

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

Türkiye Halk Bankası Anonim Şirketi

**Unconsolidated Financial Statements
As of and For the Three-Month Period Ended 31 March 2018
With Limited Review Report Thereon**
*(Convenience Translation of Unconsolidated 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; “Unconsolidated Interim
Financial Statements and Related Disclosures and
Footnotes” comprising 122 pages.*

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying unconsolidated statement of financial position of Türkiye Halk Bankası A.Ş. (“the Bank”) as at 31 March 2018, and the unconsolidated statement of income, unconsolidated statement of income and expense items accounted for under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity and unconsolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying unconsolidated interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this unconsolidated interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

The accompanying unconsolidated interim financial statements as at 31 March 2018, include a general reserve amounting to TL 70.000 thousand, provided by the Bank 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 70.000 thousand and net profit would increase by TL 70.000 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 accompanying unconsolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. as at 31 March 2018, and of the results of its operations and its 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 Bank's management indicated that there are no enforcement or other actions against the Bank at this stage. No provision has been made in the accompanying financial statements related to this matter. Our 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 unconsolidated interim financial information provided in the Management's interim report included in section seven of the accompanying unconsolidated financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed unconsolidated interim financial statements and the explanatory notes.

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying unconsolidated interim financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying unconsolidated financial statements. The accounting principles used in the preparation of the accompanying unconsolidated interim financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated interim financial statements and IFRS.

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

Hasan Kılıç
Partner

Istanbul, 10 May 2018

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

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

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

Istanbul, 10 May 2018

R. Süleyman Özdil	Sadık Tıltak	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 : Arman Acar / Director
Tel/ Fax No : 0216 503 57 59/0212 340 09 90

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

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

As of 31 March 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 UNCONSOLIDATED 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 BANK (continued)

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

Name	Title
R. Süleyman ÖZDİL	Chairman of the Board of Directors
Sadık TILTAK	Vice Chairman of the Board of Directors, Independent Member of the Board of Director, Chairman of the Audit Committee
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Yunus KARAN	Member of the Board of Directors
Cenap AŞÇI	Member of the Board of Directors
Yahya BAYRAKTAR	Independent Member of the Board of Directors, Member of the Audit Committee
Mehmet Nihat ÖMEROĞLU	Independent Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Meltem TAYLAN AYDIN	Member of the Board of Directors
Faruk ÖZÇELİK	Member of the Audit Committee
Yılmaz ÇOLAK	Member of the Audit Committee
Selahattin SÜLEYMANOĞLU	Executive Vice President, 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) Above directors do not own any shares in the Bank's capital.

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

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

- a) The Bank’s top management members who have assigned to their position in 2018 are listed with titles and dates of assignment.

None.

- b) The Bank’s top management members 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 BANK

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

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

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

a) General information about the Bank:

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

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

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

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

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

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

As of 31 March 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. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

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

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

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

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

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

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

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

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

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

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

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Reviewed		
		Current Period		
		31 March 2018		
ASSETS	Note	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		55.857.906	39.017.729	94.875.635
1.1 Cash and Cash Equivalents		14.130.053	30.387.401	44.517.454
1.1.1 Cash and Balances with Central Bank	(1)	9.699.244	25.685.187	35.384.431
1.1.2 Banks	(3)	593.162	4.702.214	5.295.376
1.1.3 Money Markets		3.837.647	-	3.837.647
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	10.117.554	227	10.117.781
1.2.1 Government Debt Securities		10.107.190	-	10.107.190
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		10.364	227	10.591
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	12.386.480	5.569.263	17.955.743
1.3.1 Government Debt Securities		12.318.389	5.513.761	17.832.150
1.3.2 Equity Instruments		68.091	55.502	123.593
1.3.3 Other Financial Assets		-	-	-
1.4 Financial Assets Measured at Amortised Cost	(6)	19.239.308	2.597.617	21.836.925
1.4.1 Government Debt Securities		19.239.308	2.597.617	21.836.925
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	(11)	20	463.221	463.241
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		20	463.221	463.241
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non – Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)		15.509	-	15.509
II. LOANS (Net)		148.284.093	67.099.896	215.383.989
2.1 Loans	(5)	148.785.997	67.099.896	215.885.893
2.1.1 Measured at Amortised Cost		148.785.997	67.099.896	215.885.893
2.1.2 Fair Value Through Profit or Loss		-	-	-
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	(10)	-	-	-
2.2.1 Financial Lease Receivables		-	-	-
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
2.3 Factoring Receivables		-	-	-
2.3.1 Measured at Amortised Cost		-	-	-
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non- Performing Loans	(5)	6.264.786	-	6.264.786
2.5 Expected Credit Loss (-)	(5)	6.766.690	-	6.766.690
2.5.1 12 Month Expected Credit Losses (Stage I)		1.003.910	-	1.003.910
2.5.2 Significant Increase in Credit Risk (Stage II)		784.616	-	784.616
2.5.3 Credit – Impaired Losses (Stage III / Special Provision)		4.978.164	-	4.978.164
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(14)	-	-	-
3.1 Held for Sale Purpose		-	-	-
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		3.073.790	1.011.525	4.085.315
4.1 Investments in Associates (Net)	(7)	19.458	335.423	354.881
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		19.458	335.423	354.881
4.2 Subsidiaries (Net)	(8)	3.054.332	676.102	3.730.434
4.2.1 Unconsolidated Financial Subsidiaries		3.002.154	676.102	3.678.256
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)		2.956.176	95	2.956.271
VI. INTANGIBLE ASSETS (Net)		103.758	-	103.758
6.1 Goodwill		-	-	-
6.2 Other		103.758	-	103.758
VII. INVESTMENT PROPERTIES (Net)	(12)	357.769	-	357.769
VIII. CURRENT TAX ASSET	(13)	-	-	-
IX. DEFERRED TAX ASSET		-	-	-
X. OTHER ASSETS	(15)	2.053.845	323.180	2.377.025
TOTAL ASSETS		212.687.337	107.452.425	320.139.762

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS	Note	Audited		
		Prior period		
		31 December 2017		
		TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	12.917.312	23.455.727	36.373.039
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	10.085.889	362.017	10.447.906
2.1 Trading financial assets		10.085.889	362.017	10.447.906
2.1.1 Public sector debt securities		10.075.407	-	10.075.407
2.1.2 Share certificates		-	-	-
2.1.3 Financial assets held for trading		118	361.803	361.921
2.1.4 Other marketable securities		10.364	214	10.578
2.2 Financial assets at fair value through profit and loss		-	-	-
2.2.1 Public sector debt securities		-	-	-
2.2.2 Share certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other marketable securities		-	-	-
III. BANKS	(3)	580.518	5.513.422	6.093.940
IV. MONEY MARKET PLACEMENTS		1.258.647	-	1.258.647
4.1 Interbank money market placements		1.258.647	-	1.258.647
4.2 Takasbank (Clearing & Settlement Bank) Money Market placements		-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	11.474.374	5.615.175	17.089.549
5.1 Share certificates		71.715	52.091	123.806
5.2 Public sector debt securities		11.402.659	5.563.084	16.965.743
5.3 Other marketable securities		-	-	-
VI. LOANS AND RECEIVABLES	(5)	139.676.930	63.787.547	203.464.477
6.1 Loans and receivables		138.349.605	63.787.547	202.137.152
6.1.1 Loans extended to risk group of the Bank		50.196	916.965	967.161
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		138.299.409	62.870.582	201.169.991
6.2 Loans under follow-up		6.106.597	-	6.106.597
6.3 Specific provisions (-)		4.779.272	-	4.779.272
VII. FACTORING RECEIVABLES		-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	19.214.233	2.512.936	21.727.169
8.1 Public sector debt securities		19.214.233	2.512.936	21.727.169
8.2 Other marketable securities		-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	19.083	313.709	332.792
9.1 Accounted for under equity method		-	-	-
9.2 Unconsolidated associates		19.083	313.709	332.792
9.2.1 Financial investments		12.763	313.709	326.472
9.2.2 Non-financial investments		6.320	-	6.320
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	3.089.737	536.971	3.626.708
10.1 Unconsolidated financial subsidiaries		3.037.559	536.971	3.574.530
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)	-	-	-
12.1 Finance lease receivables		-	-	-
12.2 Operating lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		-	-	-
XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-
13.1 Fair value risk hedging		-	-	-
13.2 Cash flow risk hedging		-	-	-
13.3 Net foreign investment risk hedging		-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	2.535.687	92	2.535.779
XV. INTANGIBLE ASSETS (Net)	(13)	113.685	-	113.685
15.1 Goodwill		-	-	-
15.2 Other		113.685	-	113.685
XVI. INVESTMENT PROPERTIES (Net)	(14)	358.574	-	358.574
XVII. TAX ASSETS	(15)	-	-	-
17.1 Current tax assets		-	-	-
17.2 Deferred tax assets		-	-	-
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	-	-	-
18.1 Held for sale purpose		-	-	-
18.2 Held from discontinued operations		-	-	-
XIX. OTHER ASSETS	(17)	1.698.762	229.621	1.928.383
TOTAL ASSETS		203.023.431	102.327.217	305.350.648

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Reviewed			
		Current Period			
		31 March 2018			
LIABILITIES	Note	TRY	FC	TOTAL	
I. DEPOSITS	(1)	122.143.359	78.084.041	200.227.400	
II. FUNDS BORROWED	(3)	456.846	14.944.785	15.401.631	
III. MONEY MARKETS		35.645.560	7.886.173	43.531.733	
IV. SECURITIES ISSUED (Net)	(4)	3.405.006	8.942.564	12.347.570	
4.1 Bills		3.405.006	-	3.405.006	
4.2 Assets Backed Securities		-	-	-	
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	111.044	111.183	
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		139	111.044	111.183	
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	
VIII. FACTORING LIABILITIES		-	-	-	
IX. LEASE LIABILITIES	(7)	-	-	-	
9.1 Financial Lease		-	-	-	
9.2 Operating Lease		-	-	-	
9.3 Other		-	-	-	
9.4 Deferred Financial Lease Expenses (-)		-	-	-	
X. PROVISIONS	(9)	1.405.514	5.873	1.411.387	
10.1 Restructuring Provisions		-	-	-	
10.2 Reserve for Employee Benefits		858.436	-	858.436	
10.3 Insurance for Technical Provision(Net)		-	-	-	
10.4 Other Provisions		547.078	5.873	552.951	
XI. CURRENT TAX LIABILITY	(10)	727.586	35	727.621	
XII. DEFERRED TAX LIABILITIES	(10)	267.888	-	267.888	
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)	15.354.125	685.765	16.039.890	
XVI. SHAREHOLDERS' EQUITY	(13)	26.544.736	(146.889)	26.397.847	
16.1 Paid in Capital		1.250.000	-	1.250.000	
16.2 Capital Reserve		1.064.246	-	1.064.246	
16.2.1 Share Premium		-	-	-	
16.2.2 Share Cancellation Profits		-	-	-	
16.2.3 Other Capital Reserves		1.064.246	-	1.064.246	
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		1.258.566	-	1.258.566	
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit ort Loss		815.629	(146.889)	668.740	
16.5 Profit Reserves		16.936.107	-	16.936.107	
16.5.1 Legal Reserves		1.645.649	-	1.645.649	
16.5.2 Status Reserves		-	-	-	
16.5.3 Extraordinary Reserves		15.243.277	-	15.243.277	
16.5.4 Other Profit Reserves		47.181	-	47.181	
16.6 Income or (Loss)		5.220.188	-	5.220.188	
16.6.1 Prior Periods' Income or (Loss)		4.429.996	-	4.429.996	
16.6.2 Current Period Income or (Loss)		790.192	-	790.192	
16.7 Minority Shares		-	-	-	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		209.626.371	110.513.391	320.139.762	

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Audited		
		Prior period		
		31 December 2017		
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	TRY	FC	Total
I. DEPOSITS	(1)	119.197.840	74.029.229	193.227.069
1.1 Deposits Held by the Risk Group of the Bank		2.659.529	197.697	2.857.226
1.2 Other		116.538.311	73.831.532	190.369.843
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	146	150.376	150.522
III. FUNDS BORROWED	(3)	465.026	16.553.092	17.018.118
IV. MONEY MARKET BALANCES	(3)	29.220.222	5.387.762	34.607.984
4.1 Interbank money market borrowings		29.030.813	1.247.014	30.277.827
4.2 Takasbank (Clearing & Settlement Bank) Money Market takings		-	-	-
4.3 Funds from repurchase agreements		189.409	4.140.748	4.330.157
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	2.713.759	8.640.905	11.354.664
5.1 Treasury bills		2.713.759	-	2.713.759
5.2 Asset-backed securities		-	-	-
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		3.443.523	113.823	3.557.346
VIII. OTHER LIABILITIES	(6)	11.206.526	474.486	11.681.012
IX. FACTORING PAYABLES		-	-	-
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)	3.443.318	5.642	3.448.960
12.1 General loan provisions		2.288.701	-	2.288.701
12.2 Restructuring provisions		-	-	-
12.3 Employee benefits provisions		836.092	-	836.092
12.4 Insurance technical reserves (Net)		-	-	-
12.5 Other provisions		318.525	5.642	324.167
XIII. TAX LIABILITIES	(10)	1.199.173	42	1.199.215
13.1 Current tax liabilities		628.765	42	628.807
13.2 Deferred tax liabilities		570.408	-	570.408
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)	25.317.394	59.345	25.376.739
16.1 Paid-in capital		1.250.000	-	1.250.000
16.2 Capital reserves		3.405.825	59.345	3.465.170
16.2.1 Share Premium		-	-	-
16.2.2 Share cancellation profits		-	-	-
16.2.3 Marketable securities revaluation fund		966.184	59.345	1.025.529
16.2.4 Tangible assets revaluation reserves		1.273.315	-	1.273.315
16.2.5 Intangible assets revaluation reserves		-	-	-
16.2.6 Revaluation reserves of investment properties		-	-	-
16.2.7 Bonus shares of subsidiaries, associates and joint ventures		8.711	-	8.711
16.2.8 Hedging Funds (effective portion)		-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-
16.2.10 Other capital reserves		1.157.615	-	1.157.615
16.3 Profit reserves		16.936.107	-	16.936.107
16.3.1 Legal reserves		1.645.649	-	1.645.649
16.3.2 Statutory reserves		-	-	-
16.3.3 Extraordinary reserves		15.243.277	-	15.243.277
16.3.4 Other profit reserves		47.181	-	47.181
16.4 Profit/Loss		3.725.462	-	3.725.462
16.4.1 Prior years' profits/losses		-	-	-
16.4.2 Period profit/loss		3.725.462	-	3.725.462
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		199.935.946	105.414.702	305.350.648

