

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

Türkiye Halk Bankası Anonim Şirketi

**Unconsolidated Financial Statements
As of and For the Six-Month Period Ended 30 June 2018
With Limited Review Report Thereon**
*(Convenience Translation of Unconsolidated Interim
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

9 August 2018

*This report contains “Limited Review Report”
comprising 3 pages and; “Unconsolidated Interim
Financial Statements and Related Disclosures and
Footnotes” comprising 129 pages.*

REPORT ON REVIEW OF UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

To the General Assembly of Türkiye Halk Bankası A.Ş.

Introduction

We have reviewed the accompanying unconsolidated statement of financial position of Türkiye Halk Bankası A.Ş. (“the Bank”) as at 30 June 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 six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying unconsolidated interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this unconsolidated interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

1. The accompanying unconsolidated interim financial statements as at 30 June 2018, include a general reserve amounting to TRY 90.000 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 30 June 2018, other provisions would decrease by TRY 90.000 thousand and net profit would increase by TRY 90.000 thousand.

2. The Bank reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost as at 30 June 2018 amounted to TRY 18.194.600 thousand. If such classification were not made, total assets and shareholders’ equity would be lower by TRY 2.065.277 thousand as at 30 June 2018. Besides, if such classification were not made, the capital adequacy ratio would be lower.

Qualified Conclusion

Based on our review, except for the effects of the matters described in the basis for qualified conclusion paragraphs, 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 30 June 2018, and of the results of its operations and its cash flows for the six-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 former directors has been convicted and imprisoned for some of the charges by the court in the United States of America (“USA”) of the violation of the USA sanctions involving Iran as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former 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, 9 August 2018

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

- **Section One** : GENERAL INFORMATION ABOUT THE BANK
- **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS 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 six-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, 9 August 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 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 SIX-MONTH PERIOD ENDED 30 JUNE 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 30 June 2018 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30 June 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 SIX-MONTH PERIOD ENDED 30 JUNE 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, 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 SIX-MONTH PERIOD ENDED 30 JUNE 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.

Title	Name Surname	Leaving Date
Executive Vice President	Mehmet Hakan ATILLA	2 June 2018

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 SIX-MONTH PERIOD ENDED 30 JUNE 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 SIX-MONTH PERIOD ENDED 30 JUNE 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 30 June 2018, the Bank operates with a total of 978 branches consisting of 972 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 32 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 A.D. 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 SIX-MONTH PERIOD ENDED 30 JUNE 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 SIX-MONTH PERIOD ENDED 30 JUNE 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 30 JUNE 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Reviewed		
		Current Period		
		30 June 2018		
ASSETS	Note	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		59.846.174	41.094.174	100.940.348
1.1 Cash and Cash Equivalents		8.459.534	30.090.872	38.550.406
1.1.1 Cash and Balances with Central Bank	(1)	8.359.837	25.239.094	33.598.931
1.1.2 Banks	(3)	99.697	4.851.778	4.951.475
1.1.3 Money Markets		-	-	-
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	15.076.265	82.863	15.159.128
1.2.1 Government Debt Securities		15.060.774	82.611	15.143.385
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		15.491	252	15.743
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	908.156	533.484	1.441.640
1.3.1 Government Debt Securities		845.642	461.488	1.307.130
1.3.2 Equity Instruments		62.514	71.996	134.510
1.3.3 Other Financial Assets		-	-	-
1.4 Financial Assets Measured at Amortised Cost	(6)	35.423.396	9.480.279	44.903.675
1.4.1 Government Debt Securities		35.423.396	9.480.279	44.903.675
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	(2)	672	906.676	907.348
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		672	906.676	907.348
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non – Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)		21.849	-	21.849
II. LOANS (Net)		162.283.716	74.619.485	236.903.201
2.1 Loans	(5)	162.976.555	74.619.485	237.596.040
2.1.1 Measured at Amortised Cost		162.976.555	74.619.485	237.596.040
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)	6.521.704	-	6.521.704
2.5 Expected Credit Loss (-)	(5)	7.214.543	-	7.214.543
2.5.1 12 Month Expected Credit Losses (Stage I)		1.038.536	-	1.038.536
2.5.2 Significant Increase in Credit Risk (Stage II)		967.922	-	967.922
2.5.3 Credit – Impaired Losses (Stage III / Special Provision)		5.208.085	-	5.208.085
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		3.014.991	1.156.559	4.171.550
4.1 Investments in Associates (Net)	(7)	22.490	365.859	388.349
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		22.490	365.859	388.349
4.2 Subsidiaries (Net)	(8)	2.992.501	790.700	3.783.201
4.2.1 Unconsolidated Financial Subsidiaries		2.940.323	790.700	3.731.023
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)		2.981.405	109	2.981.514
VI. INTANGIBLE ASSETS (Net)		96.359	-	96.359
6.1 Goodwill		-	-	-
6.2 Other		96.359	-	96.359
VII. INVESTMENT PROPERTIES (Net)	(12)	356.963	-	356.963
VIII. CURRENT TAX ASSET		5.168	-	5.168
IX. DEFERRED TAX ASSET	(13)	-	-	-
X. OTHER ASSETS	(15)	1.954.514	886.225	2.840.739
TOTAL ASSETS		230.539.290	117.756.552	348.295.842

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 30 JUNE 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Reviewed			
		Current Period			
		30 June 2018			
LIABILITIES	Note	TRY	FC	TOTAL	
I. DEPOSITS	(1)	131.743.392	89.575.812	221.319.204	
II. FUNDS BORROWED	(3)	535.339	15.941.999	16.477.338	
III. MONEY MARKETS		36.557.398	4.440.686	40.998.084	
IV. SECURITIES ISSUED (Net)	(4)	3.054.403	10.377.787	13.432.190	
4.1 Bills		3.054.403	-	3.054.403	
4.2 Assets Backed Securities		-	-	-	
4.3 Bonds		-	10.377.787	10.377.787	
V. FUNDS	(5)	2.769.229	-	2.769.229	
5.1 Borrower Funds		323	-	323	
5.2 Other		2.768.906	-	2.768.906	
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	
VII. DERIVATIVE FINANCIAL ASSETS	(2)	1.193	386.062	387.255	
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		1.193	386.062	387.255	
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)	1.522.743	6.774	1.529.517	
10.1 Restructuring Provisions		-	-	-	
10.2 Reserve for Employee Benefits		936.348	-	936.348	
10.3 Insurance for Technical Provision(Net)		-	-	-	
10.4 Other Provisions		586.395	6.774	593.169	
XI. CURRENT TAX LIABILITY	(10)	617.708	24	617.732	
XII. DEFERRED TAX LIABILITIES	(10)	624.831	-	624.831	
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)	1.001.322	-	1.001.322	
14.1 Loans		-	-	-	
14.2 Other Debt Instruments		1.001.322	-	1.001.322	
XV. OTHER LIABILITIES	(6)	20.027.709	853.738	20.881.447	
XVI. SHAREHOLDERS' EQUITY	(13)	28.059.985	197.708	28.257.693	
16.1 Paid in Capital		1.250.000	-	1.250.000	
16.2 Capital Reserve		1.234.207	-	1.234.207	
16.2.1 Share Premium		-	-	-	
16.2.2 Share Cancellation Profits		-	-	-	
16.2.3 Other Capital Reserves		1.234.207	-	1.234.207	
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 or Loss		1.048.405	197.708	1.246.113	
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)		6.332.700	-	6.332.700	
16.6.1 Prior Periods' Income or (Loss)		4.429.996	-	4.429.996	
16.6.2 Current Period Income or (Loss)		1.902.704	-	1.902.704	
16.7 Minority Shares		-	-	-	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		226.515.252	121.780.590	348.295.842	

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 30 JUNE 2018

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

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

		Reviewed		
		Current Period		
		30 June 2018		
OFF BALANCE SHEET	Note	TRY	FC	TOTAL
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	74.629.198	95.693.190	170.322.388
I.	GUARANTEES AND WARRANTIES	(1) 34.122.440	36.209.031	70.331.471
1.1	Letters of guarantee	32.444.236	27.895.125	60.339.361
1.1.1	Guarantees subject to public procurement law	1.782.441	12.209.041	13.991.482
1.1.2	Guarantees given for foreign trade operations	-	-	-
1.1.3	Other letters of guarantee	30.661.795	15.686.084	46.347.879
1.2	Bank loans	10.216	4.285.093	4.295.309
1.2.1	Import acceptances	-	152.441	152.441
1.2.2	Other bank acceptances	10.216	4.132.652	4.142.868
1.3	Letters of credit	30.364	3.885.151	3.915.515
1.3.1	Documentary letters of credit	30.364	3.885.151	3.915.515
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	1.637.624	143.662	1.781.286
1.9	Other sureties	-	-	-
II.	COMMITMENTS	(1) 25.662.251	2.855.558	28.517.809
2.1	Irrevocable commitments	25.607.103	2.785.244	28.392.347
2.1.1	Forward asset purchase commitments	1.124.809	2.255.014	3.379.823
2.1.2	Forward deposit purchase and sale commitments	-	-	-
2.1.3	Capital commitments to subsidiaries and associates	-	-	-
2.1.4	Loan granting commitments	4.513.541	530.230	5.043.771
2.1.5	Securities underwriting commitments	-	-	-
2.1.6	Payment commitments for reserve deposits	-	-	-
2.1.7	Payment commitments for Cheques	3.653.584	-	3.653.584
2.1.8	Tax and fund liabilities from export commitments	46.439	-	46.439
2.1.9	Commitments for credit card expenditure limits	12.500.921	-	12.500.921
2.1.10	Commitments for credit cards and banking services promotions	33.296	-	33.296
2.1.11	Receivables from short sale commitments	-	-	-
2.1.12	Payables for short sale commitments	-	-	-
2.1.13	Other irrevocable commitments	3.734.513	-	3.734.513
2.2	Revocable commitments	55.148	70.314	125.462
2.2.1	Revocable loan granting commitments	-	-	-
2.2.2	Other revocable commitments	55.148	70.314	125.462
III.	DERIVATIVE FINANCIAL INSTRUMENTS	14.844.507	56.628.601	71.473.108
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	14.844.507	56.628.601	71.473.108
3.2.1	Forward foreign currency buy/sell transactions	4.728.025	15.537.044	20.265.069
3.2.1.1	Forward foreign currency transactions-buy	1.858.360	9.976.069	11.834.429
3.2.1.2	Forward foreign currency transactions-sell	2.869.665	5.560.975	8.430.640
3.2.2	Currency and interest rate swaps	5.638.148	29.656.791	35.294.939
3.2.2.1	Currency swap-buy	1.282.693	9.950.203	11.232.896
3.2.2.2	Currency swap-sell	4.355.455	6.718.532	11.073.987
3.2.2.3	Interest rate swap-buy	-	6.494.028	6.494.028
3.2.2.4	Interest Rate swap-sell	-	6.494.028	6.494.028
3.2.3	Currency, interest rate and marketable securities options	4.478.334	5.442.009	9.920.343
3.2.3.1	Currency call options	2.239.229	2.720.942	4.960.171
3.2.3.2	Currency put options	2.239.105	2.721.067	4.960.172
3.2.3.3	Interest rate call options	-	-	-
3.2.3.4	Interest rate put options	-	-	-
3.2.3.5	Marketable securities call options	-	-	-
3.2.3.6	Marketable securities put options	-	-	-
3.2.4	Currency futures	-	-	-
3.2.4.1	Currency futures-buy	-	-	-
3.2.4.2	Currency futures-sell	-	-	-
3.2.5	Interest rate buy/sell futures	-	-	-
3.2.5.1	Interest rate futures-buy	-	-	-
3.2.5.2	Interest rate futures-sell	-	-	-
3.2.6	Other	-	5.992.757	5.992.757
B.	CUSTODY AND PLEDGED ASSETS (IV+V+VI)	917.789.973	257.523.013	1.175.312.986
IV.	CUSTODIES	459.496.909	34.769.439	494.266.348
4.1	Assets under management	-	-	-
4.2	Custody marketable securities	180.418.164	719.063	181.137.227
4.3	Cheques in collection process	16.750.860	22.853.220	39.604.080
4.4	Commercial notes in collection process	223.948.487	4.209.177	228.157.664
4.5	Other assets in collection process	-	-	-
4.6	Underwritten securities	-	-	-
4.7	Other custodies	4.319.597	193.508	4.513.105
4.8	Custodians	34.059.801	6.794.471	40.854.272
V.	PLEDGED ASSETS	458.293.064	222.753.574	681.046.638
5.1	Marketable securities	5.145.895	631.512	5.777.407
5.2	Collateral notes	8.526.463	928.597	9.455.060
5.3	Commodity	25.813	-	25.813
5.4	Warranty	-	-	-
5.5	Land and buildings	362.659.135	187.569.900	550.229.035
5.6	Other pledged assets	74.624.916	30.964.024	105.588.940
5.7	Pledges	7.310.842	2.659.541	9.970.383
VI.	ACCEPTED BILL GUARANTEES AND SURETIES	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		992.419.171	353.216.203	1.345.635.374

