

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

# **Türkiye Halk Bankası Anonim Şirketi**

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

8 November 2018

*This report contains “Limited Review Report”  
comprising 3 pages and; “Consolidated Interim  
Financial Statements and Related Disclosures and  
Footnotes” comprising 134 pages.*

## **REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION**

### **To the General Assembly of Türkiye Halk Bankası AŞ**

#### *Introduction*

We have reviewed the accompanying consolidated balance sheet of Türkiye Halk Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries (together will be referred as “the Group”) as at 30 September 2018, and the consolidated statement of income, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

#### *Scope of Review*

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

#### *Basis for Qualified Conclusion*

1. The accompanying consolidated interim financial statements as at 30 September 2018, include a general reserve amounting to TRY 167.000 thousand, provided by the Group management 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 September 2018, other provisions would decrease by TRY 167.000 thousand, prior periods’ income would increase by TRY 17.000 and net profit would increase by TRY 150.000 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 September 2018 amounted to TRY 20.162.523 thousand. If such classification were not made, total assets and shareholders’ equity excluding tax effect would be lower by TRY 3.227.945 thousand as at 30 September 2018.

### *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 the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. and its consolidated subsidiaries as at 30 September 2018, and of the results of their operations and their cash flows for the nine-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 Group’s management indicated that there are no enforcement or other actions against the Bank at this stage. No provision has been made in the accompanying financial statements related to this matter. Our conclusion is not modified in respect of this matter.

## **Report on Other Legal and Regulatory Requirements**

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information provided in the Management's interim report included in section seven of the accompanying consolidated financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed consolidated interim financial statements and the explanatory notes.

*Additional paragraph for English translation:*

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

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

Hasan Kılıç  
Partner

Istanbul, 8 November 2018

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

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

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

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

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

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

Istanbul, 8 November 2018

R. Süleyman Özdil	Sadık Tiltak	Ahmet Yarız	Osman Arslan	Yusuf Duran Ocak	Osman Bektaş
<i>Chairman of the Board of Directors</i>	<i>Independent Member of the Board of Directors, Chairman of the Audit Committee</i>	<i>Independent 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 : Turgay Ayık/Director  
Tel/Fax No : 0216 503 52 09 /0212 340 09 90

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**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

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

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

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

As of 30 September 2018 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30 September 2018	%	31 December 2017	%
Türkiye Varlık Fonu <sup>(1)</sup>	638.276	51,06	638.276	51,06
Public shares <sup>(1)</sup>	611.641	48,93	611.640	48,93
Other shareholders <sup>(2)</sup>	83	0,01	84	0,01
<b>Total</b>	<b>1.250.000</b>	<b>100,00</b>	<b>1.250.000</b>	<b>100,00</b>

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

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

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



**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

<b>Name</b>	<b>Title</b>
R. Süleyman ÖZDİL	Chairman of the Board of Directors
Himmet KARADAĞ	Vice Chairman of the Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Meltem TAYLAN AYDIN	Member of the Board of Directors
Fatih METİN <sup>(2)</sup>	Member of the Board of Directors
Mehmet Nihat ÖMEROĞLU	Independent Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Sadık TILTAK	Independent Member of the Board of Director, Chairman of the Audit Committee
Ahmet YARIZ	Independent Member of the Board of Directors, Member of the Audit Committee
Cenap AŞCI <sup>(3)</sup>	Member of the Board of Directors
Yılmaz ÇOLAK	Member of the Audit Committee
Faruk ÖZÇELİK	Member of the Audit Committee
Mehmet Akif AYDEMİR	Executive Vice President, Loan Allocation and Management
Mehmet Sebahattin BULUT	Executive Vice President, Loan Policies, Risk Monitoring and Legal
Mustafa ÇÖDEK	Executive Vice President, Retail Banking
Ergin KAYA	Executive Vice President, Banking Operations and Information Technology
Metin KÖSTEK	Executive Vice President, Internal Systems
Yusuf Duran OCAK	Executive Vice President, Financial Management and Planning
Selahattin SÜLEYMANOĞLU	Executive Vice President, Human Resources and Support Management
Hasan TUNCAY	Executive Vice President, Corporate and Commercial Marketing
Levend TORUSDAĞ <sup>(3)</sup>	Executive Vice President, SME and Artisans Banking
Hakan ERYILMAZ <sup>(3)</sup>	Executive Vice President, Treasury Management and International Banking

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

(2) Fatih Metin has started his duty at the Parent Bank on 6 November 2018.

(3) On 6 November 2018 Cenap Aşçı, on 19 October 2018 Levend Torusdağ and on 23 October 2018 Hakan Eryılmaz have left from their positions in the Parent Bank.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

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

Title	Name	Starting Date
Vice Chairman of the Board of Directors	Himmet KARADAĞ	13 August 2018
Independent Member of the Board of Directors	Ahmet YARIZ	13 August 2018

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

Title	Name	Leaving Date
Executive Vice President	Mehmet Hakan ATİLLA	2 June 2018
Member of the Board of Directors	Yunus KARAN	13 August 2018
Member of the Board of Directors	Yahya BAYRAKTAR	13 August 2018

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

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

**V. BRIEF INFORMATION ON THE PARENT BANK’S FUNCTIONS AND LINES OF ACTIVITY**

a) General information about the Bank:

Türkiye Halk Bankası Anonim Şirketi began its operations in accordance with the Law No: 2284 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. 13<sup>th</sup> Department of Council of State with its decision numbered 2006/4258 dated 29 November 2006 to cease the execution of the High Council of Privatization’s decision numbered 2006/69 dated 11 August 2006. Thereupon, as per the decision of the Higher Council of Privatization numbered 2007/8 dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24,98% was completed in the first week of May 2007 and Halkbank shares were started to trade on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decision of the Higher Council of Privatization numbered 2012/150 dated 4 October 2012; 23,92% of the public shares held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

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

As of 30 September 2018, the Bank operates with a total of 987 branches consisting of 981 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 39 satellite branches. The Bank has also 3 representative office in England, Singapore and Iran.

**VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION**

The Parent Bank and its subsidiaries;

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

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

The Parent Bank's associates;

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

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

Halk Finansal Kiralama AŞ ("Halk Leasing") was established in September 1991 in Turkey and its main line of business is financial leasing. Halk Leasing operates under the provisions of the Turkish financial leasing law number 6361.