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

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

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

II. 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)	62.624.046	64.077.419	126.701.465
I.	GUARANTEES AND WARRANTIES	(1) 31.869.341	32.440.784	64.310.125
1.1	Letters of guarantee	30.517.508	23.931.890	54.449.398
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	-	-	-
1.1.3	Other letters of guarantee	28.781.632	12.692.992	41.474.624
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	4.134.662	4.184.014
1.3.1	Documentary letters of credit	49.352	4.134.662	4.184.014
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	141.426	1.439.703
1.9	Other sureties	-	-	-
II.	COMMITMENTS	(1) 23.595.275	614.195	24.209.470
2.1	Irrevocable commitments	23.582.084	578.247	24.160.331
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	486.120	4.736.352
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	-	11.997.053
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	-	3.571.145
2.2	Revocable commitments	13.191	35.948	49.139
2.2.1	Revocable loan granting commitments	-	-	-
2.2.2	Other revocable commitments	13.191	35.948	49.139
III.	DERIVATIVE FINANCIAL INSTRUMENTS	7.159.430	31.022.440	38.181.870
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	7.159.430	31.022.440	38.181.870
3.2.1	Forward foreign currency buy/sell transactions	2.477.697	7.856.094	10.333.791
3.2.1.1	Forward foreign currency transactions-buy	1.249.249	5.406.453	6.655.702
3.2.1.2	Forward foreign currency transactions-sell	1.228.448	2.449.641	3.678.089
3.2.2	Currency and interest rate swaps	2.925.747	18.162.147	21.087.894
3.2.2.1	Currency swap-buy	846.904	4.079.671	4.926.575
3.2.2.2	Currency swap-sell	2.078.843	2.682.912	4.761.755
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)	864.218.891	226.581.734	1.090.800.625
IV.	CUSTODIES	411.522.129	31.347.711	442.869.840
4.1	Assets under management	-	-	-
4.2	Custody marketable securities	182.746.727	608.878	183.355.605
4.3	Cheques in collection process	15.437.819	24.257.670	39.695.489
4.4	Commercial notes in collection process	205.089.434	493.613	205.583.047
4.5	Other assets in collection process	-	-	-
4.6	Underwritten securities	-	-	-
4.7	Other custodies	4.355.305	168.396	4.523.701
4.8	Custodians	3.892.844	5.819.154	9.711.998
V.	PLEDGED ASSETS	452.696.762	195.234.023	647.930.785
5.1	Marketable securities	5.029.577	557.011	5.586.588
5.2	Collateral notes	7.635.421	883.793	8.519.214
5.3	Commodity	25.813	-	25.813
5.4	Warranty	-	-	-
5.5	Land and buildings	335.932.839	165.659.849	501.592.688
5.6	Other pledged assets	65.782.861	25.766.931	91.549.792
5.7	Pledges	38.290.251	2.366.439	40.656.690
VI.	ACCEPTED BILL GUARANTEES AND SURETIES	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		926.842.937	290.659.153	1.217.502.090

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

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

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

II. 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)		55.925.500	57.445.133	113.370.633
I. GUARANTEES AND SURETIES	(1)	28.221.975	30.312.673	58.534.648
1.1 Letters of guarantee		27.015.807	22.385.059	49.400.866
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		-	-	-
1.1.3 Other letters of guarantee		25.493.135	12.339.280	37.832.415
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	4.086.827	4.134.031
1.3.1 Documentary letters of credit		47.204	4.086.827	4.134.031
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	164.109	1.306.244
1.9 Other sureties		-	-	-
II. COMMITMENTS	(1)	22.879.077	1.116.617	23.995.694
2.1 Irrevocable commitments		22.879.077	1.116.617	23.995.694
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	454.650	4.646.052
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	-	11.562.109
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	-	3.536.993
2.2 Revocable commitments		-	-	-
2.2.1 Revocable loan granting commitments		-	-	-
2.2.2 Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		4.824.448	26.015.843	30.840.291
3.1 Derivative financial instruments held for risk management		-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-
3.2 Transactions for trading		4.824.448	26.015.843	30.840.291
3.2.1 Forward foreign currency buy/sell transactions		2.711.564	6.375.770	9.087.334
3.2.1.1 Forward foreign currency transactions-buy		1.360.216	4.499.292	5.859.508
3.2.1.2 Forward foreign currency transactions-sell		1.351.348	1.876.478	3.227.826
3.2.2 Currency and interest rate swaps		1.322.806	15.819.312	17.142.118
3.2.2.1 Currency swap-buy		387.590	2.821.721	3.209.311
3.2.2.2 Currency swap-sell		935.216	2.110.829	3.046.045
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)		832.644.477	205.106.195	1.037.750.672
IV. CUSTODIES		392.094.904	29.257.887	421.352.791
4.1 Assets under management		-	-	-
4.2 Custody marketable securities		175.762.416	518.467	176.280.883
4.3 Cheques in collection process		14.977.312	22.698.848	37.676.160
4.4 Commercial notes in collection process		193.731.159	490.671	194.221.830
4.5 Other assets in collection process		-	-	-
4.6 Underwritten securities		-	-	-
4.7 Other custodies		4.135.360	127.221	4.262.581
4.8 Custodians		3.488.657	5.422.680	8.911.337
V. PLEDGED ASSETS		440.549.573	175.848.308	616.397.881
5.1 Marketable securities		4.362.027	526.294	4.888.321
5.2 Collateral notes		7.255.638	812.632	8.068.270
5.3 Commodity		25.813	-	25.813
5.4 Warranty		-	-	-
5.5 Land and buildings		324.019.382	148.254.846	472.274.228
5.6 Other pledged assets		67.073.372	23.900.616	90.973.988
5.7 Pledges		37.813.341	2.353.920	40.167.261
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		888.569.977	262.551.328	1.151.121.305

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

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

III. STATEMENT OF INCOME

		Reviewed Current Period 1 January- 31 March 2018
INCOME AND EXPENSES	Note	
I. INTEREST INCOME	(1)	6.926.203
1.1 Interest on Loans		5.729.854
1.2 Interest on Reserve Requirements		36.262
1.3 Interest on Banks		84.640
1.4 Interest on Money Market Transactions		11.363
1.5 Interest on Marketable Securities Portfolio		1.056.205
1.5.1 Fair Value Through Profit or Loss		1.988
1.5.2 Fair Value Through Other Comprehensive Income		424.277
1.5.3 Measured at Amortized Cost		629.940
1.6 Financial Lease Income		-
1.7 Other Interest Income		7.879
II. INTEREST EXPENSE (-)	(2)	4.956.826
2.1 Interest on Deposits		3.790.080
2.2 Interest on Funds Borrowed		101.674
2.3 Interest Expense on Money Market Transactions		767.964
2.4 Interest on Securities Issued		234.389
2.5 Other Interest Expense		62.719
III. NET INTEREST INCOME (I - II)		1.969.377
IV. NET FEES AND COMMISSIONS INCOME		406.372
4.1 Fees and Commissions Received		536.313
4.1.1 Non – cash Loans		117.341
4.1.2 Other		418.972
4.2 Fees and Commissions Paid (-)		129.941
4.2.1 Non – cash Loans		12
4.2.2 Other		129.929
V. PERSONNEL EXPENSE (-)		(550.402)
VI. DIVIDEND INCOME	(3)	85
VII. TRADING INCOME / LOSS (Net)	(4)	30.052
7.1 Trading Gains / (Losses) on Securities		9.981
7.2 Gains / (Losses) on Derivate Financial Transactions		69.372
7.3 Foreign Exchange Gains / (Losses)		(49.301)
VIII. OTHER OPERATING INCOME	(5)	247.712
IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		2.103.196
X. EXPECTED LOSS PROVISIONS (-)	(6)	463.370
XI. OTHER OPERATING EXPENSES (-)	(7)	647.990
XII. NET OPERATING INCOME /LOSS (IX-X-XI)		991.836
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		-
XVI. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	991.836
XVII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(9)	(201.644)
17.1 Current Tax Provision		(60.123)
17.2 Deferred Tax Income Effect (+)		(195.893)
17.3 Deferred Tax Expense Effect (-)		54.372
XVIII. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(10)	790.192
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)	(11)	790.192
24.1 Profit / (Loss) of Group		790.192
24.2 Profit / (Loss) of Minority Shares (-)		-
Profit / (Loss) Per Share		0,63215

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

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

III. STATEMENT OF INCOME

		Reviewed
		Prior period
		1 January- 31 March 2017
INCOME AND EXPENSES	Note	
I. INTEREST INCOME	(1)	5.171.405
1.1 Interest on loans		4.063.578
1.2 Interest received from reserve deposits		21.845
1.3 Interest received from banks		39.034
1.4 Interest received from money market placements		12.049
1.5 Interest income on marketable securities		1.027.095
1.5.1 Financial assets held for trading		160
1.5.2 Financial assets at fair value through profit and loss		-
1.5.3 Financial assets available-for-sale		401.948
1.5.4 Investments held-to-maturity		624.987
1.6 Finance lease income		-
1.7 Other interest income		7.804
II. INTEREST EXPENSE	(2)	2.889.779
2.1 Interest on deposits		2.137.012
2.2 Interest on borrowings		99.453
2.3 Interest on money market borrowings		428.004
2.4 Interest on bonds issued		187.640
2.5 Other interest expense		37.670
III. NET INTEREST INCOME [I – II]		2.281.626
IV. NET FEES AND COMMISSIONS INCOME		537.423
4.1 Fees and commissions income		637.545
4.1.1 Non-cash loans		91.530
4.1.2 Other		546.015
4.2 Fees and commissions expenses		100.122
4.2.1 Non-cash loans		9
4.2.2 Other		100.113
V. DIVIDEND INCOME	(3)	52
VI. NET TRADING PROFIT (NET)	(4)	69.777
6.1 Profit/loss from capital market operations		8.752
6.2 Profit/loss from financial derivative transactions		(139.176)
6.3 Foreign exchange gains/losses		200.201
VII. OTHER OPERATING INCOME	(5)	149.320
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		3.038.198
IX. IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(6)	470.687
X. OTHER OPERATING EXPENSES(-)	(7)	1.021.017
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		1.546.494
XII. AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-
XIII. PROFIT/LOSSES FROM SUBSIDIARIES ACCOUNTED FOR AT EQUITY METHOD		-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-
XV. INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	1.546.494
XVI. TAX INCOME PROVISION (±)	(9)	(327.326)
16.1 Current tax charge		(282.946)
16.2 Deferred tax (charge) / benefit		(44.380)
XVII. NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	1.219.168
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-
18.1 Property and equipment income held for sale		-
18.2 Sale profits from associates, subsidiaries and joint ventures (business partners)		-
18.3 Other income from terminated operations		-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
19.1 Property and equipment expense held for sale		-
19.2 Sale losses from associates, subsidiaries and joint ventures (business partners)		-
19.3 Other expenses from discontinued operations		-
XX. INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-
XXI. PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)		-
21.1 Current tax charge		-
21.2 Deferred tax charge		-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(11)	1.219.168
Earnings/losses per share (Full TRY)		0,97533

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

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

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

		Reviewed
		Current Period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		1 January - 31 March 2018
I.	CURRENT PERIOD INCOME/LOSS	790.192
II.	OTHER COMPREHENSIVE INCOME	(361.275)
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	(356.789)
2.2.1	Foreign Currency Translation Differences	112.343
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(499.827)
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 Loss	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	30.695
III.	TOTAL COMPREHENSIVE INCOME (I+II)	428.917

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

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

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

	Reviewed
	Prior period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	1 January-31 March 2017
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	223.144
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	(483)
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	52.813
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-
VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	-
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(11.737)
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	263.737
XI. PROFIT/LOSS	1.219.168
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	8.749
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	
11.3 Transfer of hedge of net investments in foreign operations to income statement	
11.4 Other	1.210.419
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	1.482.905

