-
Transfer	-
Ending Balance	79.340
Net Book Value	942.906
	Prior Period
Cost:	
Opening Balance	934.058
Acquisitions	55.273
Transfer	(407)
Disposals (-)	644
Impairment Charge	-
Ending Balance	988.280
Accumulated Depreciation	
Opening Balance	
Amortization Charge (-)	69.942
Acquisitions	8.392
Disposals (-)	25
Impairment Provisions	-
Transfer	(407)
Ending Balance	77.902
Net Book Value	910.378

(13) Information on tax assets

a) Current tax assets:

As of 31 March 2018, the Group has TRY 1.963 current tax asset. (31 December 2017: TRY 6.862)

b) Deferred Tax Asset

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

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

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

(14) Information on assets held for sale and held from discontinued operations:

	Current Period
Cost	721
Accumulated Depreciation (-) ⁽¹⁾	-
Net Book Value	721
Opening Balance	790
Acquisitions (Transfers) (Net)	-
Disposals (-) (Net)	69
Revaluation Increase	-
Impairment Charge / Cancellation(-)	-
Amortization Charge (-)	-
Net Book Value	721

⁽¹⁾ Accumulated depreciation is attributable to the recoverable amounts which are classified as held for sale in the current period.

	Prior Period
Cost	790
Accumulated Depreciation (-) ⁽¹⁾	-
Net Book Value	790
Opening Balance	1.537
Acquisitions (Transfers) (Net)	-
Disposals (-) (Net)	747
Revaluation Increase	-
Impairment Charge / Cancellation(-)	-
Amortization Charge (-)	-
Net Book Value	790

⁽¹⁾ Accumulated depreciation is attributable to the recoverable amounts which are classified as held for sale in the current period.

(15) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 3.571.438 and does not exceed 10% of the balance sheet total (31 December 2017: TRY 3.026.257).

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

II. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED LIABILITIES

(1) Information on maturity structure of deposits / funds collected:

a) For deposit / funds collected banks:

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	7.164.178	-	704.590	41.879.942	1.548.258	433.420	483.898	111.232	52.325.518
Foreign currency deposits	9.253.381	-	3.202.729	41.024.226	3.543.163	4.342.426	5.209.046	10.985	66.585.956
<i>Residents in Turkey</i>	6.934.778	-	2.525.531	37.980.210	3.156.151	3.409.028	2.716.995	10.608	56.733.301
<i>Residents abroad</i>	2.318.603	-	677.198	3.044.016	387.012	933.398	2.492.051	377	9.852.655
Public sector deposits	2.517.853	-	1.907.594	5.552.783	857.357	4.753.970	54.750	-	15.644.307
Commercial inst. deposits	5.517.530	-	5.266.591	19.264.219	2.143.080	1.206.999	237.515	-	33.635.934
Other inst. deposits	582.344	-	1.151.609	7.077.782	1.208.104	693.726	20.669	-	10.734.234
Precious metals	1.875.097	-	2.254	117.864	5.605	8.420	14.221	-	2.023.461
Interbank deposits	5.073.198	-	4.272.073	8.947.095	874.435	16.046	317.940	-	19.500.787
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	38.711	-	2.446.887	5.294.947	26.700	-	-	-	7.807.245
<i>Foreign banks</i>	5.019.056	-	1.364.319	3.295.248	847.735	16.046	237.163	-	10.779.567
<i>Participation banks</i>	15.431	-	460.867	356.900	-	-	80.777	-	913.975
Total	31.983.581	-	16.507.440	123.863.911	10.180.002	11.455.007	6.338.039	122.217	200.450.197

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	6.767.610	-	758.785	39.992.067	1.734.753	459.667	537.645	104.662	50.355.189
Foreign currency deposits	9.021.857	-	3.937.904	37.510.134	3.612.492	3.755.042	4.983.103	10.866	62.831.398
<i>Residents in Turkey</i>	6.816.699	-	3.464.401	34.802.545	3.232.691	2.913.211	2.590.680	10.511	53.830.738
<i>Residents abroad</i>	2.205.158	-	473.503	2.707.589	379.801	841.831	2.392.423	355	9.000.660
Public sector deposits	2.100.039	-	2.541.047	4.614.515	426.883	4.138.990	53.204	-	13.874.678
Commercial inst. deposits	5.235.492	-	5.853.719	19.976.270	1.714.801	2.288.182	267.237	-	35.335.701
Other inst. deposits	571.038	-	1.134.603	6.514.654	675.153	820.826	20.045	-	9.736.319
Precious metals	1.821.711	-	246	82.140	4.392	4.069	10.080	-	1.922.638
Interbank deposits	3.813.689	-	3.863.659	11.192.988	74.936	24.560	244.866	-	19.214.698
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	41.021	-	1.531.378	6.900.085	6.559	9.579	-	-	8.488.622
<i>Foreign banks</i>	3.763.920	-	1.974.804	3.930.882	68.377	14.981	167.973	-	9.920.937
<i>Participation banks</i>	8.748	-	357.477	362.021	-	-	76.893	-	805.139
Total	29.331.436	-	18.089.963	119.882.768	8.243.410	11.491.336	6.116.180	115.528	193.270.621