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

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

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

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

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

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

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

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

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

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

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

**SECTION II: CONSOLIDATED FINANCIAL STATEMENTS**

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2018**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

		Reviewed		
		Current Period		
		30 September 2018		
ASSETS	Note	TRY	FC	TOTAL
<b>I.</b>	<b>FINANCIAL ASSETS (NET)</b>	<b>69.976.689</b>	<b>44.401.371</b>	<b>114.378.060</b>
<b>1.1</b>	<b>Cash and Cash Equivalents</b>	<b>9.656.469</b>	<b>28.612.324</b>	<b>38.268.793</b>
1.1.1	Cash and Balances with Central Bank	(1) 6.302.744	24.081.628	30.384.372
1.1.2	Banks	(3) 2.090.017	4.530.696	6.620.713
1.1.3	Money Markets	1.263.708	-	1.263.708
<b>1.2</b>	<b>Financial Assets at Fair Value Through Profit or Loss</b>	<b>(2) 15.119.944</b>	<b>34.968</b>	<b>15.154.912</b>
1.2.1	Government Debt Securities	15.086.948	33.357	15.120.305
1.2.2	Equity Instruments	802	1.279	2.081
1.2.3	Other Financial Assets	32.194	332	32.526
<b>1.3</b>	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>(4) 2.061.395</b>	<b>1.597.025</b>	<b>3.658.420</b>
1.3.1	Government Debt Securities	2.035.118	1.486.994	3.522.112
1.3.2	Equity Instruments	26.086	110.031	136.117
1.3.3	Other Financial Assets	191	-	191
<b>1.4</b>	<b>Financial Assets Measured at Amortised Cost</b>	<b>(6) 43.167.065</b>	<b>12.663.951</b>	<b>55.831.016</b>
1.4.1	Government Debt Securities	43.167.065	12.663.951	55.831.016
1.4.2	Other Financial Assets	-	-	-
<b>1.5</b>	<b>Derivative Financial Assets</b>	<b>(2) 5.262</b>	<b>1.495.339</b>	<b>1.500.601</b>
1.5.1	Derivative Financial Assets at Fair Value Through Profit or Loss	5.262	1.495.339	1.500.601
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-
<b>1.6</b>	<b>Non – Performing Financial Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>1.7</b>	<b>Expected Loss Provision (-)</b>	<b>33.446</b>	<b>2.236</b>	<b>35.682</b>
<b>II.</b>	<b>LOANS (Net)</b>	<b>167.418.754</b>	<b>104.604.810</b>	<b>272.023.564</b>
<b>2.1</b>	<b>Loans</b>	<b>(5) 166.263.233</b>	<b>101.590.963</b>	<b>267.854.196</b>
2.1.1	Measured at Amortised Cost	166.263.233	101.590.963	267.854.196
2.1.2	Fair Value Through Profit or Loss	-	-	-
2.1.3	Fair Value Through Other Comprehensive Income	-	-	-
<b>2.2</b>	<b>Lease Receivables</b>	<b>(10) 620.004</b>	<b>2.738.480</b>	<b>3.358.484</b>
2.2.1	Financial Lease Receivables	784.026	3.207.354	3.991.380
2.2.2	Operating Lease Receivables	-	-	-
2.2.3	Unearned Income (-)	164.022	468.874	632.896
<b>2.3</b>	<b>Factoring Receivables</b>	<b>1.314.320</b>	<b>190.331</b>	<b>1.504.651</b>
2.3.1	Measured at Amortised Cost	1.314.320	190.331	1.504.651
2.3.2	Fair Value Through Profit or Loss	-	-	-
2.3.3	Fair Value Through Other Comprehensive Income	-	-	-
<b>2.4</b>	<b>Non- Performing Loans</b>	<b>(5) 7.292.708</b>	<b>415.209</b>	<b>7.707.917</b>
<b>2.5</b>	<b>Expected Credit Loss (-)</b>	<b>(5) 8.071.511</b>	<b>330.173</b>	<b>8.401.684</b>
2.5.1	12 Month Expected Credit Losses (Stage I)	1.153.501	41.990	1.195.491
2.5.2	Significant Increase in Credit Risk (Stage II)	1.204.356	10.936	1.215.292
2.5.3	Credit – Impaired Losses (Stage III / Special Provision)	5.713.654	277.247	5.990.901
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	<b>(14) 5.610</b>	<b>-</b>	<b>5.610</b>
3.1	Held for Sale Purpose	5.610	-	5.610
3.2	Related to Discontinued Operations	-	-	-
<b>IV.</b>	<b>EQUITY INVESTMENTS</b>	<b>80.175</b>	<b>492.881</b>	<b>573.056</b>
<b>4.1</b>	<b>Investments in Associates (Net)</b>	<b>(7) 27.997</b>	<b>492.881</b>	<b>520.878</b>
4.1.1	Associates Valued Based on Equity Method	18.645	492.881	511.526
4.1.2	Unconsolidated Associates	9.352	-	9.352
<b>4.2</b>	<b>Subsidiaries (Net)</b>	<b>(8) 52.178</b>	<b>-</b>	<b>52.178</b>
4.2.1	Unconsolidated Financial Subsidiaries	-	-	-
4.2.2	Unconsolidated Non- Financial Subsidiaries	52.178	-	52.178
<b>4.3</b>	<b>Joint Ventures (Net)</b>	<b>(9) -</b>	<b>-</b>	<b>-</b>
4.3.1	Joint Ventures Valued Based on Equity Method	-	-	-
4.3.2	Unconsolidated Joint Ventures	-	-	-
<b>V.</b>	<b>PROPERTY AND EQUIPMENT (Net)</b>	<b>4.222.046</b>	<b>139.226</b>	<b>4.361.272</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>107.013</b>	<b>31.961</b>	<b>138.974</b>
6.1	Goodwill	-	-	-
6.2	Other	107.013	31.961	138.974
<b>VII.</b>	<b>INVESTMENT PROPERTIES (Net)</b>	<b>(12) 959.935</b>	<b>6.970</b>	<b>966.905</b>
<b>VIII.</b>	<b>CURRENT TAX ASSET</b>	<b>9.268</b>	<b>4.720</b>	<b>13.988</b>
<b>IX.</b>	<b>DEFERRED TAX ASSET</b>	<b>(13) 97.565</b>	<b>3.483</b>	<b>101.048</b>
<b>X.</b>	<b>OTHER ASSETS</b>	<b>(15) 3.266.928</b>	<b>2.123.561</b>	<b>5.390.489</b>
<b>TOTAL ASSETS</b>		<b>246.143.983</b>	<b>151.808.983</b>	<b>397.952.966</b>