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

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

V. 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 Expect Minority Shares	Minority Shares	Total Equity	
	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Revaluation/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	Value Through Other Comprehensive Income	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)
I. Prior Period End Balance	1.250.000	-	-	1.176.589	1.273.315	(10.263)	-	52.631	972.898	-	16.936.107	3.725.462	-	25.376.739	-	25.376.739
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	704.534	-	704.534	-	704.534
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	704.534	-	704.534	-	704.534
III. Adjusted Beginning Balance (I+II)	1.250.000	-	-	1.176.589	1.273.315	(10.263)	-	52.631	972.898	-	16.936.107	4.429.996	-	26.081.273	-	26.081.273
IV. Total Comprehensive Income	-	-	-	-	(4.486)	-	-	112.343	(469.132)	-	-	-	790.192	428.917	-	428.917
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	-	-	-	(112.343)	-	-	-	-	-	-	-	-	-	(112.343)	-	(112.343)
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	-	-	1.064.246	1.268.829	(10.263)	-	164.974	503.766	-	16.936.107	4.429.996	790.192	26.397.847	-	26.397.847

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid in capital	Effect of inflation adjustments on paid in capital	Share premium	Share certificate cancellation profit	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net income/(loss)	Prior period net income/(loss)	Valuation changes in marketable sec.	Revaluation changes in prop. and equip. and int. assets	Bonus shares from shareholders	Hedging funds	Value change in pro. and equip. held for sale purp./term. op.	Total shareholders' equity
I. 1 January 2017 – 31 March 2017																	
Balance at end of prior period		1.250.000	1.220.451	-	-	1.482.358	-	13.104.130	(74.244)	2.558.265	-	482.753	1.284.522	8.711	-	-	21.316.946
Changes within the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	211.382	-	-	-	-	211.382
IV. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for investment made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	(458)	-	-	-	(458)
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners).		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	52.813	-	-	-	-	-	-	-	52.813
IX. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	(2.558.265)	2.558.265	-	-	-	-	-	-
XVII. Net profit or losses		-	-	-	-	-	-	-	-	1.219.168	-	-	-	-	-	-	1.219.168
XVIII. Profit distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to legal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance		1.250.000	1.220.451	-	-	1.482.358	-	13.104.130	(21.431)	1.219.168	2.558.265	694.135	1.284.064	8.711	-	-	22.799.851

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

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

VI. STATEMENT OF CASH FLOWS

		Reviewed
		Current Period
		1 January- 31 March 2018
	Note	
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating profit before changes in operating assets and liabilities	(2.529.609)
1.1.1	Interest received	6.114.396
1.1.2	Interest paid	(4.716.922)
1.1.3	Dividend received	85
1.1.4	Fees and commissions received	534.498
1.1.5	Other income	70.198
1.1.6	Collections from previously written off loans	371.928
1.1.7	Cash payments to personnel and service suppliers	(557.268)
1.1.8	Taxes paid	(366.819)
1.1.9	Other	(3.979.705)
1.2	Assets and Liabilities Subject to Banking Operations	2.028.483
1.2.1	Net (increase) decrease in financial assets held for sale	(31.194)
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	(1.650)
1.2.4	Net (increase) decrease in loans	(13.521.614)
1.2.5	Net (increase) decrease in other assets	(1.910.345)
1.2.6	Net increase (decrease) in bank deposits	325.050
1.2.7	Net increase (decrease) in other deposits	6.423.884
1.2.8	Net increase (decrease) in loans borrowed	(1.623.283)
1.2.9	Net increase (decrease) in matured payables	-
1.2.10	Net increase (decrease) in other liabilities	12.367.635
I.	Net cash provided from banking operations	(501.126)
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES	
II.	Net cash provided from/ (used in) investing activities	(2.099.040)
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	(520.651)
2.4	Fixed assets sales	68.988
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(2.999.079)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	1.196.421
2.7	Cash paid for purchase of investment securities	(119.999)
2.8	Cash obtained from sale of investment securities	354.254
2.9	Other	9.814
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net cash used in financing activities	1.041.107
3.1	Cash obtained from loans borrowed and securities issued	3.385.000
3.2	Cash used for repayment of loans borrowed and securities issued	(2.343.893)
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	551.942
V.	Net increase / (decrease) in cash and cash equivalents	(1.007.117)
VI.	Cash and cash equivalents at beginning of the period	27.121.864
VII.	Cash and cash equivalents at end of the period	26.114.747

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

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

VI. STATEMENT OF CASH FLOWS

	Reviewed
	Prior period
	1 January –
	31 March 2017
A. CASH FLOWS FROM BANKING OPERATIONS	
1.1 Operating profit before changes in operating assets and liabilities	1.285.900
1.1.1 Interest received	5.027.240
1.1.2 Interest paid	(2.950.335)
1.1.3 Dividend received	52
1.1.4 Fees and commissions received	637.545
1.1.5 Other income	68.904
1.1.6 Collections from previously written off loans	116.769
1.1.7 Cash payments to personnel and service suppliers	(489.504)
1.1.8 Taxes paid	(186.742)
1.1.9 Other	(938.029)
1.2 Assets and Liabilities Subject to Banking Operations	550.572
1.2.1 Net (increase) decrease in financial assets held for sale	60.182
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions	4.180
1.2.4 Net (increase) decrease in loans	(10.051.688)
1.2.5 Net (increase) decrease in other assets	(3.150.452)
1.2.6 Net increase (decrease) in bank deposits	(2.288.817)
1.2.7 Net increase (decrease) in other deposits	9.753.051
1.2.8 Net increase (decrease) in loans borrowed	(197.826)
1.2.9 Net increase (decrease) in matured payables	-
1.2.10 Net increase (decrease) in other liabilities	6.421.942
I. Net cash provided from banking operations	1.836.472
B. CASH FLOWS FROM INVESTMENT ACTIVITIES	
II. Net cash provided from/ (used in) investing activities	(2.524.574)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	-
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	-
2.3 Fixed assets purchases	(67.355)
2.4 Fixed assets sales	35.903
2.5 Cash paid for purchase of financial assets available for sale	(2.171.357)
2.6 Cash obtained from sale of financial assets available for sale	1.196.421
2.7 Cash paid for purchase of investment securities	(1.825.081)
2.8 Cash obtained from sale of investment securities	309.430
2.9 Other	(2.535)
C. CASH FLOWS FROM FINANCING ACTIVITIES	
III. Net cash used in financing activities	860.626
3.1 Cash obtained from loans borrowed and securities issued	1.322.261
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	(44)
3.6 Other	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	348.230
V. Net increase / (decrease) in cash and cash equivalents	520.754
VI. Cash and cash equivalents at beginning of the period	14.388.793
VII. Cash and cash equivalents at end of the period	14.909.547

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial 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 by the KGK for those that are not stipulated by them and Turkish Accounting Standards issued by Public Oversight Agency for the matters not regulated by the aforementioned legislations and have been applied consistently by the Bank. Prior year unconsolidated 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 XXIII. The impact of the adoption of TFRS 9 on the statement of financial position is explained in the Section 3, Note VI.

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 Standard:

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 UNCONSOLIDATED FINANCIAL STATEMENTS
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(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 Bank 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 VI.

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 Bank. According to the test results and business model of the Bank, financial assets are recognized in the financial statements.

Impairment of financial assets:

As of 1 January 2018, the Bank 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 XXIII 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 Bank’s adoption process regarding the mentioned amendments continues as of the reporting date.

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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

a) The Bank's strategy on financial instruments:

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

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

b) The Bank's explanations on foreign currency transactions:

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

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

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

Income and expenses are converted by at exchange rates at the dates of the transactions.

The Bank started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Halkbank A.D. Beograd (subsidiary), Halk Banka AD, Skopje (subsidiary), Demirhalkbank NV(associate), foreign investments that are recognized under fair value accounting as hedged item, in compliance with TFRS 9 standard. Accordingly, the effective portion of the foreign exchange differences is recorded under income statement in the current period.

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

Derivative transactions of the Bank consist of foreign currency and interest rate swaps, cross currency swaps, options and forwards. The bank 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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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS (continued)

Explanations related to credit derivatives and its risk exposures:

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

IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

Starting from 1 January 2018, the Bank 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.

V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

Fee and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. These fee and commission expenses are booked under prepaid expenses and transferred to expense accounts in the related periods by using the straight accrual method according to the financial borrowing maturity within the matching principle.

VI. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

The Bank's business model is related with how the Bank manages its financial assets to generate cash flows. In other terms, the source of cash flows depends on the Bank'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 Bank'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 Bank 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 Bank 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Measurement Categories of Financial Assets and Liabilities

As of 1 January 2018, the Bank 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 Accounted 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 Accounted 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 Bank 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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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Cash Equivalents and Banks

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

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.

Associates and subsidiaries:

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

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 Bank 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)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Reclassification of Financial Assets in accordance with TFRS 9 (continued)

ASSETS	Before TFRS 9			TFRS 9
	31 December 2017	Reclassification Effect	Measurement Effect	Book Value
				1 January 2018
Financial Assets (Net)	92.990.250	(23.511)	7.229	92.973.968
Cash and Cash Equivalents	43.725.626	-	-	43.725.626
Cash and Balances with Central Bank	36.373.039	-	-	36.373.039
Banks	6.093.940	-	-	6.093.940
Money Market Placements	1.258.647	-	-	1.258.647
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	10.085.985	-	-	10.085.985
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	-	17.089.549	-	17.089.549
Financial Assets Measured at Amortised Cost	-	21.727.169	-	21.727.169
Derivative Financial Assets	361.921	-	-	361.921
Non – Performing Financial Assets	-	-	-	-
Expected Credit Losses (-)	-	23.511	(7.229)	16.282
Financial Assets Available for Sale (Net)	17.089.549	(17.089.549)	-	-
Investments Held to Maturity (Net)	21.727.169	(21.727.169)	-	-
Hedging Derivative Financial Assets	-	-	-	-
Loans (Net)	203.464.477	(2.134.958)	319.910	201.649.429
Loans	202.137.152	-	-	202.137.152
Performing Loans	197.034.016	-	-	197.034.016
Loans Under Follow up	5.103.136	-	-	5.103.136
Lease Receivables	-	-	-	-
Factoring Receivables	-	-	-	-
Non – performing Receivables	6.106.597	-	-	6.106.597
Expected Credit Losses (-)*	4.779.272	2.134.958	(319.910)	6.594.320
12 Month ECL (Stage 1)	-	2.034.368	(1.104.897)	929.471
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	100.590	665.999	766.589
Lifetime ECL Impaired Credits (Stage 3/Special Provision)	4.779.272	-	118.988	4.898.260
Assets Held for Sale and Assets of Discontinued Operations (Net)	-	-	-	-
Equity Investments	3.959.500			3.959.500
Associates (Net)	332.792	-	-	332.792
Subsidiaries (Net)	3.626.708	-	-	3.626.708
Joint Ventures (Net)	-	-	-	-
Tangible Assets (Net)	2.535.779	-	-	2.535.779
Intangible Assets (Net)	113.685	-	-	113.685
Investment Properties (Net)	358.574	-	-	358.574
Current Tax Asset	-	-	-	-
Deferred Tax Assets	-	-	-	-
Other Assets	1.928.383	-	-	1.928.383
TOTAL ASSETS	305.350.648	(2.158.469)	327.139	303.519.318

*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)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Effects on Equity with TFRS 9 Transition

The Bank reflected the classification, measurement and impairment requirements to opening equity without restating previous period financial statements. In this respect, TRY 291.685 arising between the provision for impairments of the previous period of the Bank 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 412.849 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.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

As of 1 January 2018, the Bank 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 Bank 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 Bank 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 Bank 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 Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Bank 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 Bank 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 Bank expects to collect, with the initial effective interest rate. The Bank 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 Bank 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)

VII. 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 bank or in other words it can not repay its debts to the bank. 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 bank if the credit defaults. In the case of the credit defaults and the Bank 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 Bank 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 Bank 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 Bank 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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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. 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 Article 90 of 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 Bank and to the Bank’s consolidated financial subsidiaries without using guarantees
- b) Considering that a debt having past due more than 90 days to the 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 Bank 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 Bank’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.

VIII. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IX. 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 Bank’s portfolio and they are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under “Funds 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.

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

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

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

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

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

As of 1 April 2015, the Bank adopted the revaluation method for buildings in tangible assets in accordance with Turkish Accounting Standard No: 16 “Property, Plant and Equipment” (TAS 16). Expertise values determined by independent appraisal companies are reflected to the financial statements. Revaluation differences are recorded in “Accumulated Other Comprehensive Income or Loss Not Reclassified through Profit or Loss” under the shareholders’ equity.

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

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

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

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

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

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

Classification of Investment Properties:

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

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

XIII. EXPLANATIONS ON INVESTMENT PROPERTIES

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVI. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVII. 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 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. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

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

Bahrain

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

XIX. EXPLANATIONS ON SHARES ISSUED

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

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

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

XX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXII. EXPLANATIONS ON SEGMENT REPORTING

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXIII. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD (CONTINUED)

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 Bank as investments held to maturity; however, they cannot be classified under this classification for two years for not satisfying the requirements of the related classification.