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 30 JUNE 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. STATEMENT OF INCOME

INCOME AND EXPENSES		Note	Reviewed Current Period	
			1 January- 30 June 2018	1 April- 30 June 2018
I.	INTEREST INCOME	(1)	14.805.586	7.879.383
1.1	Interest on Loans		12.236.473	6.506.619
1.2	Interest on Reserve Requirements		69.065	32.803
1.3	Interest on Banks		195.331	110.691
1.4	Interest on Money Market Transactions		24.452	13.089
1.5	Interest on Marketable Securities Portfolio		2.267.646	1.211.441
1.5.1	Fair Value Through Profit or Loss		5.480	3.492
1.5.2	Fair Value Through Other Comprehensive Income		60.652	(363.625)
1.5.3	Measured at Amortized Cost		2.201.514	1.571.574
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		12.619	4.740
II.	INTEREST EXPENSE (-)	(2)	10.681.140	5.724.314
2.1	Interest on Deposits		7.960.363	4.170.283
2.2	Interest on Funds Borrowed		216.475	114.801
2.3	Interest Expense on Money Market Transactions		1.858.066	1.090.102
2.4	Interest on Securities Issued		532.915	298.526
2.5	Other Interest Expense		113.321	50.602
III.	NET INTEREST INCOME (I - II)		4.124.446	2.155.069
IV.	NET FEES AND COMMISSIONS INCOME		907.220	500.848
4.1	Fees and Commissions Received		1.188.510	652.197
4.1.1	Non – cash Loans		250.435	133.094
4.1.2	Other		938.075	519.103
4.2	Fees and Commissions Paid (-)		(281.290)	(151.349)
4.2.1	Non – cash Loans		(38)	(26)
4.2.2	Other		(281.252)	(151.323)
V.	PERSONNEL EXPENSE (-)		(1.149.532)	(599.130)
VI.	DIVIDEND INCOME	(3)	374.321	374.236
VII.	TRADING INCOME / LOSS (Net)	(4)	59.830	29.778
7.1	Trading Gains / (Losses) on Securities		12.591	2.610
7.2	Gains / (Losses) on Derivate Financial Transactions		303.098	233.726
7.3	Foreign Exchange Gains / (Losses)		(255.859)	(206.558)
VIII.	OTHER OPERATING INCOME	(5)	374.240	126.528
IX.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		4.690.525	2.587.329
X.	EXPECTED LOSS PROVISIONS (-)	(6)	1.015.243	551.873
XI.	OTHER OPERATING EXPENSES (-)	(7)	1.393.508	745.518
XII.	NET OPERATING INCOME /LOSS (IX-X-XI)		2.281.774	1.289.938
XIII.	EXCESS AMOUNT RECORDED AS		-	-
	INCOME AFTER MERGER		-	-
XIV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XV.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XVI.	PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	2.281.774	1.289.938
XVII.	TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(9)	(379.070)	(177.426)
17.1	Current Tax Provision		(3.587)	56.536
17.2	Deferred Tax Income Effect (+)		(760.780)	(564.887)
17.3	Deferred Tax Expense Effect (-)		385.297	330.925
XVIII.	CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(10)	1.902.704	1.112.512
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)	1.902.704	1.112.512
24.1	Profit / (Loss) of Group		1.902.704	1.112.512
24.2	Profit / (Loss) of Minority Shares (-)		-	-
	Profit / (Loss) Per Share		1,5221	0,8900

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

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

III. STATEMENT OF INCOME

			Reviewed	
			Prior period	
INCOME AND EXPENSES		Note	1 January- 30 June 2017	1 April- 30 June 2017
I.	INTEREST INCOME	(1)	10.573.035	5.401.630
1.1	Interest on loans		8.438.624	4.375.046
1.2	Interest received from reserve deposits		51.730	29.885
1.3	Interest received from banks		90.588	51.554
1.4	Interest received from money market placements		23.079	11.030
1.5	Interest income on marketable securities		1.957.095	930.000
1.5.1	Financial assets held for trading		352	192
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Financial assets available-for-sale		784.959	383.011
1.5.4	Investments held-to-maturity		1.171.784	546.797
1.6	Finance lease income		-	-
1.7	Other interest income		11.919	4.115
II.	INTEREST EXPENSE	(2)	6.363.484	3.473.705
2.1	Interest on deposits		4.701.358	2.564.346
2.2	Interest on borrowings		187.761	88.308
2.3	Interest on money market borrowings		1.037.049	609.045
2.4	Interest on bonds issued		372.713	185.073
2.5	Other interest expense		64.603	26.933
III.	NET INTEREST INCOME [I – II]		4.209.551	1.927.925
IV.	NET FEES AND COMMISSIONS INCOME		1.046.252	508.829
4.1	Fees and commissions income		1.252.323	614.778
4.1.1	Non-cash loans		185.750	94.220
4.1.2	Other		1.066.573	520.558
4.2	Fees and commissions expenses		206.071	105.949
4.2.1	Non-cash loans		28	19
4.2.2	Other		206.043	105.930
V.	DIVIDEND INCOME	(3)	22.165	22.113
VI.	NET TRADING PROFIT (NET)	(4)	102.842	33.065
6.1	Profit/loss from capital market operations		18.264	9.512
6.2	Profit/loss from financial derivative transactions		(189.004)	(49.828)
6.3	Foreign exchange gains/losses		273.582	73.381
VII.	OTHER OPERATING INCOME	(5)	294.194	144.874
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		5.675.004	2.636.806
IX.	IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(6)	730.284	259.597
X.	OTHER OPERATING EXPENSES(-)	(7)	2.133.681	1.112.664
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		2.811.039	1.264.545
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)	2.811.039	1.264.545
XVI.	TAX INCOME PROVISION (±)	(9)	(583.100)	(255.774)
16.1	Current tax charge		(554.475)	(271.529)
16.2	Deferred tax (charge) / benefit		(28.625)	15.755
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	2.227.939	1.008.771
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)	2.227.939	1.008.771
	Earnings/losses per share (Full TRY)		1,78235	0,80702

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS
ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 30 JUNE 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 - 30 June 2018
I.	CURRENT PERIOD INCOME/LOSS	1.902.704
II.	OTHER COMPREHENSIVE INCOME	216.098
2.1	Not Reclassified Through Profit or Loss	(4.486)
2.1.1	Property and Equipment Revaluation Increase/Decrease	(4.985)
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	499
2.2	Reclassified Through Profit or Loss	220.584
2.2.1	Foreign Currency Translation Differences	(57.618)
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	370.489
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	(92.287)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	2.118.802

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS
ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 30 JUNE 2017
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

	Reviewed
	Prior period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	1 January-30 June 2017
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	452.162
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	(677)
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	102.626
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	(21.768)
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	532.343
XI. PROFIT/LOSS	2.227.939
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	18.260
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-
11.3 Transfer of hedge of net investments in foreign operations to income statement	-
11.4 Other	2.209.679
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	2.760.282

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed (1 January – 30 June 2018)	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss					Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss					Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Expect Minority Shares	Minority Shares	Total Equity
	Paid in Capital	Share Premiums	Share Cancellation Profit/loss	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other(Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Value Through Other Comprehensive Income	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income						
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)	-	-	(57.618)	278.202	-	-	-	1.902.704	2.118.802	-	2.118.802
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	-	-	-	57.618	-	-	-	-	-	-	-	-	-	57.618	-	57.618
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	-	-	1.234.207	1.268.829	(10.263)	-	(4.987)	1.251.100	-	16.936.107	4.429.996	1.902.704	28.257.693	-	28.257.693

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2017
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid in capital	Effect of inflation adjustments on paid in capital	Share premium	Share certificate cancellation profit	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net income/(loss)	Prior period net income/(loss)	Valuation changes in marketable sec.	Revaluation changes in prop. and equip. and int. assets	Bonus shares from shareholders	Hedging funds	Value change in pro. and equip. held for sale purp./term. op.	Total shareholders' equity
I. 1 January 2017 – 30 June 2017																	
Balance at end of prior period		1.250.000	1.220.451	-	-	1.482.358	-	13.104.130	(74.244)	2.558.265	-	482.753	1.284.522	8.711	-	-	21.316.946
Changes within the period																	
II. Increase/decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	430.359	-	-	-	-	430.359
IV. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for investment made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	(643)	-	-	-	(643)
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners).		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	102.626	-	-	-	-	-	-	-	102.626
IX. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Net profit or losses		-	-	-	-	-	-	-	-	2.227.939	-	-	-	-	-	-	2.227.939
XVIII. Profit distribution		-	-	-	-	163.291	-	2.139.147	-	(2.558.265)	-	-	-	-	-	-	(255.827)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(255.827)	-	-	-	-	-	(255.827)
18.2 Transfers to legal reserves		-	-	-	-	163.291	-	2.139.147	-	-	(2.302.438)	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(2.558.265)	2.558.265	-	-	-	-	-	-
Closing balance		1.250.000	1.220.451	-	-	1.645.649	-	15.243.277	28.382	2.227.939	-	913.112	1.283.879	8.711	-	-	23.821.400

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 JUNE 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

		Reviewed
		Current Period
		1 January- 30 June 2018
	Note	
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating profit before changes in operating assets and liabilities	(4.626.600)
1.1.1	Interest received	
1.1.2	Interest paid	13.050.260
1.1.3	Dividend received	(10.090.619)
1.1.4	Fees and commissions received	374.321
1.1.5	Other income	1.191.987
1.1.6	Collections from previously written off loans	140.127
1.1.7	Cash payments to personnel and service suppliers	623.466
1.1.8	Taxes paid	(1.161.450)
1.1.9	Other	(388.172)
		(8.366.520)
1.2	Assets and Liabilities Subject to Banking Operations	(2.665.507)
1.2.1	Net (increase) decrease in financial assets held for sale	(94.288)
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	(2.725)
1.2.4	Net (increase) decrease in loans	(35.381.490)
1.2.5	Net (increase) decrease in other assets	(4.481.700)
1.2.6	Net increase (decrease) in bank deposits	6.382.618
1.2.7	Net increase (decrease) in other deposits	21.310.912
1.2.8	Net increase (decrease) in loans borrowed	(575.788)
1.2.9	Net increase (decrease) in matured payables	-
1.2.10	Net increase (decrease) in other liabilities	10.176.954
I.	Net cash provided from banking operations	(7.292.107)
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES	
II.	Net cash provided from/ (used in) investing activities	(5.790.106)
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(142.652)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-
2.3	Fixed assets purchases	(644.293)
2.4	Fixed assets sales	134.214
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(5.274.321)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	2.301.906
2.7	Cash paid for purchase of investment securities	(3.865.471)
2.8	Cash obtained from sale of investment securities	1.683.298
2.9	Other	17.213
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net cash used in financing activities	2.051.384
3.1	Cash obtained from loans borrowed and securities issued	3.071.044
3.2	Cash used for repayment of loans borrowed and securities issued	(1.019.660)
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	2.262.701
V.	Net increase / (decrease) in cash and cash equivalents	(8.768.128)
VI.	Cash and cash equivalents at beginning of the period	27.121.864
VII.	Cash and cash equivalents at end of the period	18.353.736