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



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

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

ASSETS	Note	Audited		
		Prior period		
		TRY	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	(1)	<b>12.917.490</b>	<b>23.763.887</b>	<b>36.681.377</b>
<b>II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)</b>	(2)	<b>10.120.010</b>	<b>363.498</b>	<b>10.483.508</b>
2.1 Trading financial assets		10.120.010	363.498	10.483.508
2.1.1 Public sector debt securities		10.095.327	-	10.095.327
2.1.2 Share certificates		354	886	1.240
2.1.3 Financial assets held for trading		118	362.398	362.516
2.1.4 Other marketable securities		24.211	214	24.425
2.2 Financial assets at fair value through profit and loss		-	-	-
2.2.1 Public sector debt securities		-	-	-
2.2.2 Share certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other marketable securities		-	-	-
<b>III. BANKS</b>	(3)	<b>677.360</b>	<b>5.635.807</b>	<b>6.313.167</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>1.288.168</b>	<b>-</b>	<b>1.288.168</b>
4.1 Interbank money market placements		1.258.647	-	1.258.647
4.2 Takasbank (Clearing & Settlement Bank) Money Market placements		29.211	-	29.211
4.3 Receivables from reverse repurchase agreements		310	-	310
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	<b>11.599.564</b>	<b>6.099.614</b>	<b>17.699.178</b>
5.1 Share certificates		24.561	54.538	79.099
5.2 Public sector debt securities		11.575.003	6.045.076	17.620.079
5.3 Other marketable securities		-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	(5)	<b>139.626.734</b>	<b>65.925.861</b>	<b>205.552.595</b>
6.1 Loans and receivables		138.299.409	65.842.861	204.142.270
6.1.1 Loans extended to risk group of the Bank		-	-	-
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		138.299.409	65.842.861	204.142.270
6.2 Loans under follow-up		6.106.597	189.809	6.296.406
6.3 Specific provisions (-)		4.779.272	106.809	4.886.081
<b>VII. FACTORING RECEIVABLES</b>		<b>1.051.939</b>	<b>159.993</b>	<b>1.211.932</b>
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	(6)	<b>19.304.493</b>	<b>2.682.606</b>	<b>21.987.099</b>
8.1 Public sector debt securities		19.261.098	2.682.606	21.943.704
8.2 Other marketable securities		43.395	-	43.395
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	<b>22.590</b>	<b>330.548</b>	<b>353.138</b>
9.1 Accounted for under equity method		16.270	330.548	346.818
9.2 Unconsolidated associates		6.320	-	6.320
9.2.1 Financial investments		-	-	-
9.2.2 Non-financial investments		6.320	-	6.320
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	<b>52.178</b>	<b>-</b>	<b>52.178</b>
10.1 Unconsolidated financial subsidiaries		-	-	-
10.2 Unconsolidated non-financial subsidiaries		52.178	-	52.178
<b>XI. JOINT VENTURES (Net)</b>	(9)	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-
<b>XII. FINANCE LEASE RECEIVABLES (Net)</b>	(10)	<b>626.642</b>	<b>2.044.611</b>	<b>2.671.253</b>
12.1 Finance lease receivables		788.528	2.378.704	3.167.232
12.2 Operating lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		161.886	334.093	495.979
<b>XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT</b>	(11)	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair value risk hedging		-	-	-
13.2 Cash flow risk hedging		-	-	-
13.3 Net foreign investment risk hedging		-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(12)	<b>3.658.962</b>	<b>92.638</b>	<b>3.751.600</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	<b>120.393</b>	<b>22.702</b>	<b>143.095</b>
15.1 Goodwill		-	-	-
15.2 Other		120.393	22.702	143.095
<b>XVI. INVESTMENT PROPERTIES (Net)</b>	(14)	<b>905.720</b>	<b>4.658</b>	<b>910.378</b>
<b>XVII. TAX ASSETS</b>	(15)	<b>87.747</b>	<b>6.296</b>	<b>94.043</b>
17.1 Current tax assets		2.841	4.021	6.862
17.2 Deferred tax assets		84.906	2.275	87.181
<b>XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(16)	<b>790</b>	<b>-</b>	<b>790</b>
18.1 Held for sale purpose		790	-	790
18.2 Held from discontinued operations		-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	<b>2.630.828</b>	<b>395.429</b>	<b>3.026.257</b>
<b>TOTAL ASSETS</b>		<b>204.691.608</b>	<b>107.528.148</b>	<b>312.219.756</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2018**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

		Reviewed			
		Current Period			
		30 September 2018			
LIABILITIES	Note	TRY	FC	TOTAL	
<b>I. DEPOSITS</b>	(1)	132.883.935	107.995.802	240.879.737	
<b>II. FUNDS BORROWED</b>	(3)	1.724.782	21.156.677	22.881.459	
<b>III. MONEY MARKET BORROWINGS</b>		42.886.069	8.343.155	51.229.224	
<b>IV. SECURITIES ISSUED (Net)</b>	(4)	3.102.434	13.606.320	16.708.754	
4.1 Bills		2.559.425	-	2.559.425	
4.2 Assets Backed Securities		543.009	-	543.009	
4.3 Bonds		-	13.606.320	13.606.320	
<b>V. FUNDS</b>	(5)	2.787.175	-	2.787.175	
5.1 Borrower Funds		143	-	143	
5.2 Other		2.787.032	-	2.787.032	
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	
<b>VII. DERIVATIVE FINANCIAL ASSETS</b>	(2)	5.902	1.119.427	1.125.329	
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		5.902	1.119.427	1.125.329	
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	
<b>VIII. FACTORING LIABILITIES</b>		4.075	105	4.180	
<b>IX. LEASE LIABILITIES</b>	(7)	-	-	-	
9.1 Financial Lease		-	-	-	
9.2 Operating Lease		-	-	-	
9.3 Other		-	-	-	
9.4 Deferred Financial Lease Expenses ( - )		-	-	-	
<b>X. PROVISIONS</b>	(9)	3.722.448	21.674	3.744.122	
10.1 Restructuring Provisions		-	-	-	
10.2 Reserve for Employee Benefits		796.058	9.454	805.512	
10.3 Insurance for Technical Provision(Net)		2.185.672	-	2.185.672	
10.4 Other Provisions		740.718	12.220	752.938	
<b>XI. CURRENT TAX LIABILITY</b>	(10)	936.565	7.116	943.681	
<b>XII. DEFERRED TAX LIABILITIES</b>	(10)	656.403	2.152	658.555	
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(11)	-	-	-	
13.1 Held for Sale Purpose		-	-	-	
13.2 Related to Discontinued Operations		-	-	-	
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(12)	6.025.375	-	6.025.375	
14.1 Loans		-	-	-	
14.2 Other Debt Instruments		6.025.375	-	6.025.375	
<b>XV. OTHER LIABILITIES</b>	(6)	20.729.725	1.346.747	22.076.472	
<b>XVI. SHAREHOLDERS' EQUITY</b>	(13)	28.563.009	325.894	28.888.903	
16.1 Paid in Capital		1.250.000	-	1.250.000	
16.2 Capital Reserves		1.267.200	39	1.267.239	
16.2.1 Share Premium		39.740	-	39.740	
16.2.2 Share Cancellation Profits		-	-	-	
16.2.3 Other Capital Reserves		1.227.460	39	1.227.499	
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2.239.242	(104)	2.239.138	
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit ort Loss		(41.342)	(178.280)	(219.622)	
16.5 Profit Reserves		20.490.940	383.398	20.874.338	
16.5.1 Legal Reserves		2.009.871	8.868	2.018.739	
16.5.2 Status Reserves		-	-	-	
16.5.3 Extraordinary Reserves		18.433.927	104.574	18.538.501	
16.5.4 Other Profit Reserves		47.142	269.956	317.098	
16.6 Income or (Loss)		3.121.522	114.849	3.236.371	
16.6.1 Prior Periods' Income or (Loss)		808.240	199.637	1.007.877	
16.6.2 Current Period Income or (Loss)		2.313.282	(84.788)	2.228.494	
16.7 Minority Shares		235.447	5.992	241.439	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>244.027.897</b>	<b>153.925.069</b>	<b>397.952.966</b>	