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)

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

For loans and receivables; the Bank's management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the related loans are classified in accordance with legislation on "Determining the Nature of Loans and Receivables and Principles and Procedures on the Allocation of Loan and Receivable Provisions (Communiqué)" published in the Official Gazette numbered 26333 and dated 1 November 2006. The Bank does not book provisions for the non-performing loans recognized before 1 January 2008 with the minimum rates defined in the related regulation and allocates specific provision for such loan amounts in full and they are recognized in the statement of income. Bank sets specific provision for non-performing loans recognized after 1 January 2008 through deducting the collateral amount, calculated in accordance with the respective coefficient rates defined in the Article 10 of the related legislation, from the follow-up amount and setting provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount excluding the surety type of collaterals defined in the Article 9 of the related legislation. Unindemnified and not reimbursed non-cash loans extended to follow-up entities are added to the follow-up risk amount after conversion by credit conversion rates defined in the Communiqué. The Bank sets provision between 20% and 100% by taking the minimum rates in the Communiqué into consideration for the outstanding follow-up risk amount that are calculated by deducting the collateral amount, and calculated in accordance with the related coefficient rates defined in the Article 10 of the related legislation. Collections made related to those loans are offset against the principal, and interest collections are recognized under the "Interest Received from Non-performing Loans" item of the income statement.

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

XXIV 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 CAPITAL

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 March 2018, the Group's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 13,37% (31 December 2017: 14,18%), The equity is calculated as TRY 29.219.635 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2017: TRY 28.481.912).

	Current Period 31 March 2018	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	16.771.191	
Other Comprehensive Income according to TAS	1.927.306	
Profit	5.220.188	
Current Period Profit	790.192	
Prior Period Profit	4.429.996	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.711	
Common Equity Tier 1 Capital Before Deductions	26.397.847	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital		
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	
Leasehold Improvements on Operational Leases (-)	54.610	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	103.758	103.758
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	158.368	
Total Common Equity Tier I Capital	26.239.479	

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

I. EXPLANATIONS ON CAPITAL (continued)

ADDITIONAL TIER I CAPITAL	-
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
Items to be Deducted from Tier I Capital during the Transition Period	-
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+Additional Tier I Capital)	26.239.479
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.000.000
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	1.992.122
Tier II Capital Before Deductions	2.992.122
Deductions From Tier II Capital	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	2.992.122
Total Equity (Total Tier I and Tier II Capital)	29.231.601
Deductions from Total Capital	29.219.635
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be defined by the BRSA (-)	11.956

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

I. EXPLANATIONS ON CAPITAL (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	29.219.635
Total Risk Weighted Assets	218.474.844
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	12,01
Tier I Capital Ratio (%)	12,01
Capital Adequacy Ratio (%)	13,37
BUFFERS	
Bank-specific total CET1 Capital Ratio	7,139
Capital Conservation Buffer Ratio (%)	1,875
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,014
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	5,366
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	348.561
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	672.443
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)	1.992.122
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	1.992.122
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 CAPITAL (continued)

	Prior Period	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	16.883.534	
Other Comprehensive Income according to TAS	2.288.581	
Profit	3.725.462	
Current Period Profit	3.725.462	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.711	
Common Equity Tier 1 Capital Before Deductions	25.376.739	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital		
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	
Leasehold Improvements on Operational Leases (-)	55.786	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	90.948	113.685
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier 1 Capital	146.734	
Total Common Equity Tier 1 Capital	25.230.005	

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I. EXPLANATIONS ON CAPITAL (continued)

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
Items to be Deducted from Tier I Capital during the Transition Period	22.737
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	22.737
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	25.207.268
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.000.000
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.288.701
Total Deductions from Tier II Capital	3.288.701
Deductions from Tier II Capital	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	3.288.701
Total Equity (Total Tier I and Tier II Capital)	28.495.969
Total Tier I Capital and Tier II Capital (Total Equity)	28.481.912
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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I. EXPLANATIONS ON CAPITAL (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)	28.481.912
Total Risk Weighted Assets	200.865.817
CAPITAL ADEQUACY RATIOS	
CET1 Capital Ratio (%)	12,56
Tier I Capital Ratio (%)	12,55
Capital Adequacy Ratio (%)	14,18
BUFFERS	
Bank-specific total CET1 Capital Ratio	6,262
Capital Conservation Buffer Ratio (%)	1,25
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,012
Systemic Bank Buffer Ratio (%)	0,500
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	6,180
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	57.414
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	326.472
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	230.261
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.288.701
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.288.701
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
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 tangible assets 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 CAPITAL (continued)

3) 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 Bank for the thirty days before 31 March 2018 are as follows:

	Buying rate of exchange
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	7.777.081	12.870.134	5.037.972	25.685.187
Banks	1.018.072	3.442.237	241.905	4.702.214
Financial assets at fair value through profit and loss ⁽³⁾	39	79	109	227
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income ⁽⁵⁾	446.547	5.122.716	-	5.569.263
Loans ⁽²⁾	36.241.264	32.327.549	631.216	69.200.029
Subsidiaries, associates and entities under common control ⁽⁵⁾	335.423	-	676.102	1.011.525
Financial assets measured at amortised cost	-	2.597.617	-	2.597.617
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	95	95
Intangible assets	-	-	-	-
Other assets ⁽³⁾	42.113	731.873	12.311	786.297
Total assets	45.860.539	57.092.205	6.599.710	109.552.454
Liabilities				
Bank deposits	5.814.738	5.358.959	800.122	11.973.819
Foreign currency deposits	33.196.321	30.341.538	2.572.363	66.110.222
Money market balances	-	7.886.173	-	7.886.173
Funds provided from other financial institutions	6.377.291	8.554.625	12.869	14.944.785
Bonds issued	-	8.942.564	-	8.942.564
Sundry creditors	105.978	90.261	958	197.197
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	300.504	243.410	61.606	605.520
Total liabilities	45.794.832	61.417.530	3.447.918	110.660.280
Net balance sheet position	65.707	(4.325.325)	3.151.792	(1.107.826)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	(637.074)	4.636.941	(2.486.142)	1.513.725
Financial derivative assets ⁽⁴⁾	1.091.650	8.588.237	934.477	10.614.364
Financial derivative liabilities ⁽⁴⁾	1.728.724	3.951.296	3.420.619	9.100.639
Non-cash loans ⁽¹⁾	13.813.346	17.016.747	1.610.691	32.440.784
Prior period				
Total assets	40.389.094	57.961.241	6.047.695	104.398.030
Total liabilities	41.069.948	60.744.843	3.540.566	105.355.357
Net balance sheet position	(680.854)	(2.783.602)	2.507.129	(957.327)
Net off-balance sheet position				
Financial derivative assets	249.023	2.546.085	(2.001.930)	793.178
Financial derivative assets	1.071.425	5.978.381	1.242.307	8.292.113
Financial derivative liabilities	822.402	3.432.296	3.244.237	7.498.935
Non-cash loans ⁽¹⁾	12.468.340	16.381.903	1.462.430	30.312.673

⁽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.

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", prepaid expenses (TRY 104) in assets; and shareholders' equity (TRY 146.889) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 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.

⁽⁵⁾ Other foreign currency subsidiaries Halkbank A.D. Beograd (TRY 269.648) and Halk Banka AD Skopje (TRY 406.454), and Euro foreign currency associate Demir-Halk Bank NV (TRY 335.423) are included.

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

III. EXPLANATIONS ON INTEREST RATE RISK

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

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

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

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

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	20.890.874	-	-	-	-	14.493.557	35.384.431
Banks and financial institutions	3.527.056	500.000	4.000	-	-	1.264.320	5.295.376
Financial assets at fair value through profit and loss	75.809	5.840	5.491	30.151	61	10.000.429	10.117.781
Money market placements	3.832.989	-	-	-	-	4.658	3.837.647
Financial assets at fair value through other comprehensive income	166.817	4.922.244	1.585.288	4.617.916	6.539.885	123.593	17.955.743
Loans	99.623.151	38.005.592	36.508.189	30.508.152	7.818.540	2.920.365	215.383.989
Financial assets measured at amortised cost	808.041	12.305.098	926.001	3.291.446	4.506.339	-	21.836.925
Other assets ⁽⁴⁾	4.884	2.246	10.315	31.866	3.163	10.275.396	10.327.870
Total assets	128.929.621	55.741.020	39.039.284	38.479.531	18.867.988	39.082.318	320.139.762
Liabilities							
Bank deposits	10.250.550	3.738.868	323.734	-	-	5.126.609	19.439.761
Other deposits	102.418.251	39.996.504	11.243.634	253.821	2.224	26.873.205	180.787.639
Money market balances	41.801.279	100.889	1.589.825	-	-	39.740	43.531.733
Sundry creditors	1.799.404	-	-	-	-	1.905.899	3.705.303
Bonds issued	328.488	2.631.024	445.494	8.860.399	-	82.165	12.347.570
Funds provided from other financial institutions ⁽³⁾	1.992.318	1.202.097	8.851.928	2.113.613	1.108.247	133.428	15.401.631
Other liabilities ^{(1),(2)}	1.200.217	2.472.803	10.000.429	-	-	31.252.676	44.926.125
Total liabilities	159.790.507	50.142.185	32.455.044	11.227.833	1.110.471	65.413.722	320.139.762
Balance sheet long position	-	5.598.835	6.584.240	27.251.698	17.757.517	-	57.192.290
Balance sheet short position	(30.860.886)	-	-	-	-	(26.331.404)	(57.192.290)
Off-balance sheet long position	631.200	3.310.141	899.504	852.871	1.997.019	11.513.092	19.203.827
Off-balance sheet short position	(197.250)	(3.467.941)	(277.460)	(1.574.831)	(1.997.019)	(11.463.542)	(18.978.043)
Total position	(30.426.936)	5.441.035	7.206.284	26.529.738	17.757.517	(26.281.854)	225.784

⁽¹⁾ TRY 267.888 of deferred tax liability is disclosed under the non-bearing interest column in other assets.

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

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

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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	-	-	-	-	10.218.493	36.373.039
Banks and financial institutions	5.050.173	-	4.000	-	-	1.039.767	6.093.940
Financial assets at fair value through profit and loss	70.107	1.503	13.667	253	27	10.362.349	10.447.906
Money market placements	1.255.978	-	-	-	-	2.669	1.258.647
Financial assets available-for-sale	220.218	3.279.889	1.744.195	4.311.486	7.409.955	123.806	17.089.549
Loans	91.735.652	22.798.262	46.177.314	30.756.615	7.754.680	2.914.629	202.137.152
Held-to-maturity investments	255.657	8.649.762	1.495.694	4.442.939	6.883.117	-	21.727.169
Other assets ⁽⁴⁾	4.376	3.314	10.234	34.334	4.657	10.166.331	10.223.246
Total assets	124.746.707	34.732.730	49.445.104	39.545.627	22.052.436	34.828.044	305.350.648
Liabilities							
Bank deposits	13.009.651	2.077.415	198.569	-	-	3.865.737	19.151.372
Other deposits	98.453.291	36.086.448	13.653.224	282.997	2.565	25.597.172	174.075.697
Money market balances	33.517.186	1.046.179	-	-	-	44.619	34.607.984
Sundry creditors	1.668.238	-	-	-	-	1.889.108	3.557.346
Bonds issued	674.164	1.940.081	99.514	8.510.538	-	130.367	11.354.664
Funds provided from other financial institutions ⁽³⁾	735.425	5.585.548	7.336.160	2.147.154	1.087.198	126.633	17.018.118
Other liabilities ⁽¹⁾⁽²⁾	1.325.846	2.398.788	10.000.429	-	-	31.860.404	45.585.467
Total liabilities	149.383.801	49.134.459	31.287.896	10.940.689	1.089.763	63.514.040	305.350.648
Balance sheet long position	-	-	18.157.208	28.604.938	20.962.673	-	67.724.819
Balance sheet short position	(24.637.094)	(14.401.729)	-	-	-	(28.685.996)	(67.724.819)
Off-balance sheet long position	379.000	568.500	2.919.781	819.361	1.902.329	8.888.422	15.477.393
Off-balance sheet short position	-	(568.500)	(2.532.191)	(1.424.801)	(1.902.329)	(8.935.077)	(15.362.898)
Total position	(24.258.094)	(14.401.729)	18.544.798	27.999.498	20.962.673	(28.732.651)	114.495

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

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

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

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

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

2. Average interest rates applied to financial instruments:

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	1,25	-	4,00
Due from other banks and financial institutions ⁽¹⁾	0,17	1,67	-	13,85
Financial assets at fair value through profit and loss	0,26	0,51	-	10,37
Money market placements	-	-	-	12,75
Financial assets at fair value through other comprehensive income	4,64	5,48	-	11,77
Loans ⁽²⁾	4,83	6,56	0,84	13,36
Financial assets measured at amortised cost	-	5,88	-	12,49
Liabilities				
Bank deposits	1,53	4,34	0,10	11,01
Other deposits ⁽⁴⁾	1,71	3,54	0,25	11,82
Money market borrowings	-	2,47	-	11,41
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	13,77
Funds provided from other financial institutions	0,73	3,22	0,84	6,95

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 three 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	-	13,25
Financial assets at fair value through profit and loss	1,10	1,86	-	9,17
Money market placements	-	-	-	12,75
Available-for-sale financial assets	4,65	5,46	-	15,15
Loans ⁽²⁾	4,79	6,42	0,84	13,12
Held-to-maturity investments	-	5,89	-	18,35
Liabilities				
Bank deposits	1,68	4,24	0,10	10,67
Other deposits ⁽⁴⁾	1,71	3,50	0,25	12,02
Money market borrowings	-	2,43	-	12,74
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	12,95
Funds provided from other financial institutions	0,83	2,97	0,84	6,95

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

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

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

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

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

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

IV. EXPLANATIONS ON THE POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Comparison		Market Value	Capital Requirements
	Balance Sheet Value	Fair Value Change		
Investment in Shares-Grade A Quoted Securities ⁽¹⁾	531.166	531.166	531.166	42.493
Investment in Shares-Grade B Quoted Securities	-	-	-	-
Investment in Shares-Grade C Quoted Securities	-	-	-	-
Investment in Shares- Grade D ⁽²⁾	426.657	426.657	-	34.133
Other	3.143.295	3.127.492	-	293.291

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

⁽²⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

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

Portfolio	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 ^{(1) (2)}	-	263.266	263.266	-	-	-
3. Other share certificates	-	1.382.928	1.382.928	-	-	-
Total	-	1.646.194	1.646.194	-	-	-

⁽¹⁾ In accordance with the Capital Markets Board's "Communiqué on Obtaining Registration of Shares and Sale of Shares", Series I, No. 40; the shares of Halk Sigorta AŞ are traded on the Borsa Istanbul AŞ Free Trading Platform. The fair value of Halk Sigorta AŞ was determined by the valuation report prepared by an independent valuation company.