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

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

VI. STATEMENT OF CASH FLOWS

	Reviewed
	Prior period
	1 January –
	30 June 2017
A. CASH FLOWS FROM BANKING OPERATIONS	
1.1 Operating profit before changes in operating assets and liabilities	3.425.984
1.1.1 Interest received	10.630.177
1.1.2 Interest paid	(5.693.938)
1.1.3 Dividend received	22.165
1.1.4 Fees and commissions received	1.252.323
1.1.5 Other income	124.445
1.1.6 Collections from previously written off loans	275.921
1.1.7 Cash payments to personnel and service suppliers	(966.899)
1.1.8 Taxes paid	(261.654)
1.1.9 Other	(1.956.556)
1.2 Assets and Liabilities Subject to Banking Operations	2.332.760
1.2.1 Net (increase) decrease in financial assets held for sale	25.256
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions	5.763
1.2.4 Net (increase) decrease in loans	(22.268.921)
1.2.5 Net (increase) decrease in other assets	(3.985.644)
1.2.6 Net increase (decrease) in bank deposits	(5.990.014)
1.2.7 Net increase (decrease) in other deposits	27.390.763
1.2.8 Net increase (decrease) in loans borrowed	(1.381.989)
1.2.9 Net increase (decrease) in matured payables	-
1.2.10 Net increase (decrease) in other liabilities	8.537.546
I. Net cash provided from banking operations	5.758.744
B. CASH FLOWS FROM INVESTMENT ACTIVITIES	
II. Net cash provided from/ (used in) investing activities	(3.746.959)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	-
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	-
2.3 Fixed assets purchases	(143.876)
2.4 Fixed assets sales	66.930
2.5 Cash paid for purchase of financial assets available for sale	(3.689.038)
2.6 Cash obtained from sale of financial assets available for sale	2.675.429
2.7 Cash paid for purchase of investment securities	(2.974.241)
2.8 Cash obtained from sale of investment securities	316.770
2.9 Other	1.067
C. CASH FLOWS FROM FINANCING ACTIVITIES	
III. Net cash used in financing activities	717.615
3.1 Cash obtained from loans borrowed and securities issued	3.059.860
3.2 Cash used for repayment of loans borrowed and securities issued	(2.086.358)
3.3 Bonds issued	-
3.4 Dividends paid	(255.827)
3.5 Payments for finance leases	(60)
3.6 Other	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	16.914
V. Net increase / (decrease) in cash and cash equivalents	2.746.314
VI. Cash and cash equivalents at beginning of the period	14.388.793
VII. Cash and cash equivalents at end of the period	17.135.107

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

I. EXPLANATIONS ON BASIS OF PRESENTATION (continued)

Disclosures of IFRS 9 Financial Instruments Standard (continued):

The 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 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 A.D. 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(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 30 June 2018, the bank has credit default swap transaction amounting to USD 260 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
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)

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.

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 SIX-MONTH PERIOD ENDED 30 JUNE 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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

(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
	Book Value	Reclassification	Measurement	Book Value
	31 December	Effect	Effect	1 January 2018
	2017			
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

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 5.5.3 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 5.5.10 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 and accrued advance tax for 1 April-30 June 2018 period is paid in August 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

IFRS 9 "Financial Instruments" standard came into effect to replace "IAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies no longer applicable after the transition of IFRS 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. EXPLANATIONS ON OTHER MATTERS

None.

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

I. EXPLANATIONS ON CAPITAL

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 30 June 2018, the Group's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 13,23% (31 December 2017: 14,18%), The equity is calculated as TRY 31.309.135 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2017: TRY 28.481.912).

Current Period	Amount	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	16.941.152	
Other Comprehensive Income according to TAS	2.504.679	
Profit	6.332.700	
Current Period Profit	1.902.704	
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	28.257.693	
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 (-)	54.853	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	96.359	96.359
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	151.212	
Total Common Equity Tier I Capital	28.106.481	

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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)	28.106.481
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)	2.214.049
Tier II Capital Before Deductions	3.214.049
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 (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	3.214.049
Total Equity (Total Tier I and Tier II Capital)	31.320.530
Deductions from Total Capital	31.309.135
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 (-)	11.385

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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	31.309.135
Total Risk Weighted Assets	236.594.491
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	11,88
Tier I Capital Ratio (%)	11,88
Capital Adequacy Ratio (%)	13,23
BUFFERS	
Bank-specific total CET1 Capital Ratio (a+b+c)	1,890
a) Capital Conservation Buffer Ratio (%)	1,875
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,015
c) Systemic significant bank buffer ratio**	0,000
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,233
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	85.481
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	378.997
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	913.819
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)	2.214.049
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.214.049
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.

**The systemic significant bank buffer ratio shown as 0.000% in the unconsolidated financial report since it is necessary to fill in the systematic significant banks that are not required to prepare consolidated financial statements in accordance with the third and the fourth paragraph of the Article 4 of the "Regulation on Systemic Significant Banks".

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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	Amount	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
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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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 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 (-)	-
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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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 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 (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 30 June 2018 and the previous five working days in full TRY are as follows:

	22.06.2018	25.06.2018	26.06.2018	27.06.2018	28.06.2018	29.06.2018
USD	4,6600000	4,6600000	4,6200000	4,5800000	4,5700000	4,5500000
CHF	4,6960000	4,7088000	4,6538000	4,5973000	4,5801000	4,5750000
GBP	6,1711000	6,1752000	6,1056000	6,0157000	5,9798000	5,9850000
JPY	0,0423231	0,0424447	0,0419541	0,0414064	0,0413834	0,0410441
EUR	5,4184000	5,4454000	5,3858000	5,3146000	5,2982000	5,3023000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before 30 June 2018 are as follows:

	Buying rate of exchange
USD	4,5950000
CHF	4,6382200
GBP	6,0974950
JPY	0,0417107
EUR	5,3697350

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

II. EXPLANATIONS ON CURRENCY RISK (continued)

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	6.820.479	12.256.557	6.162.058	25.239.094
Banks	973.239	3.615.319	263.220	4.851.778
Financial assets at fair value through profit and loss ⁽³⁾	21.287	37.467	24.109	82.863
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income	454.646	78.838	-	533.484
Loans ⁽²⁾	38.197.331	37.323.748	714.205	76.235.284
Subsidiaries, associates and entities under common control ⁽⁵⁾	365.859	-	790.700	1.156.559
Financial assets measured at amortised cost	-	9.480.279	-	9.480.279
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	109	109
Intangible assets	-	-	-	-
Other assets ⁽³⁾	212.737	1.578.488	1.444	1.792.669
Total assets	47.045.578	64.370.696	7.955.845	119.372.119
Liabilities				
Bank deposits	9.045.774	4.853.224	846.167	14.745.165
Foreign currency deposits	38.113.623	33.315.458	3.401.566	74.830.647
Money market balances	-	4.440.686	-	4.440.686
Funds provided from other financial institutions	6.915.493	9.012.263	14.243	15.941.999
Bonds issued	-	10.377.787	-	10.377.787
Sundry creditors	205.417	152.021	341	357.779
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	315.945	497.552	75.322	888.819
Total liabilities	54.596.252	62.648.991	4.337.639	121.582.882
Net balance sheet position	(7.550.674)	1.721.705	3.618.206	(2.210.763)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	9.945.531	12.320.670	2.370.156	24.636.357
Financial derivative liabilities ⁽⁴⁾	2.479.786	13.556.317	5.223.099	21.259.202
Non-cash loans ⁽¹⁾	15.673.537	18.759.932	1.775.562	36.209.031
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	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 1.615.799 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 232) in assets; and shareholders' equity (TRY 197.708) 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 1.345.716. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 4.647.041. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

⁽⁵⁾ Other foreign currency subsidiaries Halkbank A.D. Beograd (TRY 294.349) and Halk Banka AD Skopje (TRY 496.351), and Euro foreign currency associate Demir-Halk Bank NV (TRY 365.859) 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	19.988.343	-	-	-	-	13.610.588	33.598.931
Banks and financial institutions	3.622.054	-	4.000	-	-	1.325.421	4.951.475
Financial assets at fair value through profit and loss	118.592	453	17.385	28.630	14.585	14.979.483	15.159.128
Money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	976	465.057	483.923	263.202	93.972	134.510	1.441.640
Loans	33.825.918	33.789.896	83.762.963	67.079.159	14.039.308	4.405.957	236.903.201
Financial assets measured at amortised cost	1.095.834	13.480.964	5.457.936	9.497.751	15.371.190	-	44.903.675
Other assets ⁽⁴⁾	820.336	2.009	9.747	30.057	2.386	10.473.257	11.337.792
Total assets	59.472.053	47.738.379	89.735.954	76.898.799	29.521.441	44.929.216	348.295.842
Liabilities							
Bank deposits	12.608.035	4.138.191	285.653	-	-	8.451.454	25.483.333
Other deposits	115.464.385	34.599.438	13.918.516	421.408	2.145	31.429.979	195.835.871
Money market balances	38.840.723	231.257	1.833.638	-	-	92.466	40.998.084
Sundry creditors	1.969.355	-	-	-	-	2.152.154	4.121.509
Bonds issued	815.249	1.805.571	2.708.306	7.946.555	-	156.509	13.432.190
Funds provided from other financial institutions ⁽³⁾	817.939	5.246.860	6.816.490	2.440.551	993.858	161.640	16.477.338
Other liabilities ^{(1),(2)}	1.040.607	33	17.539.460	7.268	161.346	33.198.803	51.947.517
Total liabilities	171.556.293	46.021.350	43.102.063	10.815.782	1.157.349	75.643.005	348.295.842
Balance sheet long position	-	1.717.029	46.633.891	66.083.017	28.364.092	-	142.798.029
Balance sheet short position	(112.084.240)	-	-	-	-	(30.713.789)	(142.798.029)
Off-balance sheet long position	728.000	955.500	4.288.038	983.667	2.263.347	26.648.690	35.867.242
Off-balance sheet short position	(364.000)	(1.319.500)	(3.244.374)	(1.827.577)	(2.263.347)	(26.587.068)	(35.605.866)
Total position	(111.720.240)	1.353.029	47.677.555	65.239.107	28.364.092	(30.652.167)	261.376

⁽¹⁾ TRY 624.831 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 570.408 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 1.327.325 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⁾	-	1,50	-	7,00
Due from other banks and financial institutions ⁽¹⁾	0,19	1,91	-	12,16
Financial assets at fair value through profit and loss	-	-	-	13,74
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	4,63	6,83	-	22,66
Loans ⁽²⁾	4,84	6,83	1,11	14,45
Financial assets measured at amortised cost	-	5,88	-	17,05
Liabilities				
Bank deposits	2,26	4,54	0,00	11,82
Other deposits ⁽⁴⁾	1,86	3,68	0,25	14,10
Money market borrowings	-	3,40	-	17,60
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	15,72
Funds provided from other financial institutions	0,78	3,38	1,11	6,94

⁽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 30 June 2018.

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 30 June 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	469.336	469.336	469.336	37.547
Quoted Securities ⁽¹⁾	469.336	469.336	469.336	37.547
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	3.292.113	3.275.557	-	308.849

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

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

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

Portfolio	Realized gains (losses) in the current period		Revaluation surplus in the fair value		Unrealized gains and losses	
	Total	Included in supplementary capital	Total	Included in total core capital	Included in supplementary capital	
1. Private equity investments	-	-	-	-	-	
2. Share certificates quoted on a stock exchange ^{(1) (2)}	-	233.836	233.836	-	-	
3. Other share certificates	-	1.207.146	1.207.146	-	-	
Total	-	1.440.982	1.440.982	-	-	

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

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

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

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

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

Effective collateral management structure is provided by the reduction of liquidity risk. The Bank participates in the organized markets (CBRT, BIST and TAKASBANK). Debt upper limits and balance sheet size are determined under certain criteria by the relevant authorities. Existing limits available to use are continuously monitored.