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

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

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

		Audited		
		Prior period		
		31 December 2017		
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	TRY	FC	Total
<b>I. DEPOSITS</b>	(1)	<b>116.559.965</b>	<b>76.710.656</b>	<b>193.270.621</b>
1.1 Deposits Held by the Risk Group of the Bank		21.534	8	21.542
1.2 Other		116.538.431	76.710.648	193.249.079
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	<b>146</b>	<b>150.527</b>	<b>150.673</b>
<b>III. FUNDS BORROWED</b>	(3)	<b>1.436.861</b>	<b>18.621.623</b>	<b>20.058.484</b>
<b>IV. MONEY MARKET BALANCES</b>	(3)	<b>29.615.560</b>	<b>5.387.762</b>	<b>35.003.322</b>
4.1 Interbank money market borrowings		29.030.813	1.247.014	30.277.827
4.2 Takasbank (Clearing & Settlement Bank) Money Market takings		377.295	-	377.295
4.3 Funds from repurchase agreements		207.452	4.140.748	4.348.200
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>	(4)	<b>3.381.225</b>	<b>8.640.905</b>	<b>12.022.130</b>
5.1 Treasury bills		3.280.789	-	3.280.789
5.2 Asset-backed securities		100.436	-	100.436
5.3 Bonds		-	8.640.905	8.640.905
<b>VI. FUNDS</b>	(5)	<b>2.724.634</b>	<b>-</b>	<b>2.724.634</b>
6.1 Borrower Funds		860	-	860
6.2 Other		2.723.774	-	2.723.774
<b>VII. SUNDRY CREDITORS</b>		<b>3.678.813</b>	<b>179.545</b>	<b>3.858.358</b>
<b>VIII. OTHER LIABILITIES</b>	(6)	<b>11.476.631</b>	<b>526.985</b>	<b>12.003.616</b>
<b>IX. FACTORING PAYABLES</b>		<b>2.307</b>	<b>755</b>	<b>3.062</b>
<b>X. FINANCE LEASE PAYABLES</b>	(7)	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Finance lease payables		-	-	-
10.2 Operating lease payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>	(8)	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Fair value risk hedging		-	-	-
11.2 Cash flow risk hedging		-	-	-
11.3 Net foreign investment risk hedging		-	-	-
<b>XII. PROVISIONS</b>	(9)	<b>5.299.348</b>	<b>40.741</b>	<b>5.340.089</b>
12.1 General loan provisions		2.288.701	28.456	2.317.157
12.2 Restructuring provisions		-	-	-
12.3 Employee benefits provisions		854.242	6.198	860.440
12.4 Insurance technical reserves (Net)		1.810.804	-	1.810.804
12.5 Other provisions		345.601	6.087	351.688
<b>XIII. TAX LIABILITIES</b>	(10)	<b>1.244.449</b>	<b>7.244</b>	<b>1.251.693</b>
13.1 Current tax liabilities		672.431	5.092	677.523
13.2 Deferred tax liabilities		572.018	2.152	574.170
<b>XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>	(11)	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Held for sale purpose		-	-	-
14.2 Held from discontinued operations		-	-	-
<b>XV. SUBORDINATED LOAN</b>	(12)	<b>1.004.385</b>	<b>-</b>	<b>1.004.385</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(13)	<b>25.378.161</b>	<b>150.528</b>	<b>25.528.689</b>
16.1 Paid-in capital		1.250.000	-	1.250.000
16.2 Capital reserves		3.088.739	(240.647)	2.848.092
16.2.1 Share Premium		39.737	-	39.737
16.2.2 Share cancellation profits		-	-	-
16.2.3 Marketable securities revaluation fund		(366.800)	(240.961)	(607.761)
16.2.4 Tangible assets revaluation reserves		2.253.371	275	2.253.646
16.2.5 Intangible assets revaluation reserves		-	-	-
16.2.6 Revaluation reserves of investment properties		-	-	-
16.2.7 Bonus shares of subsidiaries, associates and joint ventures		4.723	-	4.723
16.2.8 Hedging Funds (effective portion)		-	-	-
16.2.9 Value Increase on Assets Held for Sale		-	-	-
16.2.10 Other capital reserves		1.157.708	39	1.157.747
16.3 Profit reserves		16.900.753	180.650	17.081.403
16.3.1 Legal reserves		1.750.382	8.559	1.758.941
16.3.2 Statutory reserves		-	-	-
16.3.3 Extraordinary reserves		15.103.229	27.317	15.130.546
16.3.4 Other profit reserves		47.142	144.774	191.916
16.4 Profit/Loss		3.932.096	206.974	4.139.070
16.4.1 Prior years' profits/losses		(4.150)	104.981	100.831
16.4.2 Period profit/loss		3.936.246	101.993	4.038.239
16.5 Minority shares	(14)	206.573	3.551	210.124
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>201.802.485</b>	<b>110.417.271</b>	<b>312.219.756</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AS OF 30 SEPTEMBER 2018**