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

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

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

The Bank's purpose is to have the level of liquidity to meet its obligations and commitments, which are due under the Bank liquidity planning program and aim to reach a reasonable cost with necessary liquidity. The liquidity gap analysis on the maturity remained day basis and projected ratios stated in "Liquidity Emergency Plan (LAEP)" are followed within the scope of liquidity risk measurement under this purpose. The Bank's liquidity risk are digitized by daily follow-ups with first and second degree warnings for determined ratios relating to balance-sheet, liquidity deficit in all maturity gap and the Bank's position against such ratios.

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

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

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

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

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

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

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

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

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

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

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

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Week	(%)	Related Week	(%)
Maximum	26.03.2018	123,25	01.01.2018	116,93
	01.04.2018		07.01.2018	
Minimum	08.01.2018	113,62	26.03.2018	98,86
	14.01.2018		01.04.2018	

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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			46.797.137	22.124.902
Cash Outflows				
Retail and Small Business Customers, of which;	90.094.948	30.738.680	7.850.555	3.073.868
Stable Deposits	23.178.794	-	1.158.940	-
Less Stable Deposits	66.916.154	30.738.680	6.691.615	3.073.868
Unsecured wholesale funding , of which;	81.960.962	35.476.120	44.450.180	21.060.684
Operational Deposits	1.847.102	33.441	461.776	8.360
Non-operational Deposits	73.857.764	32.390.228	38.324.429	18.322.565
Other Unsecured Funding	6.256.096	3.052.451	5.663.975	2.729.759
Secured Funding			-	-
Other cash outflows, of which;	5.656.644	3.105.774	2.593.416	1.592.651
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	39.694	355.516	39.694	355.516
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	5.616.950	2.750.258	2.553.722	1.237.135
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	78.334.597	28.510.012	6.146.120	2.274.815
Total Cash Outflows			61.040.271	28.002.018
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	23.697.724	10.199.834	16.564.939	9.211.481
Other Cash Inflows	-	-	-	-
Total Cash Inflows	23.697.724	10.199.834	16.564.939	9.211.481
			Total Adjusted Value	
Total HQLA Stock			46.797.137	22.124.902
Total Net Cash Outflows			44.475.332	18.790.537
Liquidity Coverage Ratio (%)			105,38%	117,88%

⁽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			42.608.988	26.685.146
Cash Outflows				
Retail and Small Business Customers, of which;	91.173.619	34.600.675	7.950.079	3.460.068
Stable Deposits	23.345.656	-	1.167.283	-
Less Stable Deposits	67.827.963	34.600.675	6.782.796	3.460.068
Unsecured wholesale funding , of which;	77.605.222	36.568.784	42.389.795	21.631.394
Operational Deposits	1.213.026	18.620	303.257	4.655
Non-operational Deposits	70.411.775	33.102.269	37.023.049	18.907.154
Other Unsecured Funding	5.980.421	3.447.895	5.063.489	2.719.585
Secured Funding			-	-
Other cash outflows, of which;	5.377.746	3.152.691	2.468.276	1.635.734
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	45.403	392.995	45.403	392.995
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	5.332.343	2.759.696	2.422.873	1.242.739
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	76.855.216	28.709.981	5.963.044	2.296.340
Total Cash Outflows			58.771.194	29.023.536
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	27.242.440	14.370.514	20.306.320	13.051.159
Other Cash Inflows	-	-	-	-
Total Cash Inflows	27.242.440	14.370.514	20.306.320	13.051.159
			Total Adjusted Value	
Total HQLA Stock			42.608.988	26.685.146
Total Net Cash Outflows			38.464.874	15.972.377
Liquidity Coverage Ratio (%)			111,13%	171,91%

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

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

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

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	2.241.384	33.142.746	-	301	-	-	-	35.384.431
Banks	1.494.787	3.293.110	501.731	5.748	-	-	-	5.295.376
Financial assets at fair value through profit and loss	-	75.809	5.840	10.005.920	30.151	61	-	10.117.781
Money market placements	-	3.837.647	-	-	-	-	-	3.837.647
Financial assets at fair value through other comprehensive income	-	6.555	421.327	1.501.382	6.659.201	9.243.685	123.593	17.955.743
Loans ⁽²⁾	1.763.177	14.098.728	16.629.984	62.076.152	93.088.601	27.727.347	-	215.383.989
Financial assets at measured at amortised cost	-	-	948.844	1.054.644	10.272.820	9.560.617	-	21.836.925
Other assets ⁽²⁾	3.785	197.865	254.395	25.107	31.866	3.163	9.811.689	10.327.870
Total assets	5.503.133	54.652.460	18.762.121	74.669.254	110.082.639	46.534.873	9.935.282	320.139.762
Liabilities								
Bank deposits	5.082.497	10.283.661	3.746.748	326.855	-	-	-	19.439.761
Other deposits	25.741.854	103.005.204	40.322.952	11.449.504	265.901	2.224	-	180.787.639
Funds provided from other financial institutions ⁽³⁾	46	1.834.841	741.434	6.229.288	4.122.220	2.473.802	-	15.401.631
Money market balances	-	41.830.143	100.953	1.600.637	-	-	-	43.531.733
Bonds issued	-	328.488	2.661.349	497.334	8.860.399	-	-	12.347.570
Sundry creditors	670	1.460.204	4.570	82.969	1.723.429	5.812	427.649	3.705.303
Other liabilities ⁽¹⁾	26.814	2.491.376	672.012	10.141.124	254.532	3.263.004	28.077.263	44.926.125
Total liabilities	30.851.881	161.233.917	48.250.018	30.327.711	15.226.481	5.744.842	28.504.912	320.139.762
Liquidity gap	(25.348.748)	(106.581.457)	(29.487.897)	44.341.543	94.856.158	40.790.031	(18.569.630)	-
Net off balance sheet position								
Derivative financial assets	-	22.911	20.152	(2.669)	185.390	-	-	225.784
Derivative financial liabilities	-	6.670.202	2.729.946	3.180.281	2.629.359	3.994.039	-	19.203.827
Non-cash loans	9.367.097	2.158.761	5.054.454	14.501.032	12.520.044	20.708.737	-	64.310.125
Prior Period								
Total Assets	5.149.058	53.158.727	13.867.852	73.329.452	104.264.045	46.619.908	8.961.606	305.350.648
Total Liabilities	28.397.362	150.468.979	44.118.006	35.517.499	14.790.779	5.774.906	26.283.117	305.350.648
Liquidity Gap	(23.248.304)	(97.310.252)	(30.250.154)	37.811.953	89.473.266	40.845.002	(17.321.511)	-
Net off balance sheet position								
Derivative financial assets	-	(29.806)	(20.208)	11.949	152.560	-	-	114.495
Derivative financial liabilities	-	5.298.182	1.371.077	2.606.753	2.396.724	3.804.657	-	15.477.393
Non-cash loans	19.842.448	2.091.386	4.521.027	18.586.996	12.401.691	1.091.100	-	58.534.648

⁽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 ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance Sheet Items		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	307.323.625	299.192.752
Assets that are deducted from core capital	(160.918)	(157.786)
Total on balance sheet exposures	307.162.707	299.034.966
Derivative exposures and credit derivatives		
Replacement cost associated with derivative financial instruments and credit derivatives	410.664	445.528
The potential amount of credit risk with derivative financial instruments and credit derivatives	213.984	228.995
The total amount of risk on derivative financial instruments and credit derivatives	624.648	674.523
Investment securities or commodity collateral financing transactions		
The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.176.541	1.100.207
Risk amount of exchange brokerage operations	-	-
Total risks related with securities or commodity financing transactions	1.176.541	1.100.207
Off -Balance Sheet Items		
Gross notional amount of off-balance sheet items	85.776.749	85.128.086
Adjustments for conversion to credit equivalent amounts	-	-
The total risk of off-balance sheet items	85.776.749	85.128.086
Capital and Total Exposures		
Tier 1 Capital	26.219.637	24.481.121
Total Exposures	394.740.645	385.937.782
Leverage Ratio		
Leverage Ratio	6,64%	6,34 %

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

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

VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

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

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

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

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

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

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

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

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money market transactions,
- Rendering insurance agency transactions and individual pension services,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement organised by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments in the secondary market for the purpose of performing intermediary services,
- Acting as an operator in order to provide risk management systems related to technical support and consulting services,
- Providing technical support and consulting services to Bank's subsidiaries,
- Acting as a custodian in order to keep client's assets related to individual portfolio management of portfolio management companies,
- 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	Corporate	Commercial	SME/ Integrated	Treasury / Investment	Total
OPERATING INCOME / EXPENSES					
Interest income	666.362	1.040.946	4.045.300	1.173.595	6.926.203
<i>Interest on loans</i>	665.910	1.040.860	3.958.771	64.313	5.729.854
<i>Interest income on marketable securities</i>	-	-	79.440	976.765	1.056.205
<i>Interest received from banks</i>	-	-	-	84.640	84.640
<i>Other interest income</i>	452	86	7.089	47.877	55.504
Interest expense	497.612	230.814	2.839.946	1.388.454	4.956.826
<i>Interest on deposits</i>	494.432	224.134	2.766.163	305.351	3.790.080
<i>Interest on borrowings</i>	81	1.638	6.888	93.067	101.674
<i>Interest on money market borrowings</i>	-	-	30.753	737.211	767.964
<i>Interest on marketable bonds issued</i>	-	-	-	234.389	234.389
<i>Other interest expense</i>	3.099	5.042	36.142	18.436	62.719
Net interest income	168.750	810.132	1.205.354	(214.859)	1.969.377
Net fees and commissions income	66.598	60.152	201.934	77.688	406.372
Net trading profit / (loss)	425	1.371	126.235	(97.979)	30.052
Dividend income	-	-	-	85	85
Other income	27.665	78.718	99.902	41.427	247.712
Expected credit loss	31.847	(2.035)	267.937	165.621	463.370
Other expenses	7.954	18.801	506.300	665.337	1.198.392
Income before taxes	223.637	933.607	859.188	(1.024.596)	991.836
Income tax provision	-	-	-	(201.644)	(201.644)
Net profit for the period	223.637	933.607	859.188	(1.226.240)	790.192
SEGMENT ASSETS					
Marketable securities	-	-	5.705.969	44.204.480	49.910.449
Derivative financial assets	-	-	61.324	401.917	463.241
Banks and money market receivables	-	-	564	9.132.459	9.133.023
Associates and subsidiaries (net)	-	-	-	4.085.315	4.085.315
Loans	33.159.201	43.758.842	135.643.217	2.822.729	215.383.989
Other assets ⁽¹⁾	88.223	650.432	2.058.566	38.366.524	41.163.745
TOTAL ASSETS	33.247.424	44.409.274	143.469.640	99.013.424	320.139.762
SEGMENT LIABILITIES					
Deposits	29.984.154	16.337.060	141.308.938	12.597.248	200.227.400
Derivative financial liabilities	-	-	27.792	83.391	111.183
Money market balances	-	-	4.185.978	39.345.755	43.531.733
Borrowing funding loans	7.197	216.767	979.232	14.198.435	15.401.631
Bonds issued	-	-	-	12.347.570	12.347.570
Other liabilities	297.245	374.458	6.614.178	12.429.621	19.715.502
Provisions and tax payable	50.875	88.329	268.131	1.999.561	2.406.896
Shareholders' equity	915.687	3.457.399	4.680.044	17.344.717	26.397.847
TOTAL LIABILITIES	31.255.158	20.474.013	158.064.293	110.346.298	320.139.762
OFF BALANCE SHEET ITEMS					
Guarantees and sureties	17.683.601	15.904.337	18.881.537	11.840.650	64.310.125
Commitments	63.208	897.310	10.545.109	12.703.843	24.209.470
Derivative financial instruments	-	-	7.324.739	30.857.131	38.181.870

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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)