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

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

(1) Information on maturity structure of deposits / funds collected (continued):

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee	Exceeding the insurance limit
	insurance	
	Current Period	Current Period
Saving deposits	26.665.242	25.487.262
Foreign currency saving deposits	9.279.557	21.081.032
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	237.329	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

Saving deposits	Under the guarantee	Exceeding the insurance limit
	insurance	
	Prior Period	Prior Period
Saving deposits	25.612.387	24.595.796
Foreign currency saving deposits	9.203.420	19.607.544
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	211.478	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current Period
Foreign branches' saving deposits and other accounts	181.713
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	6.657
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: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(1) Information on maturity structure of deposits / funds collected (continued):

c) Saving deposits which are not under the guarantee of deposit insurance fund (continued)

	Prior Period
Foreign branches' saving deposits and other accounts	143.237
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	4.045
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-

(2) Information on derivative financial liabilities held for trading:

Negative differences table related to the derivative financial liabilities held-for-trading:

	Current Period	
	TRY	FC
Forward transactions	-	37.806
Swap transactions	-	81.535
Future transactions	-	-
Options	139	1.212
Other	-	-
Total	139	120.553

	Prior Period	
	TRY	FC
Forward transactions	-	88.977
Swap transactions	-	61.405
Future transactions	-	-
Options	146	145
Other	-	-
Total	146	150.527

(3) a) Information on funds borrowed:

	Current Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	1.205.896	2.111.370
Foreign banks, institutions and funds	309.448	15.016.014
Total	1.515.344	17.127.384

	Prior Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	1.008.709	2.680.627
Foreign banks, institutions and funds	428.152	15.940.996
Total	1.436.861	18.621.623

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

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

(3) Information on funds borrowed:

b) Maturity structure of funds borrowed:

	Current Period	
	TRY	FC
Short-term	1.335.977	4.562.022
Medium and long-term	179.367	12.565.362
Total	1.515.344	17.127.384

	Prior Period	
	TRY	FC
Short-term	1.261.518	5.789.308
Medium and long-term	175.343	12.832.315
Total	1.436.861	18.621.623

c) Additional disclosures related to the concentrations of the Group's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Group is deposits, which is composed of 26,10% of saving deposits and 33,22% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Group can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 61,72% of bank deposits and 37,92% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

	Current period	
	TRY	FC
Treasury Bills	3.746.247	-
Asset Back Securities	125.624	-
Bonds	-	8.942.564
Total	3.871.871	8.942.564

	Prior period	
	TRY	FC
Treasury Bills	3.280.789	-
Asset Back Securities	100.436	-
Bonds	-	8.640.905
Total	3.381.225	8.640.905

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

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

(5) Explanations to the funds:

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

a) Maturity structure of funds:

Current Period	
Short Term	Long Term
1.031	2.671.988

Prior Period	
Short Term	Long Term
1.213	2.723.421

(6) Information on other liabilities:

Other liabilities balance does not exceed 10% of the balance sheet total.

(31 December 2017: Other liabilities balance does not exceed 10% of the balance sheet total).

(7) Information on finance lease payables (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the TAS.

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

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

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

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

(8) Information on derivative financial liabilities for hedging purposes:

None.

(9) Explanations on provisions:

a) Information on general provisions:

As of the current period, provisions for expected losses for first and second stage loans related with TFRS 9 are explained in Section 5, explanations related to the assets footnote (5-b).

	Prior Period
General provision	2.317.157
Provisions for first group loans and receivables	2.080.595
Provisions for second group loans and receivables	105.114
Provisions for non-cash loans	131.448
Other	-

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

As of 31 March 2018 the Parent Bank's the amount of the currency differences on foreign currency indexed loans and finance lease receivables is TRY 29 (31 December 2017: TRY 1.923).

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

As of 31 March 2018, the Group's specific provision for unindemnified non-cash loans balance is TRY 133.176 (31 December 2017: TRY 123.060).

d) Information on other provisions:

Total other provision balance amounting to TRY 577.497 (31 December 2017: TRY 351.688) consists of TRY 133.176 (31 December 2017: TRY 123.060) for specific provisions for unindemnified non cash loans, TRY 188.087 for expected loss amount for non cash loans, TRY 99.425 (31 December 2017: TRY 110.968) for legal cases filed against the Group , TRY 87.000 (31 December 2017: None) general provision for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions and TRY 69.809 (31 December 2017: TRY 117.660) of other provisions.

e) Liabilities for employee benefits:

As of 31 March 2018, unused vacation accruals are TRY 107.869, personnel dividend provision is TRY 264.523, severance indemnity provision for Group personnel is TRY 498.217 and severance indemnity provision for outsourcing firms is TRY 18.807 (31 December 2017: TRY 161.876 for unused vacation accruals; TRY 471.506 for severance indemnity provision for Group personnel; TRY 17.553 for severance indemnity provision for outsources; TRY 209.505 for personnel dividend provision).