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

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

		Reviewed		
		Current Period		
		30 September 2018		
OFF BALANCE SHEET	Note	TRY	FC	TOTAL
<b>A.</b>	<b>COMMITMENTS AND CONTINGENCIES (I+II+III)</b>	<b>71.000.013</b>	<b>109.315.863</b>	<b>180.315.876</b>
<b>I.</b>	<b>GUARANTEES AND SURETIES</b>	<b>35.577.948</b>	<b>51.674.304</b>	<b>87.252.252</b>
1.1	Letters of guarantee	33.540.570	40.438.853	73.979.423
1.1.1	Guarantees subject to public procurement law	1.834.535	15.890.193	17.724.728
1.1.2	Guarantees given for foreign trade operations	-	82.696	82.696
1.1.3	Other letters of guarantee	31.706.035	24.465.964	56.171.999
1.2	Bank loans	8.140	6.849.698	6.857.838
1.2.1	Import acceptances	-	117.653	117.653
1.2.2	Other bank acceptances	8.140	6.732.045	6.740.185
1.3	Letters of credit	127.479	4.222.353	4.349.832
1.3.1	Documentary letters of credit	127.479	4.222.353	4.349.832
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	1.901.759	163.400	2.065.159
1.9	Other sureties	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>23.934.189</b>	<b>3.847.450</b>	<b>27.781.639</b>
2.1	Irrevocable commitments	23.828.079	2.314.541	26.142.620
2.1.1	Forward asset purchase commitments	516.984	1.036.322	1.553.306
2.1.2	Forward deposit purchase and sale commitments	-	-	-
2.1.3	Capital commitments to subsidiaries and associates	-	-	-
2.1.4	Loan granting commitments	4.347.944	754.907	5.102.851
2.1.5	Securities underwriting commitments	-	-	-
2.1.6	Payment commitments for reserve deposits	-	-	-
2.1.7	Payment commitments for Cheques	2.890.985	-	2.890.985
2.1.8	Tax and fund liabilities from export commitments	52.840	-	52.840
2.1.9	Commitments for credit card expenditure limits	12.224.944	61.225	12.286.169
2.1.10	Commitments for credit cards and banking services promotions	35.545	-	35.545
2.1.11	Receivables from short sale commitments	-	-	-
2.1.12	Payables for short sale commitments	-	-	-
2.1.13	Other irrevocable commitments	3.758.837	462.087	4.220.924
2.2	Revocable commitments	106.110	1.532.909	1.639.019
2.2.1	Revocable loan granting commitments	-	1.168.542	1.168.542
2.2.2	Other revocable commitments	106.110	364.367	470.477
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>11.487.876</b>	<b>53.794.109</b>	<b>65.281.985</b>
3.1	Derivative financial instruments held for risk management	-	-	-
3.1.1	Fair value risk hedging transactions	-	-	-
3.1.2	Cash flow risk hedging transactions	-	-	-
3.1.3	Net foreign investment risk hedging transactions	-	-	-
3.2	Transactions for trading	11.487.876	53.794.109	65.281.985
3.2.1	Forward foreign currency buy/sell transactions	4.116.943	11.836.271	15.953.214
3.2.1.1	Forward foreign currency transactions-buy	1.112.694	8.209.666	9.322.360
3.2.1.2	Forward foreign currency transactions-sell	3.004.249	3.626.605	6.630.854
3.2.2	Currency and interest rate swaps	2.629.362	31.177.961	33.807.323
3.2.2.1	Currency swap-buy	1.530.855	5.499.667	7.030.522
3.2.2.2	Currency swap-sell	1.098.507	5.827.030	6.925.537
3.2.2.3	Interest rate swap-buy	-	9.925.632	9.925.632
3.2.2.4	Interest Rate swap-sell	-	9.925.632	9.925.632
3.2.3	Currency, interest rate and marketable securities options	4.741.571	7.142.958	11.884.529
3.2.3.1	Currency call options	2.370.864	3.571.398	5.942.262
3.2.3.2	Currency put options	2.370.707	3.571.560	5.942.267
3.2.3.3	Interest rate call options	-	-	-
3.2.3.4	Interest rate put options	-	-	-
3.2.3.5	Marketable securities call options	-	-	-
3.2.3.6	Marketable securities put options	-	-	-
3.2.4	Currency futures	-	-	-
3.2.4.1	Currency futures-buy	-	-	-
3.2.4.2	Currency futures-sell	-	-	-
3.2.5	Interest rate buy/sell futures	-	-	-
3.2.5.1	Interest rate futures-buy	-	-	-
3.2.5.2	Interest rate futures-sell	-	-	-
3.2.6	Other	-	3.636.919	3.636.919
<b>B.</b>	<b>CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>	<b>951.295.355</b>	<b>350.044.379</b>	<b>1.301.339.734</b>
<b>IV.</b>	<b>CUSTODIES</b>	<b>435.462.173</b>	<b>44.345.058</b>	<b>479.807.231</b>
4.1	Assets under management	-	-	-
4.2	Custody marketable securities	172.822.256	892.102	173.714.358
4.3	Cheques in collection process	17.312.442	29.990.610	47.303.052
4.4	Commercial notes in collection process	231.826.306	5.604.055	237.430.361
4.5	Other assets in collection process	-	-	-
4.6	Underwritten securities	-	-	-
4.7	Other custodies	4.009.865	258.639	4.268.504
4.8	Custodians	9.491.304	7.599.652	17.090.956
<b>V.</b>	<b>PLEDGED ASSETS</b>	<b>515.833.182</b>	<b>305.699.321</b>	<b>821.532.503</b>
5.1	Marketable securities	5.443.828	873.327	6.317.155
5.2	Collateral notes	8.768.449	1.375.872	10.144.321
5.3	Commodity	25.813	-	25.813
5.4	Warranty	-	-	-
5.5	Land and buildings	374.519.606	253.263.416	627.783.022
5.6	Other pledged assets	77.378.487	45.448.316	122.826.803
5.7	Pledges	49.696.999	4.738.390	54.435.389
<b>VI.</b>	<b>ACCEPTED BILL GUARANTEES AND SURETIES</b>	-	-	-
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>1.022.295.368</b>	<b>459.360.242</b>	<b>1.481.655.610</b>

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

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

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF INCOME AS OF 30 SEPTEMBER 2018**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