Prior Period	Corporate	Commercial	SME/ Integrated	Treasury / Investment ⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	485.859	669.065	2.903.774	1.112.707	5.171.405
Interest on loans	485.469	668.325	2.845.615	64.169	4.063.578
Interest income on marketable securities	-	-	48.982	978.113	1.027.095
Interest received from banks	-	-	3.060	35.974	39.034
Other interest income	390	740	6.117	34.451	41.698
Interest expense	347.818	98.908	1.508.498	934.555	2.889.779
Interest on deposits	347.501	87.053	1.463.639	238.819	2.137.012
Interest on borrowings	180	1.572	7.214	90.487	99.453
Interest on money market borrowings	-	-	10.437	417.567	428.004
Interest on marketable bonds issued	-	-	-	187.640	187.640
Other interest expense ⁽²⁾	137	10.283	27.208	42	37.670
Net interest income	138.041	570.157	1.395.276	178.152	2.281.626
Net fees and commissions income	58.502	105.337	264.509	109.075	537.423
Net trading profit / (loss)	-	-	-	69.777	69.777
Dividend income	-	-	-	52	52
Other income	24.330	23.503	83.786	17.701	149.320
Impairment losses on loans and other receivables	1.347	216.661	166.169	86.510	470.687
Other expenses	7.871	16.471	420.848	575.827	1.021.017
Income before taxes	211.655	465.865	1.156.554	(287.580)	1.546.494
Income tax provision	-	-	-	(327.326)	(327.326)
Net profit for the period	211.655	465.865	1.156.554	(614.906)	1.219.168
SEGMENT ASSETS					
Marketable securities	-	-	5.489.437	43.413.266	48.902.703
Derivative financial assets held for trading	-	-	79.852	282.069	361.921
Banks and money market receivables	-	-	289	7.352.298	7.352.587
Associates and subsidiaries (net)	-	-	-	3.959.500	3.959.500
Loans	30.705.417	41.267.495	127.277.838	4.213.727	203.464.477
Other assets	90.690	264.257	1.885.260	39.069.253	41.309.460
TOTAL ASSETS	30.796.107	41.531.752	134.732.676	98.290.113	305.350.648
SEGMENT LIABILITIES					
Deposits	30.068.341	16.011.238	136.068.623	11.078.867	193.227.069
Derivative financial liabilities held for trading	-	-	46.160	104.362	150.522
Money market balances	-	-	4.140.748	30.467.236	34.607.984
Borrowing funding loans	9.973	233.252	954.275	15.820.618	17.018.118
Bonds issued	-	-	-	11.354.664	11.354.664
Other liabilities	286.437	379.543	6.336.644	11.964.753	18.967.377
Provisions and tax payable	57.741	88.335	252.213	4.249.886	4.648.175
Shareholders' equity	767.670	2.565.774	4.065.401	17.977.894	25.376.739
TOTAL LIABILITIES	31.190.162	19.278.142	151.864.064	103.018.280	305.350.648
OFF BALANCE SHEET ITEMS					
Guarantees and sureties	15.680.596	13.990.756	17.241.640	11.621.656	58.534.648
Commitments	63.996	878.037	10.134.667	12.918.994	23.995.694
Derivative financial instruments	-	-	6.914.990	23.925.301	30.840.291

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

Regarding the risk management structure; The Internal Audit Department, Internal Control Department and Risk Management Department, which are units within the scope of internal systems, carry out their activities in accordance with the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process published in the Official Gazette No. 29057 dated 11 June 2014 and subject to the Board of Directors through the Audit Committee. The Financial Crimes Investigation Board (MASAK) Compliance Unit is directly affiliated to the Audit Committee. The structure of the internal systems determines the level of risk by identifying the risks that the bank is exposed to. In this direction, the relevant units are responsible for monitoring, controlling and reporting risks, limited to their areas of responsibility. Outside of internal systems, Top Management is directly responsible to the Board of Directors for the risks to which the Bank is exposed in relation to its duties.

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

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

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

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

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

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

Explanations Related To Risk Management (continued)

Overview of RWA:

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	195.709.720	182.074.573	15.656.778
2	Standardized approach (SA)	195.709.720	182.074.573	15.656.778
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	2.225.736	1.946.444	178.059
5	Standardized approach for counterparty credit risk (SA-CCR)	2.225.736	1.946.444	178.059
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach (*)	-	-	-
10	Investments made in collective investment companies - %1250 weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	3.500.175	3.230.950	280.014
17	Standardized approach (SA)	3.500.175	3.230.950	280.014
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	16.167.810	12.797.670	1.293.425
20	Basic Indicator Approach	16.167.810	12.797.670	1.293.425
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	871.403	816.180	69.712
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	218.474.844	200.865.817	17.477.988

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

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

	Current period	
	TRY	FC
Cash and foreign currency	971.598	1.268.926
CBRT	8.727.646	24.416.171
Other	-	90
Total	9.699.244	25.685.187

	Prior period	
	TRY	FC
Cash and foreign currency	1.154.853	964.263
CBRT	11.762.459	22.491.457
Other	-	7
Total	12.917.312	23.455.727

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%-10,5% for TRY deposits and other liabilities between 4%-24% for FC deposits for other FC liabilities. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to TRY and FC reserves.

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 UNCONSOLIDATED 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.

(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	10.000.429	-
Toplam:	10.000.429	-

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	10.000.429	-
Toplam:	10.000.429	-

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

None.

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

	Current Period	
	TRY	FC
Forward transactions	-	100.976
Swap transactions	-	361.991
Futures transactions	-	-
Options	20	254
Other	-	-
Total	20	463.221

	Prior Period	
	TRY	FC
Forward transactions	-	43.495
Swap transactions	-	318.246
Futures transactions	-	-
Options	118	62
Other	-	-
Total	118	361.803

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period	
	TRY	FC
Banks		
Domestic banks	506.356	3.042.971
Foreign banks	86.806	1.659.243
Branches and offices abroad	-	-
Total	593.162	4.702.214
	Prior Period	
	TRY	FC
Banks		
Domestic banks	504.964	4.126.213
Foreign banks	75.554	1.387.209
Branches and offices abroad	-	-
Total	580.518	5.513.422

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

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

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

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	11.650.432	1.483.008
Total	11.650.432	1.483.008
	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	10.936.493	1.045.607
Total	10.936.493	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

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

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

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

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

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

	Current Period
Debt securities	18.678.404
<i>Quoted on a stock exchange</i>	18.678.404
<i>Not quoted</i>	-
Share certificates	154.276
<i>Quoted on a stock exchange</i>	121.190
<i>Not quoted</i>	33.086
Impairment provision(-)	876.937
Total	17.955.743

	Prior Period
Debt securities	17.335.998
<i>Quoted on a stock exchange</i>	17.335.998
<i>Not quoted</i>	-
Share certificates	150.865
<i>Quoted on a stock exchange</i>	117.779
<i>Not quoted</i>	33.086
Impairment provision(-)	397.314
Total	17.089.549

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

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

(5) Information on loans:

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

	Current period	
	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	279.626	-
Total	279.626	-
	Prior period	
	Cash loans	Cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	252.835	-
Total	252.835	-

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		Refinance
		Loans and Receivables with Revised Contract		
		Terms		
Non-specialized loans	169.254.798	3.303.407	27.916	3.493.236
<i>Corporation loans</i>	117.177.345	2.554.958	-	3.330.714
<i>Export loans</i>	4.121.272	19.095	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	2.851.511	-	-	-
<i>Consumer loans⁽¹⁾</i>	37.970.209	538.185	27.916	22.625
<i>Credit cards⁽²⁾</i>	4.218.247	104.453	-	78.672
<i>Other</i>	2.916.214	86.716	-	61.225
Specialized lending	35.828.483	555.510	-	245
Other receivables	-	-	-	-
Accruals	2.934.744	360.433	474	126.647
Total	208.018.025	4.219.350	28.390	3.620.128

⁽¹⁾ Includes TRY 217.721 personnel loans.

⁽²⁾ Includes TRY 61.905 personnel credit cards.

⁽³⁾ The Bank has a cash loan exposure of USD 160.040.606 related with the company operating in the telecommunication sector with a key position are classified under "Loans and Other Receivables Under 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.

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

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

(5) Information on loans (continued)

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

	Standard Loans	Loans and Other Receivables Under Close Monitoring
12 Month Expected Credit Losses	1.003.910	-
Significant Increase in Credit Risk	-	784.616

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 UNCONSOLIDATED 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^(*):

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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	2.976.805	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	206	-	206
<i>Installment</i>	-	-	-
<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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	61.844	-	61.844
<i>Installment</i>	21.637	-	21.637
<i>Non-installment</i>	40.207	-	40.207
Personnel credit cards-FC	61	-	61
<i>Installment</i>	-	-	-
<i>Non-installment</i>	61	-	61
Overdraft accounts-TRY (Retail customers)	1.012.305	-	1.012.305
Overdraft accounts-FC (Retail customers)	-	-	-
Total	4.458.427	37.141.035	41.599.462

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

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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 (continued)^(*):

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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	2.931.375	1.900	2.933.275
<i>Installment</i>	1.197.690	-	1.197.690
<i>Non-installment</i>	1.733.685	1.900	1.735.585
Individual credit cards-FC	291	-	291
<i>Installment</i>	-	-	-
<i>Non-installment</i>	291	-	291
Personnel loans-TRY	11.167	179.270	190.437
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	11.167	179.270	190.437
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	62.366	-	62.366
<i>Installment</i>	20.308	-	20.308
<i>Non-installment</i>	42.058	-	42.058
Personnel credit cards-FC	32	-	32
<i>Installment</i>	-	-	-
<i>Non-installment</i>	32	-	32
Overdraft accounts-TRY (Retail customers)	953.999	-	953.999
Overdraft accounts-FC (Retail customers)	-	-	-
Total	4.366.178	36.586.306	40.952.484

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

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

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

(5) Information on loans: (continued)

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

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	-	-	-
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	145.404	13.078.983	13.224.387
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	145.404	13.078.983	13.224.387
<i>Other</i>	-	-	-
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	-	74
<i>Installment</i>	-	-	-
<i>Non-installment</i>	74	-	74
Overdraft accounts-TRY (Commercial customers)	1.544.683	-	1.544.683
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	4.573.284	41.033.209	45.606.493

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

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

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

(5) Information on loans: (continued)

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

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	-	-	-
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	14.226	9.695.831	9.710.057
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	14.226	9.695.831	9.710.057
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.258.098	-	1.258.098
<i>Installment</i>	529.167	-	529.167
<i>Non-installment</i>	728.931	-	728.931
Corporate credit cards-FC	25	-	25
<i>Installment</i>	-	-	-
<i>Non-installment</i>	25	-	25
Overdraft accounts-TRY (Commercial customers)	1.239.335	-	1.239.335
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	3.347.471	36.624.148	39.971.619

(*)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	214.213.516
Foreign loans	1.672.377
Total	215.885.893

	Prior Period
Domestic loans	200.506.312
Foreign loans	1.630.840
Total	202.137.152

f) Loans granted to subsidiaries and associates:

	Current Period
Direct loans granted to subsidiaries and associates	1.145.147
Indirect loans granted to subsidiaries and associates	
Total	1.145.147

	Prior Period
Direct loans granted to subsidiaries and associates	967.161
Indirect loans granted to subsidiaries and associates	
Total	967.161

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

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

(5) Information on loans (continued):

g) Credit-impaired losses (Stage III):

	Current Period
Loans and receivables with limited collectability	240.220
Loans and receivables with doubtful collectability	403.706
Uncollectible loans and receivables	4.334.238
Total	4.978.164
	Prior Period
Specific provisions	
Loans and receivables with limited collectability	342.250
Loans and receivables with doubtful collectability	471.850
Uncollectible loans and receivables	3.965.172
Total	4.779.272

h) Information on non-performing loans:

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period	16.653	27.084	1.165.597
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured			
Rescheduled loans and other receivables	16.653	27.084	1.165.597
Prior period	38.728	44.727	1.188.583
(Gross amounts before the specific provisions)			
Loans and other receivables which are restructured	38.728	44.727	1.188.583
Rescheduled loans and other receivables			

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	612.816	733.233	4.760.548
Additions (+)	497.964	9.138	23.015
Transfers from other categories of loans under follow-up (+)	-	493.878	450.117
Transfers to other categories of loans under follow-up (-)	518.615	425.380	-
Collections (-)	85.504	65.923	220.501
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	506.661	744.946	5.013.179
Specific provision (-)	240.220	403.706	4.334.238
Net balance on balance sheet	266.441	341.240	678.941

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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	80.562	135.637	1.835.072
Provisions(-)	41.965	76.136	1.636.039
Net balance in the balance sheet	38.597	59.501	199.033
Prior period			
Balance at the end of the period	121.484	174.975	1.784.567
Specific provisions(-)	82.490	139.302	1.148.778
Net balance in the balance sheet	38.994	35.673	635.789

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)			
Loans to granted real persons and legal entities (Gross)	505.629	743.976	4.942.500
Provisions (-)	239.188	402.736	4.263.559
Loans to granted real persons and legal entities (Net)	266.441	341.240	678.941
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	1.032	970	70.679
Provisions (-)	1.032	970	70.679
Other loans and receivables (Net)	-	-	-
Prior period (Net)			
Loans to granted real persons and legal entities (Gross)	611.987	732.308	4.690.496
Specific provisions (-)	341.421	470.925	3.895.120
Loans to granted real persons and legal entities (Net)	270.566	261.383	795.376
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	829	925	70.052
Specific provisions (-)	829	925	70.052
Other loans and receivables (Net)	-	-	-

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

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

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)	22.731	4	13
Interest Accruals and Valuation			
Differences	39.940	9	19
Provision (-)	17.209	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 Bank recently collects some of its receivables by acquiring debtor properties in consideration of collaterals given to loans granted.

k) Explanations on write-off policy:

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

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

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

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

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

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

	Current Period	
	TRY	FC
Government bonds and similar securities	19.034.803	834.065
Total	19.034.803	834.065

	Prior Period	
	TRY	FC
Government bonds and similar securities	19.108.745	1.333.136
Total	19.108.745	1.333.136

a.2. Financial assets at measured at amortised cost investments 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

	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 debt investments financial assets at measured at amortised cost:

	Current Period
Government bonds	21.836.925
Treasury bills	-
Other public sector debt securities	-
Total	21.836.925

Information on public sector debt investments:

	Prior Period
Government bonds	21.727.169
Treasury bills	-
Other public sector debt securities	-
Total	21.727.169

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

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

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

c) Information on financial assets at measured at amortised cost:

	Current Period
Debt securities	21.836.925
<i>Quoted on a stock exchange</i>	21.836.925
<i>Not quoted</i>	-
Impairment provision (-)	-
Total	21.836.925

	Prior Period
Debt securities	21.727.169
<i>Quoted on a stock exchange</i>	21.727.169
<i>Not quoted</i>	-
Impairment provision (-)	-
Total	21.727.169

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

	Current Period
Beginning balance	21.727.169
Foreign currency differences on monetary assets	100.958
Purchases during the year ⁽¹⁾	363.052
Disposals through sales and redemptions	(354.254)
Impairment provision (-) / provision reversal (+)	-
Balance at the end of the period	21.836.925

⁽¹⁾ Interest income accrual difference between 31 March 2018 amounting to TRY 3.137.971 and 31 December 2017 amounting to TRY 2.894.918 has been included in purchases row.