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	25.06.2018	172,05	09.04.2018	112,97
	01.07.2018		15.04.2018	
Minimum	02.04.2018	128,65	28.05.2018	91,86
	08.04.2018		03.06.2018	

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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			46.596.249	25.198.276
Cash Outflows				
Retail and Small Business Customers, of which;	99.716.061	35.515.619	8.736.497	3.551.562
Stable Deposits	24.702.180	-	1.235.109	-
Less Stable Deposits	75.013.881	35.515.619	7.501.388	3.551.562
Unsecured wholesale funding , of which;	91.761.043	40.167.033	44.640.074	20.513.705
Operational Deposits	6.954.075	2.246.121	1.738.519	561.530
Non-operational Deposits	78.678.042	35.322.504	37.408.184	17.754.128
Other Unsecured Funding	6.128.926	2.598.408	5.493.371	2.198.047
Secured Funding			-	-
Other cash outflows, of which;	6.371.032	3.954.748	2.938.362	2.229.021
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	75.761	816.463	75.761	816.463
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	6.295.271	3.138.285	2.862.601	1.412.558
Other revocable off-balance sheet commitments and contractual obligations.	75.725	-	75.725	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	86.647.432	32.651.878	6.752.652	2.606.368
Total Cash Outflows			63.143.310	28.900.656
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	25.396.099	13.179.770	17.509.594	11.534.312
Other Cash Inflows	-	-	-	-
Total Cash Inflows	25.396.099	13.179.770	17.509.594	11.534.312
			Total Adjusted Value	
Total HQLA Stock			46.596.249	25.198.276
Total Net Cash Outflows			45.633.716	17.366.344
Liquidity Coverage Ratio (%)			102,41%	145,52%

⁽¹⁾ Calculated by simple arithmetic average, daily consolidated average calculated for the last three months of the liquidity coverage ratio.

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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	2.077.755	31.520.406	-	770	-	-	-	33.598.931
Banks	1.444.702	3.499.950	-	6.823	-	-	-	4.951.475
Financial assets at fair value through profit and loss	-	118.592	453	14.996.868	28.630	14.585	-	15.159.128
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	975	1.416	390.704	776.934	137.101	134.510	1.441.640
Loans ⁽²⁾	1.960.919	11.198.891	13.935.949	69.958.113	108.450.046	31.399.283	-	236.903.201
Financial assets at measured at amortised cost	-	1.095.834	319.971	1.488.249	18.978.437	23.021.184	-	44.903.675
Other assets ⁽²⁾	3.562	489.586	472.342	700.428	30.179	61.809	9.579.886	11.337.792
Total assets	5.486.938	47.924.234	14.730.131	87.541.955	128.264.226	54.633.962	9.714.396	348.295.842
Liabilities								
Bank deposits	8.402.538	12.646.002	4.147.003	287.790	-	-	-	25.483.333
Other deposits	30.234.876	116.149.622	34.853.267	14.163.080	432.882	2.144	-	195.835.871
Funds provided from other financial institutions ⁽³⁾	33	831.208	1.808.687	6.603.002	4.615.082	2.619.326	-	16.477.338
Money market balances	-	38.903.239	232.088	1.862.757	-	-	-	40.998.084
Bonds issued	-	868.288	1.901.017	2.716.330	7.946.555	-	-	13.432.190
Sundry creditors	688	1.585.214	3.815	71.117	1.875.356	19.296	566.023	4.121.509
Other liabilities ⁽¹⁾	26.894	1.943.605	190.499	16.122.669	332.893	3.227.755	30.103.202	51.947.517
Total liabilities	38.665.029	172.927.178	43.136.376	41.826.745	15.202.768	5.868.521	30.669.225	348.295.842
Liquidity gap	(33.178.091)	(125.002.944)	(28.406.245)	45.715.210	113.061.458	48.765.441	(20.954.829)	-
Net off balance sheet position	-	28.406	33.374	(139.495)	339.091	-	-	261.376
Derivative financial assets	-	18.800.022	3.328.525	5.397.597	3.814.403	4.526.695	-	35.867.242
Derivative financial liabilities	-	(18.771.616)	(3.295.151)	(5.537.092)	(3.475.312)	(4.526.695)	-	(35.605.866)
Non-cash loans	2.053.303	2.024.041	4.161.445	23.220.436	15.409.779	23.462.467	-	70.331.471
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	-	(29.806)	(20.208)	11.949	152.560	-	-	114.495
Derivative financial assets	-	5.298.182	1.371.077	2.606.753	2.396.724	3.804.657	-	15.477.393
Derivative financial liabilities	-	(5.327.988)	(1.391.285)	(2.594.804)	(2.244.164)	(3.804.657)	-	(15.362.898)
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		
1.On-balance sheet items (excluding derivatives and SFTs, but including collateral)	332.387.996	299.192.752
2.Assets that are deducted from core capital	(153.148)	(157.786)
3.Total on balance sheet exposures	332.234.848	299.034.966
Derivative exposures and credit derivatives		
4.Replacement cost associated with derivative financial instruments and credit derivatives	732.510	445.528
5.The potential amount of credit risk with derivative financial instruments and credit derivatives	340.019	228.995
6.The total amount of risk on derivative financial instruments and credit derivatives	1.072.529	674.523
Investment securities or commodity collateral financing transactions		
7.The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.688.205	1.100.207
8.Risk amount of exchange brokerage operations	-	-
9.Total risks related with securities or commodity financing transactions	1.688.205	1.100.207
Off -Balance Sheet Items		
10.Gross notional amount of off-balance sheet items	95.103.537	85.128.086
11.Adjustments for conversion to credit equivalent amounts	-	-
12.The total risk of off-balance sheet items	95.103.537	85.128.086
Capital and Total Exposures		
13.Tier 1 Capital	27.495.181	24.481.121
14.Total Exposures	430.099.119	385.937.782
Leverage Ratio		
15.Leverage Ratio	6,39%	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 30 June 2018 are presented in the table below.

Current Period (1 January - 30 June 2018)	Corporate	Commercial	SME/ Integrated	Treasury / Investment	Total
OPERATING INCOME / EXPENSES					
Interest income	1.521.757	2.188.500	8.636.525	2.458.804	14.805.586
Interest on loans	1.521.211	2.188.244	8.448.903	78.115	12.236.473
Interest income on marketable securities	-	-	176.593	2.091.053	2.267.646
Interest received from banks	-	-	6	195.325	195.331
Other interest income	546	256	11.023	94.311	106.136
Interest expense	1.013.062	500.187	5.914.761	3.253.130	10.681.140
Interest on deposits	1.009.662	487.849	5.766.646	696.206	7.960.363
Interest on borrowings	301	3.527	16.452	196.195	216.475
Interest on money market borrowings	-	-	70.279	1.787.787	1.858.066
Interest on marketable bonds issued	-	-	-	532.915	532.915
Other interest expense	3.099	8.811	61.384	40.027	113.321
Net interest income / (loss)	508.695	1.688.313	2.721.764	(794.326)	4.124.446
Net fees and commissions income	148.552	133.326	460.772	164.570	907.220
Net trading profit / (loss)	1.803	4.546	493.652	(440.171)	59.830
Dividend income	-	-	-	374.321	374.321
Other income	32.679	90.675	191.438	59.448	374.240
Expected credit loss	54.030	86.569	452.376	422.268	1.015.243
Other expenses	17.501	40.338	1.033.448	1.451.753	2.543.040
Income before taxes	620.198	1.789.953	2.381.802	(2.510.179)	2.281.774
Income tax provision	-	-	-	(379.070)	(379.070)
Net profit for the period	620.198	1.789.953	2.381.802	(2.889.249)	1.902.704

**SEGMENT ASSETS
(30 June 2018)**

Marketable securities	-	-	6.937.634	54.566.809	61.504.443
Derivative financial assets	-	-	60.510	846.838	907.348
Banks and money market receivables	-	-	1.097	4.950.378	4.951.475
Associates and subsidiaries (net)	-	-	-	4.171.550	4.171.550
Loans	37.335.363	46.746.884	149.966.150	2.854.804	236.903.201
Other assets ⁽¹⁾	84.692	658.661	2.402.074	36.712.398	39.857.825
TOTAL ASSETS	37.420.055	47.405.545	159.367.465	104.102.777	348.295.842

**SEGMENT LIABILITIES
(30 June 2018)**

Deposits	33.427.834	18.151.320	153.062.885	16.677.165	221.319.204
Derivative financial liabilities	-	-	28.628	358.627	387.255
Money market balances	-	-	4.440.686	36.557.398	40.998.084
Borrowing funding loans	13.288	270.336	1.226.614	14.967.100	16.477.338
Bonds issued	-	-	-	13.432.190	13.432.190
Other liabilities	355.592	418.763	7.023.690	16.853.953	24.651.998
Provisions and tax payable	68.676	111.626	281.386	2.310.392	2.772.080
Shareholders' equity	622.355	1.770.903	2.104.866	23.759.569	28.257.693
TOTAL LIABILITIES	34.487.745	20.722.948	168.168.755	124.916.394	348.295.842

**OFF BALANCE SHEET ITEMS
(30 June 2018)**

Guarantees and sureties	20.057.625	17.484.993	20.508.198	12.280.655	70.331.471
Commitments	64.221	910.405	11.013.439	16.529.744	28.517.809
Derivative financial instruments	-	-	8.389.314	63.083.794	71.473.108

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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 (1 January-30 June 2017)	Corporate	Commercial	SME/ Integrated	Treasury / Investment⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	993.768	1.437.094	5.988.353	2.153.820	10.573.035
<i>Interest on loans</i>	992.042	1.436.132	5.881.436	129.014	8.438.624
<i>Interest income on marketable securities</i>	-	-	92.742	1.864.353	1.957.095
<i>Interest received from banks</i>	-	-	5.610	84.978	90.588
<i>Other interest income</i>	1.726	962	8.565	75.475	86.728
Interest expense	746.847	270.177	3.367.232	1.979.228	6.363.484
<i>Interest on deposits</i>	746.403	247.825	3.284.929	422.201	4.701.358
<i>Interest on borrowings</i>	306	3.358	13.748	170.349	187.761
<i>Interest on money market borrowings</i>	-	-	23.562	1.013.487	1.037.049
<i>Interest on marketable bonds issued</i>	-	-	-	372.713	372.713
<i>Other interest expense⁽²⁾</i>	138	18.994	44.993	478	64.603
Net interest income	246.921	1.166.917	2.621.121	174.592	4.209.551
Net fees and commissions income	118.858	233.972	538.695	154.727	1.046.252
Net trading profit / (loss)	(809)	2.685	51.724	49.242	102.842
Dividend income	-	-	-	22.165	22.165
Other income	33.499	49.943	166.464	44.288	294.194
Impairment losses on loans and other receivables	7.658	285.346	310.103	127.177	730.284
Other expenses	15.742	33.905	880.158	1.203.876	2.133.681
Income before taxes	375.069	1.134.266	2.187.743	(886.039)	2.811.039
Income tax provision	-	-	(1.695)	(581.405)	(583.100)
Net profit for the period	375.069	1.134.266	2.186.048	(1.467.444)	2.227.939
SEGMENT ASSETS (31 December 2017)					
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 (31 December 2017)					
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 (31 December 2017)					
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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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

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)	214.456.211	182.074.573	17.156.497
2	Standardized approach (SA)	214.456.211	182.074.573	17.156.497
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	3.041.114	1.946.444	243.289
5	Standardized approach for counterparty credit risk (SA-CCR)	3.041.114	1.946.444	243.289
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	1.981.863	3.230.950	158.549
17	Standardized approach (SA)	1.981.863	3.230.950	158.549
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)	947.493	816.180	75.799
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	236.594.491	200.865.817	18.927.559

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

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

Analysis of counterparty credit risk (CCR) exposure by approach

	Replacement cost	Potential future exposure	EEPE*	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
Standard Approach-CCR (for derivatives)	907.348	413.041		1,4	1.479.233	955.602
Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					34.030.168	2.079.118
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					8.537.398	6.394
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	1.479.555
Total					44.046.799	3.041.114

(*) Expected effective amount of risk

Credit valuation adjustment (CVA) capital charge

	EAD post-CRM	RWA
Total portfolios subject to the Advanced CVA capital charge	-	-
(i) VaR component (including the 3×multiplier)	-	-
(ii) Stressed VaR component (including the 3×multiplier)	-	-
All portfolios subject to the Standardised CVA capital charge	1.479.233	955.602
Total subject to the CVA capital charge	1.479.233	955.602

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

Standardised approach – CCR exposures by regulatory portfolio and risk weights

Risk Weight /Regulatory Portfolio	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
Sovereigns and their central banks	34.558.441	1.966.636	-	2.557	-	-	-	-	36.527.634
Non-central government public sector entities	5	180.820	-	1.727	-	-	-	-	182.552
Regional governments or local authorities	146.999	5.155	-	-	-	6.473	-	-	158.627
Multilateral development banks	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	5.058.560	437.150	-	1.219.868	-	-	6.715.578
Corporate	27.527	22.235	-	-	-	353.854	-	-	403.616
Regulatory retail portfolios	-	50.906	-	-	7.886	-	-	-	58.792
Secured by residential property	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-
Higher-risk categories	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization position	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Investments on securities	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	34.732.972	2.225.752	5.058.560	441.434	7.886	1.580.195	-	-	44.046.799

Composition of collateral for CCR exposure

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral			
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – other currencies	-	302.430	-	227.134	8.775	59.423
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	302.430	-	227.134	8.775	59.423

Credit derivatives exposures

None.