**III. CONSOLIDATED STATEMENT OF INCOME**

INCOME AND EXPENSES	Note	Reviewed Current Period	
		1 January- 30 September 2018	1 July- 30 September 2018
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>25.551.578</b>	<b>10.356.246</b>
1.1 Interest on Loans		20.406.893	8.095.176
1.2 Interest on Reserve Requirements		94.858	25.259
1.3 Interest on Banks		403.569	187.994
1.4 Interest on Money Market Transactions		34.525	9.970
1.5 Interest on Marketable Securities Portfolio		4.134.451	1.825.309
1.5.1 Fair Value Through Profit or Loss		13.806	6.448
1.5.2 Fair Value Through Other Comprehensive Income		177.730	93.771
1.5.3 Measured at Amortized Cost		3.942.915	1.725.090
1.6 Financial Lease Income		215.792	91.364
1.7 Other Interest Income		261.490	121.174
<b>II. INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>18.825.180</b>	<b>8.109.444</b>
2.1 Interest on Deposits		13.325.231	5.533.381
2.2 Interest on Funds Borrowed		622.713	279.338
2.3 Interest Expense on Money Market Transactions		3.658.659	1.758.607
2.4 Interest on Securities Issued		1.027.474	461.365
2.5 Other Interest Expense		191.103	76.753
<b>III. NET INTEREST INCOME (I - II)</b>		<b>6.726.398</b>	<b>2.246.802</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>1.352.619</b>	<b>482.941</b>
<b>4.1 Fees and Commissions Received</b>		<b>1.929.528</b>	<b>710.787</b>
4.1.1 Non – cash Loans		421.282	167.895
4.1.2 Other		1.508.246	542.892
<b>4.2 Fees and Commissions Paid (-)</b>		<b>576.909</b>	<b>227.846</b>
4.2.1 Non – cash Loans		2.745	746
4.2.2 Other		574.164	227.100
<b>V. PERSONNEL EXPENSE (-)</b>		<b>(1.870.938)</b>	<b>(612.302)</b>
<b>VI. DIVIDEND INCOME</b>		<b>12.833</b>	<b>170</b>
<b>VII. TRADING INCOME / LOSS (Net)</b>	<b>(3)</b>	<b>36.178</b>	<b>(55.098)</b>
7.1 Trading Gains / (Losses) on Securities		21.212	5.725
7.2 Gains / (Losses) on Derivate Financial Transactions		2.346.552	2.023.006
7.3 Foreign Exchange Gains / (Losses)		(2.331.586)	(2.083.829)
<b>VIII. OTHER OPERATING INCOME</b>	<b>(4)</b>	<b>1.843.925</b>	<b>623.072</b>
<b>IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>8.101.015</b>	<b>2.685.585</b>
<b>X. EXPECTED LOSS PROVISIONS (-)</b>	<b>(5)</b>	<b>2.010.519</b>	<b>964.818</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>	<b>(6)</b>	<b>3.296.842</b>	<b>1.209.767</b>
<b>XII. NET OPERATING INCOME /LOSS (IX-X-XI)</b>		<b>2.793.654</b>	<b>511.000</b>
<b>XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-
<b>XIV. INCOME / (LOSS ) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>22.343</b>	<b>8.543</b>
<b>XV. INCOME / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XVI. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>	<b>(7)</b>	<b>2.815.997</b>	<b>519.543</b>
<b>XVII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)</b>	<b>(8)</b>	<b>(569.145)</b>	<b>(118.099)</b>
17.1 Current Tax Provision		158.459	76.431
17.2 Deferred Tax Income Effect (+)		1.396.677	626.728
17.3 Deferred Tax Expense Effect (-)		985.991	585.060
<b>XVIII. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>	<b>(9)</b>	<b>2.246.852</b>	<b>401.444</b>
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
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		-	-
<b>XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>		-	-
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		-	-
<b>XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>		-	-
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
22.1 Current Tax Provision		-	-
22.2 Deferred Tax Expense Effect (+)		-	-
22.3 Deferred Tax Income Effect (-)		-	-
<b>XXIII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		-	-
<b>XXIV. NET PROFIT/(LOSS) (XVIII+XXIII)</b>	<b>(10)</b>	<b>2.246.852</b>	<b>401.444</b>
24.1 Profit / (Loss) of Group		2.228.494	390.729
24.2 Profit / (Loss) of Minority Shares (-)		18.358	10.715
Profit / (Loss) Per Share		1,7828	0,3126

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

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

**III. CONSOLIDATED STATEMENT OF INCOME**

INCOME AND EXPENSES		Note	Reviewed Prior period	
			1 January - 30 September 2017	1 July - 30 September 2017
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>16.766.864</b>	<b>5.919.292</b>
1.1	Interest on loans		13.495.215	5.013.334
1.2	Interest received from reserve deposits		91.700	39.570
1.3	Interest received from banks		180.593	65.482
1.4	Interest received from money market placements		23.722	173
1.5	Interest income on marketable securities		2.692.405	704.029
1.5.1	Financial assets held for trading		2.191	708
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Financial assets available-for-sale		1.139.110	331.227
1.5.4	Investments held-to-maturity		1.551.104	372.094
1.6	Finance lease income		140.686	49.956
1.7	Other interest income		142.543	46.748
<b>II.</b>	<b>INTEREST EXPENSE</b>	<b>(2)</b>	<b>10.605.687</b>	<b>4.219.830</b>
2.1	Interest on deposits		7.672.335	3.060.498
2.2	Interest on borrowings		381.723	120.855
2.3	Interest on money market borrowings		1.865.205	808.716
2.4	Interest on bonds issued		596.752	205.049
2.5	Other interest expense		89.672	24.712
<b>III.</b>	<b>NET INTEREST INCOME [ I – II ]</b>		<b>6.161.177</b>	<b>1.699.462</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>1.462.605</b>	<b>496.926</b>
4.1	Fees and commissions income		1.880.646	634.239
4.1.1	Non-cash loans		291.151	103.680
4.1.2	Other		1.589.495	530.559
4.2	Fees and commissions expenses		418.041	137.313
4.2.1	Non-cash loans		2.966	993
4.2.2	Other		415.075	136.320
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>6.302</b>	<b>2.835</b>
<b>VI.</b>	<b>NET TRADING PROFIT (NET)</b>	<b>(4)</b>	<b>113.284</b>	<b>(8.978)</b>
6.1	Profit/loss from capital market operations		30.359	10.856
6.2	Profit/loss from financial derivative transactions		(344.963)	(155.076)
6.3	Foreign exchange gains/losses		427.888	135.242
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>1.522.666</b>	<b>526.501</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>9.266.034</b>	<b>2.716.746</b>
<b>IX.</b>	<b>IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>1.067.702</b>	<b>326.210</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES(-)</b>	<b>(7)</b>	<b>4.257.393</b>	<b>1.538.924</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>3.940.939</b>	<b>851.612</b>
<b>XII.</b>	<b>AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER</b>		-	-
<b>XIII.</b>	<b>PROFIT/LOSSES FROM SUBSIDIARIES ACCOUNTED FOR AT EQUITY METHOD</b>		<b>15.559</b>	<b>5.625</b>
<b>XIV.</b>	<b>GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV.</b>	<b>INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)</b>	<b>(8)</b>	<b>3.956.498</b>	<b>857.237</b>
<b>XVI.</b>	<b>TAX INCOME PROVISION (±)</b>	<b>(9)</b>	<b>(810.031)</b>	<b>(177.380)</b>
16.1	Current tax charge		(758.712)	(156.731)
16.2	Deferred tax (charge) / benefit		(51.319)	(20.649)
<b>XVII.</b>	<b>NET OPERATING INCOME AFTER TAX (XV±XVI)</b>	<b>(10)</b>	<b>3.146.467</b>	<b>679.857</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1	Property and equipment income held for sale		-	-
18.2	Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3	Other income from terminated operations		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1	Property and equipment expense held for sale		-	-
19.2	Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3	Other expenses from discontinued operations		-	-
<b>XX.</b>	<b>INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1	Current tax charge		-	-
21.2	Deferred tax charge		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII.</b>	<b>NET PROFIT/(LOSS) (XVII+XXII)</b>	<b>(11)</b>	<b>3.146.467</b>	<b>679.857</b>
23.1	Group's profit/loss		3.137.182	677.283
23.2	Minority shares profit/loss		9.285	2.574
	Earnings/losses per share (Full TRY)		2,50975	0,54183

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS**  
**ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2018**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

	<b>Reviewed</b>
	<b>Current Period</b>
	<b>1 January –</b>
	<b>30 September 2018</b>
<b>STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>	
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>2.246.852</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>384.375</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>(3.764)</b>
2.1.1 Property and Equipment Revaluation Increase/Decrease	(4.262)
2.1.2 Intangible Assets Revaluation Increase/Decrease	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	498
<b>2.2 Reclassified Through Profit or Loss</b>	<b>388.139</b>
2.2.1 Foreign Currency Translation Differences	(55.133)
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	524.824
2.2.3 Cash Flow Hedge Income/Loss	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Lossess	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(81.552)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>2.631.227</b>