	Prior Period
Beginning balance	18.156.182
Foreign currency differences on monetary assets	182.819
Purchases during the year ⁽¹⁾	3.735.146
Disposals through sales and redemptions	(346.978)
Impairment provision (-) / provision reversal (+)	-
Balance at the end of the period	21.727.169

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

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

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank's share percentage, if different- voting percentage (%)	Bank's risk group share percentage (%)
1. Demir-Halkbank NV	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ	Ankara/Turkey	31,47	33,12
3. Kredi Kayıt Bürosu AŞ	Istanbul/Turkey	18,18	18,18
4. Bankalararası Kart Merkezi AŞ	Istanbul/Turkey	18,95	18,95
5. Türk P ve I Sigorta AŞ	Istanbul/Turkey	16,67	16,67

b) Information related to the associates as shown in (a) ⁽¹⁾:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽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.	260.628	172.471	150.117	798	-	12.685	13.907	-
4.	87.701	55.184	46.007	685	-	6.090	3.416	-
5.	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.

c) Movement of associates:

	Current Period
Balance at the beginning of the period	332.792
Movements during the period	22.089
<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>	21.714
<i>Impairment Provisions (-) / Reversals</i>	-
Balance at the end of the period	354.881
Capital commitments	-
Share percentage at the end of the period (%)	-

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

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

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

c) Movement of associates (continued):

	Prior Period
Balance at the beginning of the period	268.657
Movements during the period	64.135
<i>Purchases</i>	-
<i>Bonus shares obtained profit from current year's share</i>	-
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfers</i>	-
<i>Revaluation decrease (-) / increase</i>	64.135
<i>Impairment Provisions (-) / Reversals</i>	-
Balance at the end of the period	332.792
Capital commitments	-
Share percentage at the end of the period (%)	-

d) Sectorial information and related carrying amounts of associates:

	Current Period
Banks	335.423
Insurance companies	1.620
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	6.320

	Prior Period
Banks	313.709
Insurance companies	1.245
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	6.320

e) Associates quoted on a stock exchange:

None.

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

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

(8) Information on subsidiaries (Net):

a) Information on subsidiaries⁽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) Information on subsidiaries:

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

c) Information related to the subsidiaries as shown in (b): ⁽¹⁾

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
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.	47.632	31.627	8.242	561	454	1.051	2.727	52.178
10.	1.811.214	333.892	37.962	17.101	2.077	5.183	3.129	269.648
11.	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 UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

d) Movement of the subsidiaries:

	Current period
Balance at the beginning of the period	3.626.708
Movements during the period	103.726
<i>Purchase⁽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/Decrease</i>	50.718
<i>Impairment Provisions (-)/ Reversals</i>	(35.405)
Balance at the end of the period	3.730.434
Capital commitments	-
Share percentage at the end of the period (%)	-

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

	Current period
Balance at the beginning of the period	2.877.824
Movements during the period	748.884
<i>Purchase⁽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/Decrease</i>	476.127
<i>Impairment Provisions (-)/ Reversals</i>	27.562
<i>Currency differences on valuation of foreign subsidiaries</i>	-
Balance at the end of the period	3.626.708
Capital commitments	-
Share percentage at the end of the period (%)	-

⁽¹⁾ As of 31 December 2017, The Bank paid TRY 14.894 for 17,42% shares of Halkbank A.D. Beograd, which is located in Serbia, and increased its shares to 99,89%. established Halk Varlık Kiralama AŞ for TRY 100 as a subsidiary.

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

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

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

e) 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	474.506
Financing companies	-
Other financial subsidiaries	799.871
Other non-financial subsidiaries	52.178

f) 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.

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

None.

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

None.

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

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

(12) Information on investment property:

	Current Period	Prior Period
Cost:	430.845	430.059
Opening Balance	-	786
Acquisitions	-	-
Transfer	-	-
Disposals	-	-
Impairment Charge/Cancellation(-)	430.845	430.845
Ending Balance		
Accumulated Depreciation	72.271	66.738
Opening Balance	805	5.533
Amortization Charge (-)	-	-
Transfer	-	-
Disposals	-	-
Impairment Provisions		
Total Accumulated Depreciation (-)	73.076	72.271
Net Book Value	357.769	358.574

(13) Information on tax assets:

a) Information on the current tax asset:

As of 31 March 2018, the Bank has no current tax assets. (31 December 2017: None).

b) Information on deferred tax asset:

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

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

None.

(15) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 2.377.025 and does not exceed 10% of the balance sheet total (31 December 2017: TRY 1.928.383).

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

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

a) For deposit / funds collected:

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	7.163.907	-	704.590	41.879.942	1.548.258	433.420	483.898	111.232	52.325.247
Foreign currency deposits	8.058.009	-	3.060.167	41.213.147	3.362.871	3.776.262	4.605.320	10.985	64.086.761
<i>Residents in Turkey</i>	6.936.925	-	2.692.510	38.328.474	3.182.674	3.409.028	2.716.995	10.608	57.277.214
<i>Residents abroad</i>	1.121.084	-	367.657	2.884.673	180.197	367.234	1.888.325	377	6.809.547
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	5.544.644	-	5.345.349	20.786.885	2.852.237	1.206.999	237.515	-	35.973.629
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	5.082.497	-	4.219.957	8.944.927	878.386	-	313.994	-	19.439.761
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	38.711	-	2.446.887	5.294.947	26.700	-	-	-	7.807.245
<i>Foreign banks</i>	5.028.355	-	1.312.203	3.293.080	851.686	-	233.217	-	10.718.541
<i>Participation banks</i>	15.431	-	460.867	356.900	-	-	80.777	-	913.975
Total	30.824.351	-	16.391.520	125.573.330	10.712.818	10.872.797	5.730.367	122.217	200.227.400

Prior period:

	Demand	7 day call account	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.767.489	-	758.785	39.992.067	1.734.753	459.667	537.645	104.662	50.355.068
Foreign currency deposits	8.008.356	-	3.696.152	37.428.468	3.423.792	3.242.831	4.403.028	10.866	60.213.493
<i>Residents in Turkey</i>	6.931.110	-	3.492.102	34.841.449	3.232.691	2.913.211	2.590.680	10.511	54.011.754
<i>Residents abroad</i>	1.077.246	-	204.050	2.587.019	191.101	329.620	1.812.348	355	6.201.739
Public sector deposits	2.100.039	-	2.541.047	4.614.515	426.883	4.138.990	53.204	-	13.874.678
Commercial inst. deposits	5.269.756	-	5.949.835	22.323.639	1.874.852	2.288.182	267.237	-	37.973.501
Other inst. deposits	571.038	-	1.134.603	6.514.654	675.153	820.826	20.045	-	9.736.319
Precious metals	1.821.711	-	246	82.140	4.392	4.069	10.080	-	1.922.638
Interbank deposits	3.818.918	-	3.815.807	11.190.949	74.936	9.579	241.183	-	19.151.372
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	41.051	-	1.531.378	6.900.085	6.559	9.579	-	-	8.488.652
<i>Foreign banks</i>	3.769.119	-	1.926.952	3.928.843	68.377	-	164.290	-	9.857.581
<i>Participation banks</i>	8.748	-	357.477	362.021	-	-	76.893	-	805.139
Total	28.357.307	-	17.896.475	122.146.432	8.214.761	10.964.144	5.532.422	115.528	193.227.069

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

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

(1) Information on maturity structure of deposits / 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	8.137.441	20.802.501
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	8.155.310	19.353.149
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	4.646
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 UNCONSOLIDATED 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	2.517
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	-	37.629
Swap transactions	-	72.203
Future transactions	-	-
Options	139	1.212
Other	-	-
Total	139	111.044

	Prior Period	
	TRY	FC
Forward transactions	-	88.826
Swap transactions	-	61.405
Future transactions	-	-
Options	146	145
Other	-	-
Total	146	150.376

(3) Information on funds borrowed:

a) Information on Banks and other financial instruments:

	Current Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	299.398	1.366.445
Foreign banks, institutions and funds	157.448	13.578.340
Total	456.846	14.944.785

	Prior Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	310.374	1.907.998
Foreign banks, institutions and funds	154.652	14.645.094
Total	465.026	16.553.092

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

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

(3) Information on funds borrowed:

b) Maturity structure of funds borrowed:

	Current Period	
	TRY	FC
Short-term	299.118	3.265.963
Medium and long-term	157.728	11.678.822
Total	456.846	14.944.785

	Prior Period	
	TRY	FC
Short-term	309.378	4.561.408
Medium and long-term	155.648	11.991.684
Total	465.026	16.553.092

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

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

Main liability of the Bank is deposits, which is composed of 26,13% of saving deposits and 32,01% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 61,59% of bank deposits and 36,57% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued:

	Current Period	
	TRY	FC
Bonds	3.405.006	-
Treasury Bills	-	8.942.564
Total	3.405.006	8.942.564

	Prior Period	
	TRY	FC
Bonds	2.713.759	-
Treasury Bills	-	8.640.905
Total	2.713.759	8.640.905

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

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

(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 UNCONSOLIDATED 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	2.288.701
Provisions for first group loans and receivables	2.057.879
Provisions for second group loans and receivables	100.590
Provisions for non-cash loans	130.232
Other	-

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

As of 31 March 2018 the 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 Bank's specific provision for unindemnified non-cash loans balance is TRY 133.093 (31 December 2017: TRY 122.876).

d) Information on other provisions:

Total other provision balance amounting to TRY 552.951 (31 December 2017: TRY 324.167) consists of TRY 133.093 (31 December 2017: TRY 122.876) for specific provisions for unindemnified non cash loans, TRY 93.822 (31 December 2017: TRY 107.231) for legal cases filed against the Bank, TRY 70.000 (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 67.949 (31 December 2017: TRY 94.060) of other provisions.

e) Liabilities for employee benefits:

As of 31 December 2018, unused vacation accruals are TRY 103.140, personnel dividend provision is TRY 249.165, severance indemnity provision for Bank personnel is TRY 487.395 and severance indemnity provision for outsourcing firms is TRY 18.736 (31 December 2017: TRY 157.035 for unused vacation accruals; TRY 461.909 for severance indemnity provision for Bank personnel; TRY 17.483 for severance indemnity provision for outsources; TRY 199.665 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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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2018, the Bank's corporate tax payable is amounting to TRY 65.323 and accounted for under corporate tax provision at the related date.

a.2. Information on taxes payable:

	Current Period
Corporate tax payable	65.323
Income on securities tax	504.608
Property income tax	1.675
Banking and insurance transactions tax (BITT)	85.810
Foreign exchange transactions tax	21
Value added tax payable	-
Other	30.846
Total	688.283

	Prior Period
Corporate tax payable	145.941
Income on securities tax	328.111
Property income tax	1.570
Banking and insurance transactions tax (BITT)	97.579
Foreign exchange transactions tax	21
Value added tax payable	-
Other	31.405
Total	604.627

a.3. Information on premiums:

	Current Period
Social insurance premiums-employee	22
Social insurance premiums-employer	28
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	-
Unemployment insurance-employer	-
Other	3.401
Total	39.338

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

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

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

a.3. Information on premiums (continued):

	Prior Period
Social insurance premiums-employee	18
Social insurance premiums-employer	21
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	-
Unemployment insurance-employer	-
Other	2.120
Total	24.180

b) Information deferred tax liability:

	Current Period
Deferred Tax (Asset) /Liability	
Provisions ⁽¹⁾	658.048
Revaluation of Financial Assets	(732.116)
Other	(193.820)
Deferred Tax (Asset) /Liability:	(267.888)
Deferred tax accounted in shareholders' equity	(18.546)
Fair value through other comprehensive income arising from securities	119.870
Actuarial gains and losses	2.566
Valuation of subsidiaries	-
Property revaluation	(140.982)

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

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

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

b) Information on deferred tax liability (continued):