Exposures to central counterparties

None.

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

Credit quality of assets

		Gross Carrying Values of TAS		Allowances/ amortization and impairments**	Net Values
		Defaulted exposures*	Non-defaulted exposures		
1	Loans	6.521.704	237.596.040	7.214.543	236.903.201
2	Debt Securities	-	46.570.346	45.386	46.524.960
3	Off-balance exposure	-	98.849.280	-	98.849.280
4	Total	6.521.704	383.015.666	7.259.929	382.277.441

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

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

Changes in stock of defaulted loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	6.106.597
2	Loans and debt securities that have defaulted since the last reporting period	1.038.573
3	Returned to non-defaulted status	(60.518)
4	Amounts written off	-
5	Other changes	(562.948)
	Defaulted loans and debt securities at end of the reporting period	
6	(1+2-3-4±5)	6.521.704

Credit risk mitigation techniques – Overview

		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	137.446.087	99.457.114	84.558.885	20.642.753	20.642.753	-	-
2	Debt Securities	46.524.960	-	-	-	-	-	-
3	Total	183.971.048	99.457.114	84.558.885	20.642.753	20.642.753	-	-
4	Of which defaulted	611.388	702.231	517.432	7.716	7.716	-	-

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

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

Risk Classes	Exposures before Credit Conversion Factor and Credit Risk Mitigation		Exposures post-Credit Conversion Factor and Credit Risk Mitigation		Risk Weighted Average and Risk Weighted Average Density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Sovereigns and their central banks	115.372.912	312.330	135.638.510	1.270.392	9.961.902	7,28%
Non-central government public sector entities	3.741.313	99.890	3.741.313	49.998	1.813.810	47,84%
Regional governments or local authorities	1.711.425	2.476.808	1.693.518	1.238.628	2.773.824	94,60%
Multilateral development banks	-	-	-	-	-	-
International organizations	-	-	-	-	-	-
Banks and intermediary institutions	10.680.420	4.027.330	10.684.832	2.686.348	5.550.317	41,51%
Corporates	85.832.308	57.179.363	78.842.078	33.642.168	109.256.246	97,13%
Regulatory retail portfolios	76.985.340	28.771.602	63.723.501	5.643.068	49.814.066	71,81%
Secured by residential property	40.515.327	1.465.811	40.515.293	813.772	15.581.086	37,70%
Secured by commercial real estate	24.190.071	2.443.928	24.190.071	1.783.033	12.986.552	50,00%
Past-due loans	1.301.409	8.309	1.301.409	4.286	1.159.830	88,83%
Higher-risk categories	14.047	159.275	14.047	100.665	172.067	150,00%
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other assets	10.828.564	-	10.828.564	-	4.618.517	42,65%
Investment on securities	4.188.105	-	4.188.105	-	4.756.601	113,57%
Total	375.361.241	96.944.646	375.361.241	47.232.358	218.444.818	51,69%

Standardised approach – exposures by asset classes and risk weights

Risk Classes/ Risk weight	0%	10%	20%	35%*	50%	75%	100%	150%	200%	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	115.544.971	1.966.636	-	-	19.264.114	-	133.181	-	-	-	136.908.902
Non-central government public sector entities	19.034	180.820	-	-	3.591.457	-	-	-	-	-	3.791.311
Regional governments or local authorities	153.560	5.155	154	-	-	-	2.773.277	-	-	-	2.932.146
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
International organizations	-	-	-	-	-	-	-	-	-	-	-
Banks and intermediary institutions	-	-	7.236.104	-	4.063.961	-	2.071.115	-	-	-	13.371.180
Corporates	2.157.006	22.235	799.536	-	822.705	-	108.682.764	-	-	-	112.484.246
Regulatory retail portfolios	2.680.210	50.906	304.753	-	-	66.330.700	-	-	-	-	69.366.569
Secured by residential property	30.970	-	11.320	38.465.648	-	2.821.127	-	-	-	-	41.329.065
Secured by commercial real estate	-	-	-	-	25.973.104	-	-	-	-	-	25.973.104
Past-due loans	54.859	-	-	-	182.013	-	1.068.823	-	-	-	1.305.695
Higher-risk categories	-	-	-	-	-	-	-	114.712	-	-	114.712
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-
Investment on securities	-	-	-	-	-	-	3.809.108	-	-	378.997	4.188.105
Other Recievables	5.266.427	-	304.602	-	787.102	1.225.549	3.244.884	-	-	-	10.828.564
Total	125.907.037	2.225.752	8.656.469	38.465.648	54.684.456	70.377.376	121.783.152	114.712	-	378.997	422.593.599

*Secured by mortgages

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

Market risk under standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	508.800
Equity risk (general and specific)	235.900
Foreign exchange risk	952.688
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	284.475
Scenario approach	-
Securitisation	-
Total	1.981.863

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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	1.068.736	1.008.283
CBRT	7.291.101	24.230.806
Other	-	5
Total	8.359.837	25.239.094

	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⁾	7.139.026	4.196.441
Time unrestricted amount	-	-
Time restricted amount	-	-
Other ⁽²⁾	152.075	20.034.365
Total	7.291.101	24.230.806

⁽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 TRY is paid at a rate of 700 basis points rate as of 1 June 2018.

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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	5.436.836	-
Total	5.436.836	-

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

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

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

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

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	8.849.435	-
Total	8.849.435	-

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

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

	Current Period	
	TRY	FC
Forward transactions	-	259.153
Swap transactions	-	640.630
Futures transactions	-	-
Options	672	6.893
Other	-	-
Total	672	906.676

	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	9.617	3.163.713
Foreign banks	90.080	1.688.065
Branches and offices abroad	-	-
Total	99.697	4.851.778
	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	-	354.036
Total	-	354.036
	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	152.386	-
Total	152.386	-

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

(4) Information on financial assets at fair value through other comprehensive income (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	1.311.545
<i>Quoted on a stock exchange</i>	1.311.545
<i>Not quoted</i>	-
Share certificates	174.319
<i>Quoted on a stock exchange</i>	140.482
<i>Not quoted</i>	33.837
Impairment provision(-)	44.224
Total	1.441.640

	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	302.678	-
Total	302.678	-
	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	183.173.209	3.982.567	36.288	4.700.554
<i>Corporation loans</i>	125.652.119	3.237.820	-	4.494.061
<i>Export loans</i>	4.567.249	31.210	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	2.942.691	-	-	-
<i>Consumer loans⁽¹⁾</i>	42.230.369	511.956	36.288	21.641
<i>Credit cards⁽²⁾</i>	4.573.645	97.265	-	63.410
<i>Other</i>	3.207.136	104.316	-	121.442
Specialized lending	41.395.497	778.189	-	249
Other receivables	-	-	-	-
Accruals	3.028.003	392.324	562	108.598
Total	227.596.709	5.153.080	36.850	4.809.401

⁽¹⁾ Includes TRY 233.860 personnel loans.

⁽²⁾ Includes TRY 68.818 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". All creditors have reached an agreement on restructuring the debts granted within the context of the existing loan agreements. As per the agreed structure, it is contemplated that the telecommunication company's shares owned by the mentioned company, representing 55% of its issued share capital, which have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Republic of Turkey, and owned by directly or indirectly by the creditors. Completion of the transaction is subject to an agreement to be reached on the contracts of the loan to be restructured with the new company, completion of the necessary institutional, administrative and all kinds of approvals and permits, and fulfilling requisite conditions based on the contracts.

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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	1.038.536	-
Significant Increase in Credit Risk	-	967.922

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	2.015.999	4.628.379
Extended by 3,4 or 5 times	27.805	49.866
Extended by more than 5 times	907	58.846

⁽¹⁾Accruals amounting to TRY 96.967 are not included in the table above.

⁽²⁾Accruals amounting to TRY 109.160 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	634.849	539.959
6 Months - 12 Months	80.872	272.987
1-2 Years	187.062	394.359
2-5 Years	580.030	1.592.609
5 Years and over	561.898	1.937.177

⁽¹⁾Accruals amounting to TRY 96.967 are not included in the table above.

⁽²⁾Accruals amounting to TRY 109.160 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^(*):

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	406.576	41.148.886	41.555.462
<i>Real estate loans</i>	11.572	24.721.314	24.732.886
<i>Automobile loans</i>	2.435	248.473	250.908
<i>Consumer loans</i>	392.569	16.179.099	16.571.668
<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	3.110.725	2.296	3.113.021
<i>Installment</i>	1.205.490	2.296	1.207.786
<i>Non-installment</i>	1.905.235	-	1.905.235
Individual credit cards-FC	263	-	263
<i>Installment</i>	-	-	-
<i>Non-installment</i>	263	-	263
Personnel loans-TRY	13.473	220.387	233.860
<i>Real estate loans</i>	-	471	471
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	13.473	219.916	233.389
<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	68.727	-	68.727
<i>Installment</i>	24.201	-	24.201
<i>Non-installment</i>	44.526	-	44.526
Personnel credit cards-FC	91	-	91
<i>Installment</i>	-	-	-
<i>Non-installment</i>	91	-	91
Overdraft accounts-TRY (Retail customers)	1.010.932	-	1.010.932
Overdraft accounts-FC (Retail customers)	-	-	-
Total	4.610.787	41.371.569	45.982.356

^(*) 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):

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	1.597.470	29.825.454	31.422.924
<i>Business premises loans</i>	-	691.694	691.694
<i>Automobile loans</i>	16.514	447.454	463.968
<i>Consumer loans</i>	1.580.956	28.686.306	30.267.262
<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	166.416	14.856.387	15.022.803
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	166.416	14.856.387	15.022.803
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.552.160	-	1.552.160
<i>Installment</i>	634.206	-	634.206
<i>Non-installment</i>	917.954	-	917.954
Corporate credit cards-FC	58	-	58
<i>Installment</i>	-	-	-
<i>Non-installment</i>	58	-	58
Overdraft accounts-TRY (Commercial customers)	1.742.924	-	1.742.924
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	5.059.028	44.681.841	49.740.869

*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):

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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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):

e) Domestic and foreign loans:

	Current Period
Domestic loans	235.730.005
Foreign loans	1.866.035
Total	237.596.040

	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	1.075.337
Indirect loans granted to subsidiaries and associates	-
Total	1.075.337

	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	239.255
Loans and receivables with doubtful collectability	471.837
Uncollectible loans and receivables	4.496.993
Total	5.208.085
	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			
Gross amounts before the specific provisions	20.474	27.878	1.178.077
Rescheduled loans and other receivables	20.474	27.878	1.178.077
Prior period			
Gross amounts before the specific provisions	38.728	44.727	1.188.583
Rescheduled loans and other receivables	38.728	44.727	1.188.583

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 (+)	969.430	21.822	47.321
Transfers from other categories of loans under follow-up (+)	-	871.589	684.113
Transfers to other categories of loans under follow-up (-)	901.454	654.248	-
Collections (-)	172.680	108.689	342.097
Write-offs (-)	-	-	-
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	508.112	863.707	5.149.885
Specific provision (-)	239.255	471.837	4.496.993
Net balance on balance sheet	268.857	391.870	652.892

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

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

(5) Information on loans (continued):

h.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	100.003	168.566	1.755.786
Provisions(-)	52.807	95.837	1.606.984
Net balance in the balance sheet	47.196	72.729	148.802
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)	507.212	862.392	5.078.477
Provisions (-)	238.355	470.522	4.425.585
Loans to granted real persons and legal entities (Net)	268.857	391.870	652.892
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	900	1.315	71.408
Provisions (-)	900	1.315	71.408
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)

(5) Information on loans (continued):

- i) Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions in accordance with TFRS 9:

	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)	28.381	17.098	37
Interest Accruals and Valuation Differences	55.426	35.354	67
Provision (-)	27.045	18.256	30

*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.