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



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

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

	Reviewed
	Prior period
	1 January-
	30 September 2017
<b>STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>	
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	284.540
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	(3.084)
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	182.675
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	(32.263)
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(12.685)
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	419.183
XI. PROFIT/LOSS	3.146.467
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	32.538
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	3.113.929
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)</b>	<b>3.565.650</b>

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

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

**V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Reviewed (1 January – 30 September 2018)	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss						Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss						Total Equity		Total Equity	
	Paid in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other(Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Expect Minority Shares		Minority Shares
<b>I. Prior Period End Balance</b>	<b>1.250.000</b>	<b>39.737</b>	-	<b>1.173.214</b>	<b>2.253.646</b>	<b>(10.744)</b>	-	<b>52.631</b>	<b>(660.392)</b>	-	<b>17.081.403</b>	<b>4.139.070</b>	-	<b>25.318.565</b>	<b>210.124</b>	<b>25.528.689</b>
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>	-	-	-	-	-	-	-	-	-	-	<b>678.853</b>	-	-	<b>678.853</b>	<b>4</b>	<b>678.857</b>
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	<b>678.853</b>	-	-	<b>678.853</b>	<b>4</b>	<b>678.857</b>
<b>III. Adjusted Beginning Balance (I+II)</b>	<b>1.250.000</b>	<b>39.737</b>	-	<b>1.173.214</b>	<b>2.253.646</b>	<b>(10.744)</b>	-	<b>52.631</b>	<b>(660.392)</b>	-	<b>17.081.403</b>	<b>4.817.923</b>	-	<b>25.997.418</b>	<b>210.128</b>	<b>26.207.546</b>
IV. Total Comprehensive Income	-	-	-	-	(3.764)	-	-	(55.133)	443.272	-	-	-	2.228.494	2.612.869	18.358	2.631.227
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	-	3	-	54.285	-	-	-	-	-	-	(11.428)	2.709	-	45.569	13.910	59.479
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	3.804.363	(3.812.755)	-	(8.392)	(957)	(9.349)
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(186.274)	-	(186.274)	(2.521)	(188.795)
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3.804.363	(3.626.481)	-	177.882	1.564	179.446
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (III+IV+.....+X+XI)</b>	<b>1.250.000</b>	<b>39.740</b>	-	<b>1.227.499</b>	<b>2.249.882</b>	<b>(10.744)</b>	-	<b>(2.502)</b>	<b>(217.120)</b>	-	<b>20.874.338</b>	<b>1.007.877</b>	<b>2.228.494</b>	<b>28.647.464</b>	<b>241.439</b>	<b>28.888.903</b>

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

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

**V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Reviewed	Note	Paid in capital	Effect of inflation adjustments on paid in capital	Share premium	Share certificate cancellation profit	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net income/(loss)	Prior period net income/(loss)	Valuation changes in marketable sec.	Revaluation changes in prop. and equip. and int. assets	Bonus shares from shareholders	Hedging funds	Value change in pro. and equip. held for sale purp./term. op.f.	Total Shareholder's equity		
																	Minority Shares	Total shareholders' equity	
<b>I. 1 January 2017 – 30 September 2017</b>																			
Balance at end of prior period		1.250.000	1.220.451	39.737	- 1.562.172	-	-	12.956.536	33.837	2.533.607	166.949	(718.928)	2.107.278	4.723	-	-	21.156.362	213.158	21.369.520
Changes within the period																			
<b>II. Increase/decrease generated by merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Valuation changes in marketable securities</b>		-	-	-	-	-	-	-	-	-	-	272.198	-	-	-	-	272.198	(497)	271.701
<b>IV. Hedging funds (effective portion)</b>		-	-	-	-	-	-	-	(62.126)	-	-	-	-	-	-	-	(62.126)	-	(62.126)
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for investment made in foreign countries		-	-	-	-	-	-	-	(62.126)	-	-	-	-	-	-	-	(62.126)	-	(62.126)
<b>V. Revaluation changes of property and equipment</b>		-	-	-	-	-	-	-	-	-	-	-	(2.930)	-	-	-	(2.930)	-	(2.930)
<b>VI. Revaluation changes of intangible assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners).</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Foreign exchange differences</b>		-	-	-	-	-	-	-	182.386	-	-	-	-	-	-	-	182.386	289	182.675
<b>IX. Changes after disposal of securities</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Changes after reclassification of securities</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Effect of changes in shareholders equity of investments and associates to bank's shareholders equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Increase in capital</b>																			
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Issuance of share certificates at end of period</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Share cancellation profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Adjustment to paid-in capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Other<sup>(1)</sup></b>		-	-	-	(1.186)	-	-	(1.877)	(5.927)	-	-	26.793	-	-	-	-	-	17.803	3.070
<b>XVII. Net profit or losses</b>		-	-	-	-	-	-	-	-	3.137.182	-	-	-	-	-	-	-	3.137.182	9.285
<b>XVIII. Profit distribution</b>		-	-	-	197.951	-	-	2.182.883	-	(2.533.607)	(103.054)	-	-	-	-	-	(255.827)	(757)	(256.584)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(255.827)	-	-	-	-	-	(255.827)	(757)	(256.584)
18.2 Transfers to legal reserves		-	-	-	197.951	-	-	2.182.883	-	-	(2.380.834)	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(2.533.607)	2.533.607	-	-	-	-	-	-	-	-
<b>Period End Balance</b>		<b>1.250.000</b>	<b>1.220.451</b>	<b>39.737</b>	<b>- 1.758.937</b>	<b>-</b>	<b>-</b>	<b>15.137.542</b>	<b>148.170</b>	<b>3.137.182</b>	<b>90.688</b>	<b>(446.730)</b>	<b>2.104.348</b>	<b>4.723</b>	<b>-</b>	<b>-</b>	<b>24.445.048</b>	<b>224.548</b>	<b>24.669.596</b>

<sup>(1)</sup> Due to change in group shares.