The Bank accounts for actuarial gains / losses under equity commencing from 1 January 2013.

f) Liabilities arising from retirement benefits:

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

None.

2. Liabilities resulting from all kinds of pension funds, foundations etc. which provide post-retirement benefits for the employees:

Based on the results of the actuarial reports prepared as of 31 December 2017, it was determined that there is no technical deficit for Türkiye Halk Bankası AŞ Emekli Sandığı and T.C. Ziraat Bankası ve Türkiye Halk Bankası Çalışanları Emekli Sandığı Vakfı.

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

(10) Explanations related to tax liabilities (continued)

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 Mart 2018, the Group's corporate tax payable is amounting to TRY 95.055 and accounted for under corporate tax provision at the related date.

a.2. Information on taxes payable:

	Current Period
Corporate tax payable	95.055
Income on securities tax	504.665
Property income tax	1.675
Banking and insurance transactions tax (BITT)	94.325
Foreign exchange transactions tax	21
Value added tax payable	4.944
Other	36.137
Total	736.822

	Prior Period
Corporate tax payable	175.402
Income on securities tax	328.175
Property income tax	1.570
Banking and insurance transactions tax (BITT)	108.669
Foreign exchange transactions tax	21
Value added tax payable	4.727
Other	31.718
Total	650.282

a.3. Information on premiums:

	Current Period
Social insurance premiums-employee	1.033
Social insurance premiums-employer	2.196
Bank social aid pension fund premium-employee	15.016
Bank social aid pension fund premium-employer	20.871
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	76
Unemployment insurance-employer	212
Other	3.924
Total	43.328

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

(10) Explanations related to tax liabilities (continued):

a.3. Information on premiums (continued):

	Prior Period
Social insurance premiums-employee	857
Social insurance premiums-employer	1.785
Bank social aid pension fund premium-employee	9.221
Bank social aid pension fund premium-employer	12.800
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	60
Unemployment insurance-employer	174
Other	2.344
Total	27.241

b) Deferred tax liability:

	Current Period
Deferred Tax (Asset) /Liability	
Provisions ⁽¹⁾	752.346
Revaluation of Financial Assets	(730.222)
Other	(187.521)
Deferred Tax (Asset) /Liability⁽²⁾:	(165.397)
Deferred tax accounted in shareholders' equity	16.706
Fair value differences for financial assets at through other comprehensive income	155.055
Actuarial gains and losses	2.633
Property Revaluation	(140.982)

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

(2) As of 31 March 2018, net deferred tax liability represents TRY 165.397 deferred tax liability consists of deferred tax assets which amounting to TRY 104.643 and deferred tax liabilities amounting to TRY 270.040.

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

(10) Explanations related to tax liabilities (continued):

b) Deferred tax liability (continued)

	Prior Period
Deferred Tax (Asset) /Liability	
Provisions ⁽¹⁾	301.129
Revaluation of Financial Assets	(600.353)
Other	(187.765)
Deferred Tax (Asset) /Liability⁽²⁾:	(486.989)
Deferred tax accounted in shareholders' equity	48.674
Fair value differences for available for sale financial assets	187.521
Actuarial gains and losses	2.633
Subsidiaries Valuation	-
Property Revaluation	(141.480)

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

(2) As of 31 December 2017, net deferred tax liability represents TRY 486.986 deferred tax liability consists of deferred tax assets which amounting to TRY 87.181 and deferred tax liabilities amounting to TRY 574.170.

(11) Information on liabilities regarding assets held for sale and discontinued operations:

None.

(12) Explanations on the number of subordinated loans the Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any:

	Current Period	
	TRY	FC
Information on Subordinated Loans		
To be included in the calculation of additional capital borrowings instruments	-	-
Subordinated loans	-	-
Subordinated debt instruments	-	-
Debt instruments to be included in contribution capital calculation	1.002.593	-
Subordinated loans	-	-
Subordinated debt instruments	1.002.593	-
Total	1.002.593	-

	Prior Period	
	TP	YP
Subordinated debts		
Domestic Banks	-	-
Domestic Other Institutions	1.004.385	-
Foreign Banks	-	-
Foreign Other Institutions	-	-
Total	1.004.385	-

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

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

(13) Information on shareholders' equity

a) Presentation of paid-in capital:

	Current Period
Common stock	1.250.000
Preferred stock	-
	Prior Period
Common stock	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 Group's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Group's equity due to the uncertainty of these indicators:

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

g) Information on preferred shares:

None.