- 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
Bond	26.957	-
Government bonds and similar securities	1.134.039	2.436.942
Total	1.160.996	2.436.942

	Prior Period	
	TRY	FC
Bond	-	-
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	31.251.743	6.919.719
Total	31.251.743	6.919.719

	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	35.369.525
Treasury bills	26.957
Other public sector debt securities	9.507.193
Total	44.903.675

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	44.903.675
<i>Quoted on a stock exchange</i>	44.903.675
<i>Not quoted</i>	-
Impairment provision (-)	-
Total	44.903.675

	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	494.651
Purchases during the year ⁽¹⁾⁽²⁾	24.365.153
Disposals through sales and redemptions	(1.683.298)
Impairment provision (-) / provision reversal (+)	-
Balance at the end of the period	44.903.675

⁽¹⁾ Interest income accrual differences between 30 June 2018 amounting to TRY 4.719.275 and 31 December 2017 amounting to TRY 2.894.918 has been included in purchases row.

⁽²⁾ The Bank reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income into financial assets measured at amortised cost on 23 May 2018.

	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

⁽¹⁾ Interest income accrual differences between 31 December 2017 amounting to TRY 2.894.918 and 31 December 2016 amounting to TRY 1.907.723 has been included in purchases row.

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

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

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank's share percentage, if different- voting percentage (%)	Bank's risk group share percentage (%)
1. Demir-Halkbank NV ⁽¹⁾	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ ⁽¹⁾	Ankara/Turkey	31,47	33,12
3. Kredi Kayıt Bürosu AŞ ⁽²⁾	Istanbul/Turkey	18,18	18,18
4. Bankalararası Kart Merkezi AŞ ⁽²⁾	Istanbul/Turkey	18,95	18,95
5. Türk P ve I Sigorta AŞ ⁽¹⁾	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 ⁽³⁾
1.	9.502.835	1.325.840	7.985	149.878	2.625	44.160	33.876	365.859
2.	52.591	51.977	92	1.769	-	368	(120)	-
3.	273.666	168.266	149.705	1.692	-	22.018	25.565	-
4.	94.425	57.724	48.697	1.370	-	8.630	3.260	-
5.	45.226	10.460	490	311	-	1.938	226	-

⁽¹⁾ The financial data is obtained from 30 June 2018 financial statements used in consolidation.

⁽²⁾ Financial information of Kredi Kayıt Bürosu AŞ. is obtained from unreviewed financial statements and financial information of Bankalararası Kart Merkezi AŞ. is obtained from unreviewed financial statements as of 30 June 2018.

⁽³⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 30 June 2018.

c) Movement of associates:

	Current Period
Balance at the beginning of the period	332.792
Movements during the period	55.557
<i>Purchases</i>	375
<i>Bonus shares obtained profit from current year's share</i>	3.032
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfers</i>	-
<i>Revaluation decrease (-) / increase</i>	52.150
<i>Impairment Provisions (-) / Reversals</i>	-
Balance at the end of the period	388.349
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	365.859
Insurance companies	1.620
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	9.352

	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 Factoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
CORE CAPITAL										
Paid in Capital	104.000	220.000	412.000	858.000	323.000	26.000	201.705	96.000	141.991	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-	-
Share premium	-	98	-	49.945	-	-	11.633	-	44.552	-
Reserves	15.958	23.048	91.617	72.118	13.915	2.152	267.293	10.095	159.671	-
Other Comprehensive Income according to TAS	5.315	(1.178)	(16.876)	2.562	(95)	(35)	6.784	10	11.573	-
Profit / Loss	20.509	(100.717)	167.287	30.035	41.600	4.792	41.864	7.135	7.970	64
<i>Net Profit</i>	<i>20.509</i>	<i>22.311</i>	<i>145.284</i>	<i>30.035</i>	<i>28.634</i>	<i>4.363</i>	<i>22.466</i>	<i>16.587</i>	<i>5.690</i>	<i>55</i>
<i>Prior Period Profit/Loss</i>	<i>-</i>	<i>(123.028)</i>	<i>22.003</i>	<i>-</i>	<i>12.966</i>	<i>429</i>	<i>19.398</i>	<i>(9.452)</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 (-)	-	-	237	-	-	-	7.687	186	3.652	-
Intangible Assets (-)	951	3.129	1.147	260	1.137	18	4.281	664	7.222	-
Total Core Capital	145.581	138.122	652.644	1.012.400	377.283	32.891	517.311	112.390	354.883	164
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	12.901	-	5.973	-
CAPITAL	145.581	138.122	652.644	1.012.400	377.283	32.891	530.212	112.390	360.856	164
NET AVAILABLE CAPITAL	145.581	138.122	652.644	1.012.400	377.283	32.891	530.212	112.390	360.856	164

⁽¹⁾ The information is presented from companies' financial statements as of 30 June 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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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

b) Information on subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,96	99,96
2. Halk Sigorta AŞ	Istanbul	89,18	94,40
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	99,17	99,17
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.	865.486	146.532	3.196	58.903	1.553	20.509	11.795	193.371
2.	2.049.804	141.251	4.790	89.530	13.844	22.311	14.517	426.657
3.	1.237.861	654.028	3.061	87.865	16.522	145.284	111.203	1.212.842
4.	1.476.374	988.471	619.496	4.168	-	30.035	22.510	469.335
5.	3.193.864	378.420	1.739	124.503	-	28.634	44.458	474.507
6.	34.619	32.909	485	2.308	73	4.363	3.713	39.828
7.	3.604.664	529.279	69.319	70.362	6.465	22.466	16.381	496.351
8.	1.575.140	113.240	1.223	120.812	0	16.587	16.496	123.683
9.	50.344	34.495	8.336	1.756	365	3.086	4.184	52.178
10.	2.081.734	365.757	42.819	37.703	4.738	5.690	6.103	294.349
11.	125.792	164	-	-	-	55	-	100

⁽¹⁾ The financial data is obtained from 30 June 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	156.493
<i>Purchase⁽¹⁾⁽²⁾</i>	142.277
<i>Bonus shares obtained profit from current year's share</i>	166.866
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfer</i>	-
<i>Revaluation Increase/Decrease</i>	(28.069)
<i>Impairment Provisions (-)/ Reversals</i>	(124.581)
Balance at the end of the period	3.783.201
Capital commitments	-
Share percentage at the end of the period (%)	-

⁽¹⁾ Between 1 January – 30 June 2018, The Bank paid TRY 88.413 for 0,10% shares of Halkbank A.D. Beograd, and increased its shares to 99,99%.

⁽²⁾ Between 1 January – 30 June 2018, The Bank paid TRY 53.864 for 0,14% shares of Halkbank A.D. Skopje , which is located in Macedonia and increased its shares to 99,17%.

	Prior 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
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	790.700
Insurance companies	1.639.499
Factoring companies	123.683
Leasing companies	474.506
Financing companies	-
Other financial subsidiaries	702.635
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)}	895.993
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:		
Opening Balance	430.845	430.059
Acquisitions	-	786
Transfer	-	-
Disposals	-	-
Impairment Charge/Cancellation(-)	-	-
Ending Balance	430.845	430.845
Accumulated Depreciation		
Opening Balance	72.271	66.738
Amortization Charge (-)	1.611	5.533
Transfer	-	-
Disposals	-	-
Impairment Provisions	-	-
Total Accumulated Depreciation (-)	73.882	72.271
Net Book Value	356.963	358.574

(13) Information on tax assets:

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 2.840.739 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	7.989.881	-	1.588.267	43.880.851	1.645.336	538.783	466.491	112.840	56.222.449
Foreign currency deposits	10.053.640	-	3.501.310	45.694.684	3.349.682	4.247.364	5.209.513	11.538	72.067.731
<i>Residents in Turkey</i>	8.727.438	-	3.153.330	42.088.241	3.179.712	3.803.182	3.166.674	11.119	64.129.696
<i>Residents abroad</i>	1.326.202	-	347.980	3.606.443	169.970	444.182	2.042.839	419	7.938.035
Public sector deposits	2.690.586	-	2.319.231	5.056.848	815.655	4.628.159	27.265	-	15.537.744
Commercial inst. deposits	6.296.608	-	6.212.656	21.446.440	2.569.436	1.105.615	122.266	-	37.753.021
Other inst. deposits	691.299	-	625.316	7.175.915	1.051.614	1.768.970	178.896	-	11.492.010
Precious metals	2.512.862	-	6.172	193.227	15.246	17.304	18.105	-	2.762.916
Interbank deposits	8.402.538	-	6.393.440	10.240.482	90.733	4.105	352.035	-	25.483.333
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	91.777	-	1.451.721	7.226.194	33.149	4.105	-	-	8.806.946
<i>Foreign banks</i>	8.292.942	-	4.941.719	2.602.390	57.584	-	257.999	-	16.152.634
<i>Participation banks</i>	17.819	-	-	411.898	-	-	94.036	-	523.753
Total	38.637.414	-	20.646.392	133.688.447	9.537.702	12.310.300	6.374.571	124.378	221.319.204

Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.767.489	-	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 insurance	
	Current Period	Exceeding the insurance limit Current Period
Saving deposits	28.029.431	27.965.783
Foreign currency saving deposits	9.555.156	24.257.025
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	310.738	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

Saving deposits	Under the guarantee insurance	
	Prior Period	Exceeding the insurance limit 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	220.575
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	4.366
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-

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

(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	-	144.766
Swap transactions	-	239.374
Future transactions	-	-
Options	1.193	1.922
Other	-	-
Total	1.193	386.062

	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	380.687	1.639.794
Foreign banks, institutions and funds	154.652	14.302.205
Total	535.339	15.941.999

	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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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	378.634	2.997.267
Medium and long-term	156.705	12.944.732
Total	535.339	15.941.999

	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 25,40% of saving deposits and 32,56% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 57,86% of bank deposits and 38,21% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued:

	Current Period	
	TRY	FC
Bonds	3.054.403	-
Treasury Bills	-	10.377.787
Total	3.054.403	10.377.787

	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.

Maturity structure of funds:

Current Period	
Short Term	Long Term
1.048	2.768.181

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.

- a) 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 the first and the 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 30 June 2018 the Bank's the amount of the currency differences on foreign currency indexed loans and finance lease receivables is none. (31 December 2017: TRY 1.923).