	Prior Period
Deferred Tax (Asset) /Liability	
Provisions ⁽¹⁾	224.505
Revaluation of Financial Assets	(601.224)
Other	(193.689)
Deferred Tax (Asset) /Liability:	(570.408)
Deferred tax accounted in shareholders' equity	(49.739)
Fair value differences for available for sale financial assets	89.175
Actuarial gains and losses	2.566
Subsidiaries Valuation	-
Property Revaluation	(141.480)

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

(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	-	-
Other Domestic Institutions	1.004.385	-
Foreign Banks	-	-
Other Foreign Institutions	-	-
Total	1.004.385	-

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current Period
Common stock	1.250.000
Preferred stock	-

TÜRKİYE HALK BANKASI AŞ
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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(13) Information on shareholders' equity (continued):

a) Presentation of paid-in capital (continued):

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

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

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.313.649	332.545
Valuation differences	1.313.649	332.545
Exchange rate difference		
Financial assets available for sale	(498.020)	(479.434)
Valuation differences	(498.020)	(479.434)
Exchange rate difference		
Total	815.629	(146.889)

	Prior Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.349.055	311.604
Valuation differences	1.349.055	311.604
Exchange rate difference	-	-
Financial assets available for sale	(382.871)	(252.259)
Valuation differences	(382.871)	(252.259)
Exchange rate difference	-	-
Total	966.184	59.345

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period
Commitments for credit card expenditure limits	11.997.053
Payment commitments for cheques	3.606.269
Loan granting commitments	4.736.352
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	3.571.145
Total	24.160.331

Types of irrevocable commitments	Prior Period
Commitments for credit card expenditure limits	11.562.109
Payment commitments for cheques	3.269.281
Loan granting commitments	4.646.052
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	3.536.993
Total	23.995.694

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	4.184.014
Bank acceptances	4.237.010
Other guarantees	1.439.703
Total	9.860.727

	Prior Period
Letters of credit	4.134.031
Bank acceptances	3.693.507
Other guarantees	1.306.244
Total	9.133.782

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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	15.639.772
Letters of advance guarantees	5.319.739
Letters of tentative guarantees	892.356
Letters of guarantee given to customs offices	1.483.345
Other letters of guarantee	31.114.186
Total	54.449.398

	Prior Period
Letters of certain guarantees	14.770.283
Letters of advance guarantees	4.269.905
Letters of tentative guarantees	738.388
Letters of guarantee given to customs offices	1.327.250
Other letters of guarantee	28.295.040
Total	49.400.866

c) Total non-cash loans:

	Current Period
Non-cash loans for providing cash loans	3.305.860
<i>Within one year or less original maturity</i>	626.502
<i>Within more than one year maturity</i>	2.679.358
Other non-cash loans	61.004.265
Total	64.310.125

	Prior Period
Non-cash loans for providing cash loans	2.855.170
<i>Within one year or less original maturity</i>	562.688
<i>Within more than one year maturity</i>	2.292.482
Other non-cash loans	55.679.478
Total	58.534.648

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

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	1.432.834	52.771
Medium and long term loans	3.286.645	869.462
Interest on non-performing loans	88.142	-
Premiums from resource utilization support fund		
Total	4.807.621	922.233

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

	Prior Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	995.311	47.975
Medium and long term loans	2.264.847	740.886
Interest on non-performing loans	14.559	-
Premiums from resource utilization support fund	-	-
Total	3.274.717	788.861

(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	7.049	8.490
Overseas banks	1.361	1.067
Head office and branches	-	-
Total	59.426	25.214

	Prior Period	
	TRY	FC
CBRT	17.419	13.751
Domestic banks	500	962
Overseas banks	2.961	3.441
Head office and branches	-	-
Total	20.880	18.154

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

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

(1) Information on interest income (continued):

c) Interest income on marketable securities:

	Current Period	
	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	1.988	-
Financial Assets at Fair Value through Other Comprehensive Income	342.909	81.368
Financial Assets Measured at Amortized Cost	595.295	34.645
Toplam	940.192	116.013

	Prior Period	
	TRY	FC
Financial assets held for trading	160	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	334.937	67.011
Held-to-maturity investments	589.826	35.161
Total	924.923	102.172

d) Interest income from subsidiaries and associates:

	Current period
Interest income from subsidiaries and associates	9.621

	Prior period
Interest income from subsidiaries and associates	6.916

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

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period	
	TRY	FC
Banks	7.528	89.992
<i>CBRT</i>	-	-
<i>Domestic banks</i>	4.732	5.821
<i>Overseas banks</i>	2.796	84.171
<i>Overseas head office and branches</i>	-	-
Other institutions	3	4.151
Total	7.531	94.143

	Prior Period	
	TRY	FC
Banks	8.007	87.881
<i>CBRT</i>	-	-
<i>Domestic banks</i>	4.698	6.226
<i>Overseas banks</i>	3.309	81.655
<i>Overseas head office and branches</i>	-	-
Other institutions	3	3.562
Total	8.010	91.443

b) Interest expenses to subsidiaries and associates:

	Current period
Interest expenses to subsidiaries and associates	96.267

	Prior period
Interest expenses to subsidiaries and associates	47.057

c) Information on interest expenses to marketable securities issued:

	Current period	
	TRY	FC
Interest on securities issued	133.124	101.265
Total	133.124	101.265

	Current period	
	TRY	FC
Interest on securities issued	46.576	141.064
Total	46.576	141.064

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

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

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

Account name	Current Period		Time deposits					Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	143	78.839	79.215	1.792	-	-	-	159.989	
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	169.675	761.156	68.600	67.942	7.309	-	1.074.686	
Other deposits	-	20.383	255.461	39.052	24.958	639	-	340.493	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	196	339.779	2.540.760	178.850	236.113	20.826	2.506	3.319.030	
Foreign currency									
Deposits	7	20.331	312.253	21.251	22.191	21.360	-	397.393	
Bank deposits	-	73.197	-	-	-	-	-	73.197	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	9	320	20	28	83	-	460	
Total	7	93.537	312.573	21.271	22.219	21.443	-	471.050	
Grand total	203	433.316	2.853.333	200.121	258.332	42.269	2.506	3.790.080	

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

(3) Information on dividend income:

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

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

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

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

	Current Period
Profit	5.430.689
Profit from the capital market operations	15.997
Profit on derivative financial instruments	441.740
Foreign exchange gains	4.972.952
Loss (-)	5.400.637
Loss from the capital market operations	6.016
Loss on derivative financial instruments	372.368
Foreign exchange losses	5.022.253
	Prior Period
Profit	7.415.465
Profit from the capital market operations	8.901
Profit on derivative financial instruments	362.323
Foreign exchange gains	7.044.241
Loss (-)	7.345.688
Loss from the capital market operations	149
Loss on derivative financial instruments	501.499
Foreign exchange losses	6.844.040

(5) Information on other operating income:

	Current Period
Adjustments for prior period expenses	204.469
Receivable from the asset sale on credit terms	22.386
Rent income	9.439
Other income	11.418
Total	247.712
	Prior Period
Adjustments for prior period expenses	112.284
Receivable from the asset sale on credit terms	19.300
Rent income	7.728
Other income	10.008
Total	149.320

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

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

(6) Impairment losses on loans and other receivables:

	Current Period
Expected Credit Loss	392.371
<i>12 Month Expected Credit Loss (Stage 1)</i>	96.532
<i>Significant Increase in Credit Risk (Stage 2)</i>	19.004
<i>Non – Performing Loans (Stage 3)</i>	276.835
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>	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
Other	70.999
Total	463.370

	Prior Period
Specific provisions on loans and receivables	370.611
<i>Group - III loans and receivables</i>	344.349
<i>Group - IV loans and receivables</i>	7.135
<i>Group - V loans and receivables</i>	19.127
General loan provision expenses	86.018
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	470.687

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

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

(7) Information on other operating expenses:

	Current Period
Personnel expenses	550.402
Reserve for employee termination benefits	33.605
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	-
Depreciation expenses of fixed assets	28.152
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	12.627
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	475.240
<i>Operational leasing expenses</i>	61.915
<i>Maintenance expenses</i>	7.047
<i>Advertisement expenses</i>	26.732
<i>Other expenses</i>	379.546
Loss on sales of assets	21
Other	94.686
Total	1.198.392

	Prior Period
Personnel expenses	481.685
Reserve for employee termination benefits	29.516
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	-
Depreciation expenses of fixed assets	24.241
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	9.259
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	314.356
<i>Operational leasing expenses</i>	56.412
<i>Maintenance expenses</i>	12.057
<i>Advertisement expenses</i>	21.245
<i>Other expenses</i>	224.642
Loss on sales of assets	73
Other	157.998
Total	1.021.017

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

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

The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 1.969.377 of net interest income and TRY 406.372 of net fees and commissions. The profit from continuing operations before tax of the Bank is amounting to TRY 991.836.

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

For the period then ended 31 March 2018, the Bank's tax provision amounting to TRY 201.644 consists of TRY 60.123 of current tax charge and TRY 267.888 of deferred tax charge.

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

As of 31 March 2018, the Bank's net operating income after tax is amounting to TRY 790.192.

(11) Information on operating results needed for better understanding of the Bank's performance:

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 UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

V. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK

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

a) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	967.161	234.553	-	-	-	-
Closing balance	1.145.147	227.418	-	-	-	-
Interest and commissions income	9.621	237	-	-	-	-

Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	1.078.414	219.823	-	-	-	-
Closing balance	967.161	234.553	-	-	-	-
Interest and commissions income	6.892	177	-	-	-	-

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period		Current Period		Current Period	
Deposits						
Beginning balance	2.857.226		-		-	
Closing Balance	2.957.122		-		-	
Interest expense on deposits	94.172		-		-	

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	1.733.533		-		-	
Closing Balance	2.857.226		-		-	
Interest expense on deposits	46.451		-		-	

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V. EXPLANATION RELATED TO THE RISK GROUP OF THE BANK (CONTINUED)

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

c) Forward and option contracts and similar transactions with the Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Financial Assets At Fv Through Profit And Loss	Current Period	Current Period	Current Period
Beginning balance	11.936	-	-
Closing Balance	-	-	-
Total Profit/Loss	-	-	-

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
Financial Assets At Fv Through Profit And Loss	Prior Period	Prior Period	Prior Period
Beginning balance	-	-	-
Closing Balance	11.936	-	-
Total Profit/Loss	26	-	-

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

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

(2) Disclosures for risk group:

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

In the normal course of its banking activities, the Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates. In addition, the Bank is an intermediary for brokerage services of Halk Yatırım Menkul Değerler A.Ş. within scope of “Brokerage Order Contract”. Additionally, Halk Portföy Yönetimi AŞ is engaging in fund management of Bank’s funds.

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

	Amount	% compared to the amounts in the financial statements
Cash loans	1.145.147	0,53
Non-cash loans	227.418	0,35
Deposits	2.957.122	1,48
Forward and option contracts	-	-

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

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

Explained in b).

d) Transactions accounted under the equity method:

None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 2.592 as of 31 March 2018 (31 March 2017: TRY 2.213).

VI EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

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

VII OTHER EXPLANATIONS

One of the Bank’s directors has been convicted for some of the charges in the first phase of the trial by the jury in the United States of America (the USA) of the violation of the USA sanctions involving Iran. The subsequent legal process is not yet completed but ongoing for the defendant director of the Bank such as appeal and other legal rights following the first phase of the trial.

The Bank is not a plaintiff or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the Bank.

The Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and Money transfers are open and transparent, and easily be monitored by authorities. The Bank will continue to adopt the same policies of transparency and compliance with international regulations.

The Bank placed a high importance on this matter and established a separate “Compliance Department”. The Bank is receiving advisory services from an international expert firm in forming effectiveness of this department’s policies and control procedures and processes.

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SECTION VI: LIMITED REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

The Bank's publicly available unconsolidated 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.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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

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 ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)

Major Consolidated Financial Information

Summary Balance Sheet (Million TRY)	March 2018	December 2017	Change (%)
Total Assets	320.140	305.351	4,8
Loans	215.886	202.137	6,8
<i>TRY</i>	148.786	138.350	7,5
<i>FC</i>	67.100	63.788	5,2
Marketable Securities	49.910	48.903	2,1
Deposit	200.227	193.227	3,6
<i>TRY</i>	122.143	119.198	2,5
<i>FC</i>	78.084	74.029	5,5
Total Equity	26.398	25.377	4,0

Summary Income Statement (Million TRY)	March 2018	March 2017	Change (%)
Interest Income	6.926	5.171	33,9
<i>On Loan</i>	5.730	4.064	41,0
<i>On Securities</i>	1.056	1.027	2,8
Interest Expense	4.957	2.890	71,5
<i>On Deposit</i>	3.790	2.137	77,4
Net Interest Income	1.969	2.282	(13,7)
Net Fee and Commission	406	537	(24,4)
Profit Before Tax	992	1.546	(35,9)
Net Profit	790	1.219	(35,2)

Ratio (%)	March 2018	December 2017
Cash Loans/Total Asset	67,4	66,2
Non-Performing Loans/Total Cash Loans (Gross)	2,8	2,9
Demand Deposit/Total Deposit	15,4	14,7
Loan/Deposit Ratio	107,8	104,6
Average Return on Asset (ROA)	1,0	1,4
Average Return on Equity (ROE)	12,4	16,0
Capital Adequacy Ratio	13,4	14,2

* 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.