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

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

(13) Information on shareholders' equity (continued)

h) Information on marketable securities revaluation fund:

	Current Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	19.303	4.562
Valuation differences	19.303	4.562
Exchange rate difference	-	-
Financial assets at fair value through other comprehensive income	(501.452)	(469.650)
Valuation differences	(501.452)	(469.650)
Exchange rate difference	-	-
Total	(482.149)	(465.088)

	Prior Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	19.303	5.385
Valuation differences	19.303	5.385
Exchange rate difference	-	-
Financial assets available for sale	(386.103)	(246.346)
Valuation differences	(386.103)	(246.346)
Exchange rate difference	-	-
Total	(366.800)	(240.961)

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period
Commitments for credit card expenditure limits	12.036.637
Payment commitments for cheques	3.606.269
Loan granting commitments	4.782.311
Two days forward foreign exchange buy/sell transactions	176.759
Commitments for credit cards and banking services promotions	34.074
Tax and fund liabilities from export commitments	38.679
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.740.523
Total	24.415.252

Types of irrevocable commitments	Prior Period
Commitments for credit card expenditure limits	11.599.896
Payment commitments for cheques	3.269.281
Loan granting commitments	4.685.365
Two days forward foreign exchange buy/sell transactions	910.451
Commitments for credit cards and banking services promotions	32.736
Tax and fund liabilities from export commitments	38.072
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.653.304
Total	24.189.105

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

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

	Current Period
Letters of credit	4.250.928
Bank acceptances	4.237.010
Other guarantees	1.423.434
Total	9.911.372

	Prior Period
Letters of credit	4.148.121
Bank acceptances	3.693.507
Other guarantees	1.285.922
Total	9.127.550

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

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

(1) Information on off-balance sheet liabilities (continued)

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

	Current Period
Letters of certain guarantees	15.556.041
Letters of advance guarantees	5.367.434
Letters of tentative guarantees	904.488
Letters of guarantee given to customs offices	1.483.736
Other letters of guarantee	31.456.420
Total	54.768.119

	Prior Period
Letters of certain guarantees	14.683.821
Letters of advance guarantees	4.296.948
Letters of tentative guarantees	744.300
Letters of guarantee given to customs offices	1.327.615
Other letters of guarantee	28.607.424
Total	49.660.108

c) Total non-cash loans:

	Current Period
Non-cash loans for providing cash loans	3.881.444
<i>Within one year or less original maturity</i>	976.480
<i>Within more than one year maturity</i>	2.904.964
Other non-cash loans	60.798.047
Total	64.679.491

	Prior Period
Non-cash loans for providing cash loans	3.315.807
<i>Within one year or less original maturity</i>	824.244
<i>Within more than one year maturity</i>	2.491.563
Other non-cash loans	55.471.851
Total	58.787.658

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

IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	1.430.859	59.965
Medium and long term loans	3.285.404	899.443
Interest on non-performing loans	88.142	679
Premiums from resource utilization support fund	-	-
Total	4.804.405	960.087

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

	Prior Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	993.854	55.099
Medium and long term loans	2.261.054	765.514
Interest on non-performing loans	14.559	751
Premiums from resource utilization support fund	-	-
Total	3.269.467	821.364

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

b) Interest received from banks:

	Current Period	
	TRY	FC
CBRT	51.016	15.657
Domestic banks	25.040	5.907
Overseas banks	1.361	1.226
Head office and branches	-	-
Total	77.417	22.790

	Prior Period	
	TRY	FC
CBRT	17.419	13.751
Domestic banks	8.209	343
Overseas banks	2.961	3.542
Head office and branches	-	-
Total	28.589	17.636

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

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

(1) Information on interest income (continued)

c) Interest income on marketable securities:

	Current Period	
	TRY	FC
Financial assets at fair value through profit or loss	2.623	-
Financial assets at fair value through other comprehensive income	349.525	85.267
Financial assets measured at amortised cost	601.800	35.931
Total	953.948	121.198

	Prior Period	
	TRY	FC
Financial assets held for trading	481	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	343.486	70.283
Held-to-maturity investments	589.882	36.585
Total	933.849	106.868

d) Interest income from subsidiaries and associates:

None.

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

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period	
	TRY	FC
Banks	53.083	103.868
<i>CBRT</i>	-	-
<i>Domestic banks</i>	43.416	10.962
<i>Overseas banks</i>	9.667	92.906
<i>Overseas head office and branches</i>	-	-
Other institutions	3	4.151
Total	53.086	108.019

	Prior Period	
	TRY	FC
Banks	31.088	104.011
<i>CBRT</i>	-	-
<i>Domestic banks</i>	23.931	12.116
<i>Overseas banks</i>	7.157	91.895
<i>Overseas head office and branches</i>	-	-
Other institutions	3	3.562
Total	31.091	107.573

b) Interest expenses to subsidiaries and associates:

	Current period
Interest expenses to subsidiaries and associates	2.908
	Prior period
Interest expenses to subsidiaries and associates	812

c) Information on interest expenses to marketable securities issued:

	Current period	
	TRY	FC
Interest on securities issued	149.352	101.265
Total	149.352	101.265
	Prior period	
	TRY	FC
Interest on securities issued	54.939	141.223
Total	54.939	141.223

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

(2) Information on interest expenses (continued)

d) Maturity structure of interest expenses on deposits:

Current Period	Time deposits							Cumulative deposit	Total
	Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY									
Bank deposits	125	78.839	79.215	1.792	-	-	-	159.971	
Saving deposits	1	20.355	1.319.923	51.252	11.887	11.478	2.506	1.417.402	
Public deposits	48	50.527	125.005	18.154	131.326	1.400	-	326.460	
Commercial deposits	4	167.094	677.096	64.493	67.942	7.309	-	983.938	
Other deposits	-	20.383	255.461	39.052	24.958	639	-	340.493	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	178	337.198	2.456.700	174.743	236.113	20.826	2.506	3.228.264	
Foreign currency									
Deposits	96	21.805	310.156	21.319	23.005	25.399	82	401.862	
Bank deposits	3	73.251	116	3	14	115	35	73.537	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	9	320	20	28	83	-	460	
Total	99	95.065	310.592	21.342	23.047	25.597	117	475.859	
Grand total	277	432.263	2.767.292	196.085	259.160	46.423	2.623	3.704.123	

Prior Period	Time deposits							Cumulative deposit	Total
	Account name	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year		
TRY									
Bank deposits	117	154.798	60.812	655	215	-	-	216.597	
Saving deposits	2	14.723	785.317	25.326	8.045	10.748	2.362	846.523	
Public deposits	34	49.320	45.291	10.295	3.402	277	-	108.619	
Commercial deposits	17	90.091	266.802	45.236	17.706	1.798	-	421.650	
Other deposits	-	10.641	32.076	2.738	79.511	2.090	-	127.056	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	170	319.573	1.190.298	84.250	108.879	14.913	2.362	1.720.445	
Foreign currency									
Deposits	169	14.492	245.493	49.166	7.727	18.521	81	335.649	
Bank deposits	1	40.777	58	56	-	37	-	40.929	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
Total	170	55.269	245.551	49.222	7.727	18.558	81	376.578	
Grand total	340	374.842	1.435.849	133.472	116.606	33.471	2.443	2.097.023	

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

(3) Explanations on trading profit / loss (net):

	Current Period
Profit	5.675.820
Profit from the capital market operations	17.232
Profit on derivative financial instruments	441.752
Foreign exchange gains	5.216.836
Loss (-)	5.638.759
Loss from the capital market operations	6.207
Loss on derivative financial instruments	380.600
Foreign exchange losses	5.251.952
	Prior Period
Profit	7.882.492
Profit from the capital market operations	9.397
Profit on derivative financial instruments	362.323
Foreign exchange gains	7.510.772
Loss (-)	7.807.069
Loss from the capital market operations	149
Loss on derivative financial instruments	505.874
Foreign exchange losses	7.301.046

(4) Information on other operating income:

	Current period
Adjustments for prior period expenses	211.730
Insurance technical income	319.017
Income from the asset sale on credit terms	22.744
Rent income	14.262
Other income	15.531
Total	583.284
	Prior Period
Adjustments for prior period expenses	118.663
Insurance technical income	296.411
Income from the asset sale on credit terms	25.629
Rent income	12.500
Other income	22.328
Total	475.531

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

(5) Impairment losses on loans and other receivables:

	Current Period
Expected Credit Loss	401.172
<i>12 Month Expected Credit Loss (Stage 1)</i>	100.319
<i>Significant Increase in Credit Risk (Stage 2)</i>	19.004
<i>Non – Performing Loans (Stage 3)</i>	281.849
Marketable Securities Impairment Expense	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-
<i>Financial Assets at Fair Value through Other Comprehensive Income</i>	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
Other	72.596
Total	473.768

	Prior Period
Specific provisions on loans and receivables	376.952
<i>Group - III loans and receivables</i>	346.268
<i>Group - IV loans and receivables</i>	10.199
<i>Group - V loans and receivables</i>	20.485
General loan provision expenses	88.119
Provision expenses for possible losses	-
Marketable securities impairment losses	-
<i>Financial assets at fair value through profit and loss</i>	-
<i>Financial assets available for sale</i>	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Jointly controlled entities (joint ventures)</i>	-
<i>Investments held-to-maturity</i>	-
Other	14.058
Total	479.129

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

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

(6) Information on other operating expenses:

	Current Period
Personnel expenses	599.376
Reserve for employee termination benefits	34.658
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	-
Depreciation expenses of fixed assets	31.879
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	14.587
Impairment expense for equity shares subject to the equity method accounting	-
Impairment expense of assets that will be disposed of	-
Amortization expenses of assets that will be disposed of	3.659
Impairment expense for property and equipment held for sale	-
Other operating expenses	507.555
<i>Operational leasing expenses</i>	54.115
<i>Maintenance expenses</i>	9.574
<i>Advertisement expenses</i>	28.620
<i>Other expenses</i>	415.246
Loss on sales of assets	164
Other	322.993
Total	1.514.871