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

As of 30 June 2018, the Bank's specific provision for unindemnified non-cash loans balance is TRY 132.525 (31 December 2017: TRY 122.876).

d) Information on other provisions:

Total other provision balance amounting to TRY 593.169 (31 December 2017: TRY 324.167) consists of TRY 132.525 (31 December 2017: TRY 122.876) for specific provisions of unindemnified and unfunded non cash loans, TRY 185.742 for specific provisions of non-cash loans, TRY , 105.055 (31 December 2017: TRY 107.231) for legal cases filed against the Bank, TRY 90.000 (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 79.847 (31 December 2017: TRY 94.060) of other provisions.

e) Liabilities for employee benefits:

As of 30 June 2018, unused vacation accruals are TRY 104.814, personnel dividend provision is TRY 298.665, severance indemnity provision for Bank personnel is TRY 512.882 and severance indemnity provision for outsourcing firms is TRY 19.987 (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 30 June 2018, the Bank's current tax asset is amounting to TRY 5.168.

(As of 31 December 2017, corporate tax payable amount is TRY 145.941).

a.2. Information on taxes payable:

	Current Period
Corporate tax payable	-
Income on securities tax	427.102
Property income tax	1.853
Banking and insurance transactions tax (BITT)	121.916
Foreign exchange transactions tax	18
Value added tax payable	-
Other	28.110
Total	578.999

	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	27
Bank social aid pension fund premium-employee	14.792
Bank social aid pension fund premium-employer	20.562
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	-
Unemployment insurance-employer	-
Other	3.330
Total	38.733

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

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

a.3. Information on premiums (continued):

	Prior Period
Social insurance premiums-employee	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⁾	728.113
Revaluation of Financial Assets	(1.461.378)
Other	108.434
Deferred Tax (Asset) /Liability:	(624.831)
Deferred tax accounted in shareholders' equity	(141.527)
Fair value through other comprehensive income arising from securities	(3.112)
Actuarial gains and losses	2.566
Valuation of subsidiaries	-
Property revaluation	(140.981)

(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	1.001.322	-
Subordinated loans	-	-
Subordinated debt instruments	1.001.322	-
Total	1.001.322	-

	Prior Period	
	TRY	FC
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	Prior Period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

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

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

- 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)	1.084.953	356.029
Valuation differences	1.084.953	356.029
Exchange rate difference	-	-
Financial assets available for sale	(36.548)	(158.321)
Valuation differences	(36.548)	(158.321)
Exchange rate difference	-	-
Total	1.048.405	197.708

	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	12.500.921
Payment commitments for cheques	3.653.584
Loan granting commitments	5.043.771
Two days forward foreign exchange buy/sell transactions	3.379.823
Commitments for credit cards and banking services promotions	33.296
Tax and fund liabilities from export commitments	46.439
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.734.513
Total	28.392.347

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	3.915.515
Bank acceptances	4.295.309
Other guarantees	1.781.286
Total	9.992.110

	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	16.797.767
Letters of advance guarantees	6.009.651
Letters of tentative guarantees	627.870
Letters of guarantee given to customs offices	1.543.015
Other letters of guarantee	35.361.058
Total	60.339.361

	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	3.958.197
<i>Within one year or less original maturity</i>	871.100
<i>Within more than one year maturity</i>	3.087.097
Other non-cash loans	66.373.274
Total	70.331.471

	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	3.088.810	115.262
Medium and long term loans	6.952.130	1.976.147
Interest on non-performing loans	104.124	-
Premiums from resource utilization support fund	-	-
Total	10.145.064	2.091.409

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

	Prior Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	2.035.987	94.813
Medium and long term loans	4.824.563	1.452.448
Interest on non-performing loans	30.813	-
Premiums from resource utilization support fund	-	-
Total	6.891.363	1.547.261

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

b) Interest received from banks:

	Current Period	
	TRY	FC
CBRT	122.613	28.502
Domestic banks	22.271	16.347
Overseas banks	3.093	2.505
Head office and branches	-	-
Total	147.977	47.354

	Prior Period	
	TRY	FC
CBRT	39.278	34.811
Domestic banks	819	3.068
Overseas banks	5.385	7.227
Head office and branches	-	-
Total	45.482	45.106

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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	5.282	198
Financial Assets at Fair Value through Other Comprehensive Income	15.342	45.310
Financial Assets Measured at Amortized Cost	1.988.101	213.413
Total	2.008.725	258.921

	Prior Period	
	TRY	FC
Financial assets held for trading	352	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	655.650	129.309
Held-to-maturity investments	1.104.110	67.674
Total	1.760.112	196.983

d) Interest income from subsidiaries and associates:

	Current period
Interest income from subsidiaries and associates	20.810
	Prior period
Interest income from subsidiaries and associates	26.062

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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	16.387	191.626
<i>CBRT</i>	-	-
<i>Domestic banks</i>	10.688	11.908
<i>Overseas banks</i>	5.699	179.718
<i>Overseas head office and branches</i>	-	-
Other institutions	7	8.455
Total	16.394	200.081

	Prior Period	
	TRY	FC
Banks	15.999	164.761
<i>CBRT</i>	-	-
<i>Domestic banks</i>	9.276	11.487
<i>Overseas banks</i>	6.723	153.274
<i>Overseas head office and branches</i>	-	-
Other institutions	8	6.993
Total	16.007	171.754

b) Interest expenses to subsidiaries and associates:

	Current Period
Interest expenses to subsidiaries and associates	189.968

	Prior Period
Interest expenses to subsidiaries and associates	103.443

c) Information on interest expenses to marketable securities issued:

	Current Period	
	TRY	FC
Interest on securities issued	295.843	237.072
Total	295.843	237.072

	Prior Period	
	TRY	FC
Interest on securities issued	111.985	260.728
Total	111.985	260.728

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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	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	280	202.089	172.555	13.676	108	-	-	388.708	
Saving deposits	3	55.597	2.780.433	99.268	23.916	21.934	4.967	2.986.118	
Public deposits	95	100.802	245.779	43.461	283.028	2.336	-	675.501	
Commercial deposits	9	367.784	1.540.235	163.197	114.280	16.419	-	2.201.924	
Other deposits	-	44.623	526.035	76.410	57.448	1.280	-	705.796	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	387	770.895	5.265.037	396.012	478.780	41.969	4.967	6.958.047	
Foreign currency									
Deposits	12	45.647	675.336	42.633	48.137	47.889	-	859.654	
Bank deposits	5	141.429	-	-	-	-	-	141.434	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	20	835	66	109	198	-	1.228	
Total	17	187.096	676.171	42.699	48.246	48.087	-	1.002.316	
Grand total	404	957.991	5.941.208	438.711	527.026	90.056	4.967	7.960.363	

Account name	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	183	226.281	150.937	684	381	-	-	378.466	
Saving deposits	3	29.133	1.695.688	58.974	17.273	21.885	4.645	1.827.601	
Public deposits	53	86.307	121.063	32.571	178.052	1.617	-	419.663	
Commercial deposits	22	186.165	809.012	125.432	53.113	4.605	-	1.178.349	
Other deposits	-	26.746	78.644	17.566	7.664	4.135	-	134.755	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	261	554.632	2.855.344	235.227	256.483	32.242	4.645	3.938.834	
Foreign currency									
Deposits	23	29.092	514.991	94.018	16.544	28.627	-	683.295	
Bank deposits	-	79.229	-	-	-	-	-	79.229	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
Total	23	108.321	514.991	94.018	16.544	28.627	-	762.524	
Grand total	284	662.953	3.370.335	329.245	273.027	60.869	4.645	4.701.358	

(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	16.051.593
Profit from the capital market operations	21.888
Profit on derivative financial instruments	1.969.141
Foreign exchange gains	14.060.564
Loss (-)	15.991.763
Loss from the capital market operations	9.297
Loss on derivative financial instruments	1.666.043
Foreign exchange losses	14.316.423
	Prior Period
Profit	33.349.030
Profit from the capital market operations	18.446
Profit on derivative financial instruments	664.505
Foreign exchange gains	32.666.079
Loss (-)	33.246.188
Loss from the capital market operations	182
Loss on derivative financial instruments	853.509
Foreign exchange losses	32.392.497

(5) Information on other operating income:

	Current Period
Adjustments for prior period expenses	279.506
Receivable from the asset sale on credit terms	51.982
Rent income	17.292
Other income	25.460
Total	374.240
	Prior Period
Adjustments for prior period expenses	212.832
Receivable from the asset sale on credit terms	45.100
Rent income	16.496
Other income	19.766
Total	294.194

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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	911.907
<i>12 Month Expected Credit Loss (Stage 1)</i>	129.278
<i>Significant Increase in Credit Risk (Stage 2)</i>	207.983
<i>Non – Performing Loans (Stage 3)</i>	574.646
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	103.336
Total	1.015.243

	Prior Period
Specific provisions on loans and receivables	586.421
<i>Group - III loans and receivables</i>	482.361
<i>Group - IV loans and receivables</i>	55.794
<i>Group - V loans and receivables</i>	48.266
General loan provision expenses	126.895
Provision expenses for possible losses	-
Marketable securities impairment losses	-
<i>Financial assets at fair value through profit and loss</i>	-
<i>Financial assets available for sale</i>	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Jointly controlled entities (joint ventures)</i>	-
<i>Investments held-to-maturity</i>	-
Other	16.968
Total	730.284

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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	1.149.532
Reserve for employee termination benefits	53.477
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	-
Depreciation expenses of fixed assets	57.617
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	25.250
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	7.394
Impairment expense for property and equipment held for sale	-
Other operating expenses	1.064.759
<i>Operational leasing expenses</i>	131.333
<i>Maintenance expenses</i>	15.403
<i>Advertisement expenses</i>	78.965
<i>Other expenses</i>	839.058
Loss on sales of assets	21
Other	184.990
Total	2.543.040

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

TÜRKİYE HALK BANKASI AŞ
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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)

- (8) Information on profit/loss from continuing and discontinued operations before taxes:
Not prepared in compliance with the article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.
- (9) Information on tax provisions for continuing and discontinued operations:
For the period then ended 30 June 2018, the Bank’s tax provision amounting to TRY 379.070 consists of TRY 3.587 of current tax charge and TRY 760.780 of deferred tax charge, TRY 385.297 of deferred tax income.
- (10) Information on net operating income/expense from continuing and discontinued operations after tax:
Not prepared in compliance with the article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.
- (11) Information on 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. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK

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

- a) Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	967.161	234.553	-	-	-	-
Closing balance	1.075.337	232.680	-	-	-	-
Interest and commissions income	20.810	509	-	-	-	-

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	26.062	177	-	-	-	-

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

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	
	Current Period	Current Period	Current Period	Current Period	Current Period	Current Period
Deposits						
Beginning balance	2.857.226	-	-	-	-	-
Closing Balance	2.970.195	-	-	-	-	-
Interest expense on deposits	185.666	-	-	-	-	-

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	
	Prior Period	Prior Period	Prior Period	Prior Period	Prior Period	Prior Period
Deposits						
Beginning balance	1.733.533	-	-	-	-	-
Closing Balance	2.857.226	-	-	-	-	-
Interest expense on deposits	101.860	-	-	-	-	-

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

V. EXPLANATIONS 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	3.234	-	-
Total Profit/Loss	60	-	-

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	46	-	-

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

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

(2) Disclosures for risk group:

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

In the normal course of its banking activities, the Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates. In addition, the Bank is an intermediary for brokerage services of Halk Yatırım Menkul Değerler A.Ş. within scope of “Brokerage Order Contract”. 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	1.075.337	0,45
Non-cash loans	232.680	0,33
Deposits	2.970.195	1,34
Forward and option contracts	3.234	-

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 5.134 as of 30 June 2018 (30 June 2017: TRY 4.723).

VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

Within the issue limit for the Tier 2 debt securities, debt securities with a maturity of 10 years, fixed rate, nominal value of TRY 1 billion and 950 million (full TRY) and early redemption option after 5 years from issue date has been completed by the Bank on 3 July 2018.

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

VII. OTHER EXPLANATIONS

One of the Bank’s former directors has been convicted and imprisoned for some of the charges by the court in the United States of America (“USA”) of the violation of the USA sanctions involving Iran as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former 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 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 9 August 2018 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

TÜRKİYE HALK BANKASI AŞ
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SECTION VII: INTERIM ACTIVITY REPORT

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

Assessment of Chairman of the Board of Directors

Esteemed Stakeholders,

The economic tensions between the United States and China have spread to the world. This is negatively impacting the financial balances of countries seeking protectionist foreign trade policies, which are finding increasingly more support in developed countries. This is also causing reciprocal sanctions. While the uncertainty surrounding the ongoing war in Syria is fueling this negativity, the Fed's monetary policies is also affecting the financial markets.