	Prior Period
Personnel expenses	512.180
Reserve for employee termination benefits	30.205
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	-
Depreciation expenses of fixed assets	27.085
Intangible assets impairment expense	-
<i>Goodwill impairment expense</i>	-
Amortization expenses of intangible assets	11.022
Impairment expense for equity shares subject to the equity method accounting	-
Impairment expense of assets that will be disposed of	353
Amortization expenses of assets that will be disposed of	3.536
Impairment expense for property and equipment held for sale	-
Other operating expenses	348.498
<i>Operational leasing expenses</i>	58.114
<i>Maintenance expenses</i>	13.958
<i>Advertisement expenses</i>	22.917
<i>Other expenses</i>	253.509
Loss on sales of assets	73
Other	337.587
Total	1.270.539

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

The Group's income before tax is due from continuing activities. The amount of profit before tax consists TRY 2.144.129 of net interest income and TRY 395.941 of net fees and commissions. The profit from continuing operations before tax of the Group is amounting to TRY 1.178.383.

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

For the period ended 31 March 2018, the Group's tax provision amounting to TRY 233.586 consists of TRY 101.988 of current tax charge and TRY 198.177 of deferred tax charge and TRY 66.579 of deferred tax benefit.

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

As of 31 March 2018, the Group's net operating income after tax is amounting to TRY 944.797.

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

a) Income and expenses from ordinary banking operations:

None.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss:

There is no issue to be disclosed.

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

V. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

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

a) **Current period:**

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

Prior period:

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

- b) Deposits held by the Parent 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		Current Period		Current Period	
Deposits						
Beginning balance	21.542		-		-	
Closing Balance	24.207		-		-	
Interest expense on deposits	812		-		-	

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	
	Prior Period		Prior Period		Prior Period	
Deposits						
Beginning balance	8.771		-		-	
Closing Balance	21.542		-		-	
Interest expense on deposits	207		-		-	

- c) Forward and option contracts and similar transactions with the Parent Bank's risk group:
None.

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

V. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK (CONTINUED)

(2) Disclosures for risk group:

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

In the normal course of its banking activities, the Parent Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates. In addition, the Parent Bank is an intermediary for brokerage services of Halk Yatırım Menkul Değerler A.Ş. within scope of “Brokerage Order Contract”. Additionally, Halk Portföy Yönetimi AŞ is engaging in fund management of Parent Bank’s funds.

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

	Amount	% compared to the amounts in the financial statements
Cash loans	-	-
Non-cash loans	-	-
Deposits	24.207	0,01%
Forward and option contracts	-	-
Banks and other financial institutions	-	-

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

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

Explained in b).

d) Transactions accounted under the equity method:

Demir-Halk Bank N.V., operating in Netherlands, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Türk P ve I Sigorta AŞ qualified as investments in associates of the Parent Bank, are accounted for in the accompanying consolidated financial statements by the equity method of accounting.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 6.602 as of 31 March 2018 (31 March 2017: TRY 5.475).

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

VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

VII. OTHER EXPLANATIONS

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

The Parent Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Parent Bank.

The Parent Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the Parent Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and Money transfers are open and transparent, and easily be monitored by authorities. The Parent Bank will continue to continue to adopt the same policies of transparency and compliance with international regulations.

The Parent Bank placed a high importance on this matter and established a separate "Compliance Department". The Parent Bank is receiving advisory services from an international expert firm in forming effectiveness of this department's policies and control procedures and processes.

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SECTION VI: LIMITED REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

The Parent Bank's publicly available consolidated interim financial statements and footnotes have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated 10 May 2018 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

TÜRKİYE HALK BANKASI AŞ
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SECTION VII: INTERIM ACTIVITY REPORT

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

Assessment of Chairman of the Board of Directors

Esteemed Stakeholders,

In the first quarter of the year, the agenda of the global economy was set by the subject of the previous year. The changing political and economic sense of the administration of the United States, one of the leading actors of the world economy, brought about a change in the international strategies of the countries. All of the emerging market economies have experienced a vulnerability in this period dominated by additional taxes applied to import, fluctuations in energy prices, and anti-expansion tendencies in monetary policy.

Particularly the contraction in export markets has led to a decline in global trade volume. In this period of increasing financial vulnerability, countries endeavor to use their financial resources as efficiently as possible. There are positive developments in the economies of European Union countries, where our foreign trade relations are most concentrated. The purchasing power in the country has increased, thanks to decline in unemployment in Germany to the same level of the early 1990s, and to a decrease in consumer inflation.

With the impact of the relative slowdown in the Purchasing Managers' Index (PMI) across Europe, the European Central Bank may move slowly in the monetary normalization process. This may also lead to prolongation of the asset purchase program and a stall in the Union's monetary policy change for a while.

In this period, the Organization of Petroleum Exporting Countries (OPEC) has experienced striking developments in their economies. The oil production has hit the bottom in this period, which may lead to a drop in global demand, together with a rise in oil prices. The oil prices, which will be determined by the US shale oil production rates, will be directly influenced by possible economic sanctions imposed by the US in the Middle East.

Our growth figures for 2017 lifted our spirits within this intense agenda of the global economy. Our economy has blazed yet another trail with the real GDP growth on an annual basis of 7.4 percent. The increase in machinery and equipment investments were one of the most striking aspects of this growth performance. This situation, formed by the support provided by the banking sector to the investors in the financing, contributed greatly to the sustainability of economic growth.

At this point, we also a need to draw attention to the strong performance of the banking sector. According to the BRSA data, as of the end of March, the banking sector's total loan volume increased to 2 trillion 237 billion Turkish lira. The total loans were mostly shaped by the commercial loans and the support provided by the banking sector in the real economy, constituted a significant mobility in the business' balance sheets.

In addition to these, another major development was the adoption of a comprehensive law covering the new labor market incentives and the VAT exemption for the machinery and equipment industries. This law, which aims to increase the firms' R&D activities, will contribute to the international competitiveness of our firms. Focusing on innovation and design, our firms have steered to high added value products, adding value to the economy to meet the foreign trade deficit.

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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)

At Halkbank, we will maintain our innovative projects in line with our mission in the field of Tradesmen and SME Banking in this period, led by financial discipline and industry oriented growth. We will continue our activities focused on efficiency in the use of commercial loans and maintain our retail banking activities for revitalizing domestic demand.

This year, celebrating the 80th anniversary of our bank, we strive to be worthy of the trust of all our stakeholders, especially our shareholders. We aspire to take innovative steps to become a strong brand with Halkbank's growing experience in international banking.

Sincerely,

R. Süleyman Özdil
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 ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)

Assessment of General Manager ⁽¹⁾

Dear Stakeholders,

Turkey's economy achieved a great result with a growth rate of 7.4 percent, but the growth figures remained at 2.3 percent in Europe and the US. The US protectionist trends in the foreign trade have had a shrinking effect on the global economy, but Turkey managed to minimize the effects of the movements in the financial markets.

On the other hand, we are aware that additional customs tariffs imposed in the US will affect all developing countries through the global supply chain, and those countries specifically targeted, such as China, to reduce market activity. Halkbank is the biggest supporter of the reforms in this period, where new trends have entered the picture in global competition.

The banking sector closed the last year with a major responsibility in financing the real economy. We played a crucial role in economic growth, using our resources to support the real sector in the most effective way, taking into account our balance sheet quality. At this point, we are delighted to have sustained our superior performance in 2017 to the first quarter of 2018. We maintained our activities with the real economy in coordination and believe that we will further enhance our economy.

This year, we expect that the share of commercial loans within total lending in the banking sector will increase. In line with our understanding of efficiency, we attach great importance to the financing of Tradesmen and SMEs in this period. We continue to produce innovative solutions tailored to the financing needs of businesses for SME Banking, that we lead with a market share of 15.5 percent.

Bursa and Samsun were the first stops of the "Productive Turkey" meetings aimed to support SMEs. The SMEs showed great interest in Halkbank in these cities, where we explained the role of our bank in the real economy's financing and innovative products tailored for them. In these meetings with tradesmen and SMEs, we listen directly to the demands and expectations of our customers. We'll continue to be on the field for the rest of the year organizing the "Productive Turkey" meetings where we meet the Tradesmen and SMEs.

This year has another special meaning for us at Halkbank. We celebrate the 80th anniversary of our Bank, which began operations in 1938 founded under the Halkbank and Public Funds Act No. 2284, enacted in 1933. Halkbank's long-established history of 80 years symbolizes the history of our country's development. Halkbank is a strong brand of Productive Turkey not only in the banking sector, but also in culture and sports. Halkbank, the bank of Productive Turkey, is a vital solution partner to its customers with nearly 1,000 branches in 81 provinces across Turkey. As a school of banking, we have further strengthened our experienced and qualified staff with the participation of 1,215 new friends this year. We will further develop our customer-focused banking understanding with our investments in technological infrastructure and the power we get from our 19,000 employees.

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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 (continued)

Esteemed Stakeholders,

We had a thriving financial performance again in the first quarter of the year with the trust of our people, whose very name we carry in the title of our bank, and the strength we get from our banking culture. Our total loans, including our cash and non-cash loans, increased by 7.5 percent, to reach 280.2 billion Turkish lira compared to 2017 year-end. The volume of commercial loans, which include our bank's SME loans, also increased by 8.1 percent to 174 billion Turkish lira in this period. Loans to tradesmen reached 26.8 billion Turkish lira this quarter as well.