Following the Fed raising policy interest rates in June, it is further believed that interest rates will begin increasing four times a year. While this has increased the Dollar's tendency to rise, it has also caused the depreciation of several countries' currencies. While it has become clear that the European Central Bank will end its asset purchase program by the end of the year, the announcement that interest rates will remain fixed at their current level for some time indicates that the Eurozone tightening policy will be implemented later.

In addition to these indicators, financial markets have half an ear on the decision that the OPEC countries will take on oil supply. The increase in the price per barrel of oil, influenced by the possible re-establishment of the United States' sanctions on Iran, has reflected positively on the balance sheets of oil-exporting countries' economies.

During the course of these developments abroad, the increase in investment expenditure has been one of the most positive economic developments in the history of the Turkish economy. Its high growth rate exceeded all the expectations and it became the second-highest item in growth expenditures. Another promising development was the rise in contributions in the industrial sector. They reached 1.9 percent in the first-quarter growth rate. The banking sector played a great part in this development by meeting the needs of the manufacturing industry with its services. According to the data provided by the BRSA, the total loan volume of the sector reached 2.4 trillion TRY at the end of June.

Financial markets showed a positive trend after the general elections in June and will maintain this momentum in the new period as economic coordination becomes even stronger. Markets will further relax with the impact of the expected financial reforms and Turkey will continue to be investors' favorite country, as it has been for the last 16 years.

Our common dream is for a Turkey that can invest in its own technology; take responsibility for the production of goods that cause external dependency, like automobiles for many years; and stand strong in all fields of activity requiring technical skills, with the defense industry being the first priority. In reaching this dream, the new structuring of the economy administration will be our greatest power. Under the leadership of the Presidential Committees, the decisions taken – which incurred no loss of time, thanks to the inter-ministerial effective communication and cooperation – will accelerate Turkey's industrial, technological and economic rise. It will also make our country the prime attraction for foreign investors.

^(*) 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)

Assessment of Chairman of the Board of Directors (continued)

Esteemed Stakeholders,

Halkbank will be one of the most hardworking actors of the process in which all segments of the society will take Turkey to its 2023 goals together. Our Bank has striven for 80 years to help SMEs, artisans and craftsmen, and it will continue to be worthy of the people it draws its name from. It will increase its brand value by successfully carrying out its activities on an international scale.

The financial results we achieved in the first half of the year prove how effective our strategy is. I am deeply convinced that we will achieve our year-end targets thanks to our 80 years of banking experience and our experienced staff, each of whom is an expert in their field. We will continue to earn and ensure that all stakeholders who are with us earn too.

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 ASSESMENTS FOR THE INTERIM ACTIVITIES (continued)

Assessment of Chairman of the Board of Directors (continued)

Esteemed Stakeholders,

In this period, the world economy has endured the first half of a difficult year. Accordingly, finance and economy experts are further factoring the behaviors of political actors into their analyses when interpreting the global indicators. However, it is not easy to predict how rising trade wars will affect the global economy. The pressure of the protection shields on all the stock market indexes has risen recently. Increased tensions in international trade and changes in monetary policy have also boosted this pressure. As geopolitical risks are added to this picture, it becomes clear that the world economy is going through a difficult period.

Dynamic actors, such as Turkey, can find significant opportunities in this period by maintaining the proper administrative approach and responding quickly to these changes. In our country, where the electoral process is behind, the continuity of our stable solution-oriented approach in the economic administration has proven to be a strong confidence factor for investors. The banking sector will again play a pivotal role in the financing of real economy in the new period. Savings will increase, and efficiency-oriented investments and exports-based growth will become more prominent.

The Turkish banking sector, which stands out thanks to its strong equity structure under the leadership of state-owned banks, develops its products with an innovative approach while continuing to provide loans so citizens can enjoy a superior-standard service regardless of which bank they have an account with. Our sector, which has signed many new consecutive joint projects and protocols, also ensures competitiveness among institutions, which benefits customers.

Our Bank has been in continuous contact with the private sector representatives in its 80th year, and has introduced a new service that it developed this year in collaboration with the sector. This service, the E-Export Project, brings e-export incentives that were 80 percent in the Ministry of Commerce up to 100 percent completion. This project, which enables the opening of a free virtual store on a website, will make an important contribution to the export spread in the digital environment. SMEs can affiliate to this platform free of charge with the help of Halkbank. They will also feel that Halkbank is on their side in case they suffer financial setbacks during the production process.

The Paraf Esnaf credit card is one of our most innovative products within the scope of alternative financing methods. We have implemented it in order to easily meet the operational and investment expenses of the companies in this period. Artisans and craftsmen can arrange cash flows of up to 50,000 Turkish lira with Paraf Esnaf. They will also receive advantages from the suppliers that they are working on purchasing goods and services with, thanks to the card's supplier company limit feature. They will be able to carry out transactions with Paraf Esnaf in advance, with equal installments or in flexible terms and amounts.

In the same period, we have also launched our Housing Loan campaign, another joint project under the leadership of the public banks. Through its support in the housing market, Halkbank became a leading bank in the sector and significantly contributed to economic growth in the second quarter, with benefits offered to customers who needed housing loans. In this period, our customers in every income demographic found a loan to match their conditions.

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SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Assessment of Chairman of the Board of Directors (continued)

Esteemed Stakeholders,

In this period when we had the happiness of celebrating the 80th anniversary of our bank, we are taking pride in adding value to our country with social and cultural projects beyond the financial services we have accomplished. Within the scope of the project "Children Want, Halkbank Does", which we started on the occasion of the April 23, National Sovereignty and Children's Day, we are realizing the dreams of 80 children.

On the other hand, in order to promote this project across the country, we visited locations all around Turkey during the month of Ramadan. We did this in our theater truck and introduced primary school students to art through the puppet theaters. Within the scope of these activities, we have made 20,000 kilometers in total. We experienced the joy of presenting bicycles as a holiday and report card gifts to 1,200 elementary school students in eight provinces.

We have achieved significant results in terms of financial performance as a result of the studies we carried out in the economic and social fields. Our total loans, including our cash and non-cash loans, increased by 18.1 percent, to reach 307.9 billion Turkish lira compared to 2017 year-end. The volume of commercial loans, which include our bank's SME loans, also increased by 18.9 percent to 191.3 billion Turkish lira in this period. Additionally, loans to tradesmen reached 29.9 billion Turkish lira this quarter. Halkbank's balance sheet size increased by 14.1 percent to 348.3 billion Turkish lira, its shareholders' equity rose by 11.4 percent, and its net profit reached 1.903 million Turkish lira by the end of the second quarter compared to 2017 year-end.

We are very pleased to have such a successful performance with Halkbank's almost 1,000 branches throughout the country and 19 thousand employees. We continue to head into the future with the confidence that our people have in us and the power we get from our esteemed stakeholders.

Sincerely,

Osman Arslan
General Manager

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Major Unconsolidated Financial Information

Summary Balance Sheet (Million TRY)	June 2018	December 2017	Change (%)
Total Assets	348.296	305.351	14,1
Loans	237.596	202.137	17,5
<i>TRY</i>	162.977	138.350	17,8
<i>FC</i>	74.619	63.788	17,0
Marketable Securities	61.504	48.903	25,8
Deposit	221.319	193.227	14,5
<i>TRY</i>	131.743	119.198	10,5
<i>FC</i>	89.576	74.029	21,0
Total Equity	28.258	25.377	11,4

Summary Income Statement (Million TRY)	June 2018	June 2017	Change (%)
Interest Income	14.806	10.573	40,0
<i>On Loan</i>	12.236	8.439	45,0
<i>On Securities</i>	2.268	1.957	15,9
Interest Expense	10.681	6.363	67,9
<i>On Deposit</i>	7.960	4.701	69,3
Net Interest Income	4.124	4.210	(2,0)
Net Fee and Commission	907	1.046	(13,3)
Profit Before Tax	2.282	2.811	(18,8)
Net Profit	1.903	2.228	(14,6)

Ratio (%)	June 2018	December 2017
Cash Loans/Total Asset	68,2	66,2
Non-Performing Loans/Total Cash Loans (Gross)	2,7	2,9
Demand Deposit/Total Deposit	17,5	14,7
Loan/Deposit Ratio	107,4	104,6
Average Return on Asset (ROA)	1,2	1,4
Average Return on Equity (ROE)	14,3	16,0
Capital Adequacy Ratio	13,2	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.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

2018 Second Quarter Interim Developments

Important Developments

- Our Bank has issued bonds with a par value of 2,795,000,000 Turkish lira to the qualified investors throughout this period.

New Products and Campaigns

- In line with our bank’s primary objective, Paraf Esnaf Kart product was developed for the tradesmen customer segment in order to meet the needs of artisans and craftsmen customers.
- To commemorate the bank’s 80th anniversary, we organized a “Public Day” to offer loans to meet the cash needs of our customers.
- “Growing Exporter Loan” was established with the aim of financing the export activities, sales and deliveries considered as exports, and foreign currency earning activities.
- “Export Mobilization Loan Package” was presented in order to help our country realize its goal of exporting 500 billion dollars in 2023.
- Within the scope of World Tourism Week, “World Tourism Week Loan Campaign” was organized to promote the importance of tourism in our country’s economy and to raise awareness and contribute to the revitalization of the tourism.
- “SME-Energizing Loan Package” was created for the credit needs of companies investing in wind turbine (WPP) and solar panels (SPP) to meet lighting and electricity needs at SME’s facilities.
- “Green Energy Loan” was created to expand the use of renewable biomass energy sources for electricity and heat energy production. This was to ensure these sources were introduced to the economy in a reliable, economical and efficient way. By these means, they aim to reduce our country’s external energy dependency and to support the manufacturing industry, which plays an important role in the realization of these goals.
- “Housing Insulation Support Package” was established to contribute to the development of the sector within the scope of the “TS 825 Thermal Insulation Rules for Buildings” compliance activities. It also serves to support the companies operating in this sector.
- In recognition of the National Police Week, which is observed every year during the week of April 10, we held a consumer loan campaign aimed at all law enforcement officers.
- We have created a “My Thrifty Home Loan” package with favorable interest rates for the financing needs that arise from customers’ housing purchases.
- “Traveling Agencies Support Loan” was created to support SMEs.
- The third of our traditional “Productive Turkey Meetings”, in which we describe products and services that we provide to our artisans and SMEs, was held in Trabzon on April 19–20, 2018.

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

2018 Second Quarter Interim Developments (continued)

Corporate Social Responsibility Projects

- Our bank sponsored the summit on leadership, innovation and entrepreneurship, which was held with in collaboration with the Ministry of Youth and Sports and Turkish Exporters Assembly.
- The “Children Want, Halkbank Does” project started as a means of to realize the dreams of 80 children on our 80th anniversary. We have since gathered collected and realized the wishes of almost 80 children in our Penny Wishes Bank event. This event was organized on April 23, National Sovereignty and Children’s Day, across various places in Istanbul.
- On Autism Awareness Day on April 2, our headquarters was illuminated with blue light, and we showed our support on our bank’s social media accounts.
- We sponsored the exhibition “Financial History from Bankers of Galata to the Present”, which was opened on May 1, 2018. Here monetary and stock certificate samples from the past were exhibited and contributed to the promotion of the financial history.
- Our bank sponsored Istanbul Youth Festival, which was held between May 2–6 and saw 30,000 young people participate. During the festival, popular brands, non-governmental organizations, public institutions and universities came together, and culture and arts events, workshops, sports events, panels and concerts were held.
- Our Bank provided the establishment of a visual display infrastructure for the Children’s Houses. This allowed the Houses to have safer and modern living spaces, which were established by the Ministry of Labor, Social Services and Family with the purpose of educating children who are in need of protection.

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