Halkbank's balance sheet size increased by 4.8 percent to 320.1 billion Turkish lira, its shareholders' equity rose by 4 percent, and its net profit reached 790.2 million Turkish lira by the end of the first quarter compared to 2017 year-end.

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 March, our retail loans were valued at 41.9 billion Turkish lira, and the number of Paraf holders reached 4 million. In the same time frame, our POS installations increased to 329 thousand while member businesses increased to 348 thousand.

Halkbank has become one of Turkey's largest financial supermarkets in both financial and capital markets through the partnerships established. Halkbank's success reached beyond our national borders, thanks to the strength we get from Turkey. In the last 5 years we acquired two banks in Macedonia and Serbia. These banks have achieved great success in their own countries. Our number of branch offices in Europe has reached 75 in a short period of time. We will continue to invest in Turkey's banking sector to become a global brand.

Dear Stakeholders,

Given all these developments, we owe our strong performance in the financial arena to your trust in our efforts. Halkbank, growing with Turkey for 80 years, advances thanks to the power we get from our deeply-rooted history, while receiving the largest support from our valued shareholders. We believe Halkbank will achieve great success in the coming period thanks to the trust that our shareholders and customers put in us, and the determination of our employees.

Sincerely,

Osman Arslan
General Manager

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

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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)

Major Consolidated Financial Information

Summary Balance Sheet (Million TRY)	March 2018	December 2017	Change (%)
Total Assets	327.551	312.220	4,9
Loans	218.084	204.142	6,8
<i>TRY</i>	148.609	138.299	7,5
<i>FC</i>	69.475	65.843	5,5
Marketable Securities	50.946	49.807	2,3
Deposit	200.450	193.271	3,7
<i>TRY</i>	119.806	116.560	2,8
<i>FC</i>	80.644	76.711	5,1
Total Equity	26.708	25.529	4,6

Summary Income Statement (Million TRY)	March 2018	March 2017	Change (%)
Interest Income	7.111	5.306	34,0
<i>On Loan</i>	5.764	4.091	40,9
<i>On Securities</i>	1.075	1.041	3,3
Interest Expense	4.967	2.905	71,0
<i>On Deposit</i>	3.704	2.097	76,6
Net Interest Income	2.144	2.402	(10,7)
Net Fee and Commission	396	505	(21,6)
Profit Before Tax	1.178	1.713	(31,2)
Net Profit	945	1.357	(30,4)

Ratio (%)	March 2018	December 2017
Cash Loans/Total Asset	66,6	65,4
Non-Performing Loans/Total Cash Loans (Gross)	3,0	3,0
Demand Deposit/Total Deposit	16,0	15,2
Loan/Deposit Ratio	108,8	105,6
Average Return on Asset (ROA)	1,2	1,5
Average Return on Equity (ROE)	14,7	17,3
Capital Adequacy Ratio	12,9	13,6

* The cash loan amounts in the table includes accruals and excludes net of non-performing loans for the both periods. The amounts for the year 2017 have been updated in this context.

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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)

2018 First Quarter Interim Developments

Important Developments

- Our Bank has issued bonds with a par value of 3.4 billion Turkish lira to the qualified investors throughout this period.

New Products and Campaigns

- We developed the "Defense Industry Support Loan" in order to support the defense industry, that has a strategic priority in our country.
- Halkbank held the "Female Entrepreneur Loan Secured by Credit Guarantee Fund" campaign for March 8, International Women's Day.
- "Personal Loan" campaign was organized for health industry workers in recognition of March 14, Doctor's Day and April 7, World Health Day.
- We held "Productive Turkey" meetings in Bursa and Samsun to explain the products and services we offer to Tradesmen and SMEs.

Corporate Social Responsibility Projects

- Halkbank sponsors the meetings covering all kinds of field research and literature review concerning the tradesmen and artisans in related sectors, with the cooperation of the Turkish Ministry of Customs and Trade.
- Halkbank sponsored "Hilye-i Şerif (Ode to Prophet) and Rosary Museum", built by the Istanbul Foundation for Arts and Civilizations, in the Madrasa of Siyavuş Paşa housed within the Süleymaniye Mosque.
- Halkbank sponsored the award ceremony organized by the Ministry of Energy and Natural Resources to increase the participation of women in the energy and mining industries, draw attention to the female professionals, and raise social awareness.
- Halkbank has distributed 1,000 Turkish Classics and 1,000 Essential Books Set to elementary school children in order to introduce literary culture to the new generation, contribute to the correct use of the Turkish language, and promote the adoption of reading habits.
- Halkbank sponsored the Ninth Energy Efficiency Forum and Fair. A large number of national and international companies engaged in energy efficiency activities and exhibited their products at the event.
- Halkbank sponsors Atatürk University's 14-month project that offers direct social contribution, and introduces a new generation university system integrating education and research in order to support the development of the country, the region and the city.