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

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

**VI. CONSOLIDATED STATEMENT OF CASH FLOWS**

		<b>Reviewed</b>
		<b>Current Period</b>
		<b>1 January-</b>
	<b>Note</b>	<b>30 September 2018</b>
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>	
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>	<b>(6.392.579)</b>
1.1.1	Interest received	21.612.072
1.1.2	Interest paid	(16.746.457)
1.1.3	Dividend received	12.833
1.1.4	Fees and commissions received	1.940.288
1.1.5	Other income	1.572.045
1.1.6	Collections from previously written off loans	1.092.425
1.1.7	Cash payments to personnel and service suppliers	(1.893.388)
1.1.8	Taxes paid	(679.321)
1.1.9	Other	(13.303.076)
<b>1.2</b>	<b>Assets and Liabilities Subject to Banking Operations</b>	<b>9.850.661</b>
1.2.1	Net Increase / decrease in financial assets at fair value through profit or loss	(53.945)
1.2.2	Net (increase) / decrease in due from banks and other financial institutions	(15.413)
1.2.3	Net (increase) / decrease in loans	(63.307.247)
1.2.4	Net (increase) / decrease in other assets	2.793.028
1.2.5	Net increase / (decrease) in bank deposits	11.239.056
1.2.6	Net increase / (decrease) in other deposits	34.652.741
1.2.7	Net Increase / decrease in financial liabilities at fair value through profit or loss	-
1.2.8	Net increase / (decrease) in funds borrowed	2.744.550
1.2.9	Net increase / (decrease) in matured payables	-
1.2.10	Net increase / (decrease) in other liabilities	21.797.891
<b>I.</b>	<b>Net cash provided from banking operations</b>	<b>3.458.082</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	
<b>II.</b>	<b>Net cash provided from/ (used in) investing activities</b>	<b>(15.250.601)</b>
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(310.406)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-
2.3	Fixed assets purchases	(941.604)
2.4	Fixed assets sales	166.196
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(9.708.166)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	4.663.002
2.7	Cash paid for purchase of investment securities	(14.535.078)
2.8	Cash obtained from sale of investment securities	5.411.448
2.9	Other	4.007
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>III.</b>	<b>Net cash used in financing activities</b>	<b>4.335.344</b>
3.1	Cash obtained from loans borrowed and securities issued	7.280.577
3.2	Cash used for repayment of loans borrowed and securities issued	(2.756.438)
3.3	Bonds issued	-
3.4	Dividends paid	(188.795)
3.5	Payments for finance leases	-
3.6	Other	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>6.871.944</b>
<b>V.</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(585.231)</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of the period</b>	<b>27.122.191</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of the period</b>	<b>26.536.960</b>

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

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

**VI. CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Reviewed</b>
	<b>Prior period</b>
	<b>1 January –</b>
<b>Note</b>	<b>30 September 2017</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>	
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>3.319.906</b>
1.1.1 Interest received	15.269.846
1.1.2 Interest paid	(9.763.717)
1.1.3 Dividend received	6.302
1.1.4 Fees and commissions received	1.880.072
1.1.5 Other income	1.304.117
1.1.6 Collections from previously written off loans	454.190
1.1.7 Cash payments to personnel and service suppliers	(1.572.199)
1.1.8 Taxes paid	(877.733)
1.1.9 Other	(3.380.972)
<b>1.2 Assets and Liabilities Subject to Banking Operations</b>	<b>5.492.368</b>
1.2.1 Net (increase) decrease in financial assets held for sale	55.907
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	20.253
1.2.4 Net (increase) decrease in loans	(36.294.612)
1.2.5 Net (increase) decrease in other assets	(4.183.992)
1.2.6 Net increase (decrease) in bank deposits	(6.059.765)
1.2.7 Net increase (decrease) in other deposits	40.404.675
1.2.8 Net increase (decrease) in loans borrowed	(3.517.365)
1.2.9 Net increase (decrease) in matured payables	-
1.2.10 Net increase (decrease) in other liabilities	15.067.267
<b>I. Net cash provided from banking operations</b>	<b>8.812.274</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	
<b>II. Net cash provided from/ (used in) investing activities</b>	<b>(4.214.154)</b>
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	(6.238)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	-
2.3 Fixed assets purchases	(292.352)
2.4 Fixed assets sales	122.093
2.5 Cash paid for purchase of financial assets available for sale	(7.263.615)
2.6 Cash obtained from sale of financial assets available for sale	5.399.499
2.7 Cash paid for purchase of investment securities	(3.892.235)
2.8 Cash obtained from sale of investment securities	1.733.653
2.9 Other	(14.959)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>III. Net cash used in financing activities</b>	<b>(1.473.637)</b>
3.1 Cash obtained from loans borrowed and securities issued	7.033.402
3.2 Cash used for repayment of loans borrowed and securities issued	(8.250.455)
3.3 Bonds issued	-
3.4 Dividends paid	(256.584)
3.5 Payments for finance leases	-
3.6 Other	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	<b>36.359</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>	<b>3.160.842</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	<b>15.530.596</b>
<b>VII. Cash and cash equivalents at end of the period</b>	<b>18.691.438</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities carried at fair value.

Accounting policies and accounting estimates on which the accompanying financial statements based are in compliance with “The Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulation” and other regulations, circulars and pronouncements published by the BRSA and with Turkish Accounting Standards issued by Public Oversight Agency for the matters not regulated by the aforementioned legislations and have been applied consistently by the Parent Bank. Prior year consolidated financial statements and its related notes have not been restated due to the change in the accounting policy, as part of the transition clause of the adoption of TFRS 9. Accounting policies and valuation principles used in the preparation of the financial statements for 2018 and 2017 periods are presented separately. Accounting policies applicable for 2017 period are presented in the Section 3, Note XXVI. The impact of the adoption of TFRS 9 on the statement of financial position is explained in the Section 3, Note VII.

**Additional paragraph for convenience translation to English**

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

**Disclosures of TFRS 9 Financial Instruments:**

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

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

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

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

**I. EXPLANATIONS ON BASIS OF PRESENTATION (continued)**

**Disclosures of IFRS 9 Financial Instruments Standard (continued):**

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

Classification and measurement of financial assets:

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

Impairment of financial assets:

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

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

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

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

**TFRS 15 Revenue From Contracts with Customers**

TFRS 15 Revenue from Contracts with Customers standard provides single and comprehensive model and guidance regarding recognition of revenue and replaces TAS 18 Revenue Standard. The Standard is in effect starting from 1 January 2018 and the positive effect of the Group’s financial statements, which have been booked to the opening equity amounting to TRY 8.002 dated 1 January 2018 without restating previous period financial statements.

**New Standards not effective as of 1 January 2018**

**TFRS 16 Leases**

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

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

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

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

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

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

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

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

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

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

**III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES**

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

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

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



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

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

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

1. Basis of consolidation (continued):

a. Basis of consolidation of subsidiaries (continued):

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

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

b. Basis of consolidation of associates:

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

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

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

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

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

c. Basis of consolidation of joint ventures:

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

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

Accounting for business combinations

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

1. Basis of consolidation (continued):

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

*Acquisitions on or after 1 January 2010*

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

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

When this total is negative, the gain on acquisition is recognized immediately in profit or loss. Fair values of the identifiable acquired assets, liabilities and contingent liabilities if the initial recognition of the combination is to be made temporarily at the end of the period in which the combination takes place since the cost of the combination can be determined only temporarily on the basis of the carrying values, the acquirer accounts for the business combination on with temporary amounts. The temporary acquisition value of the combination should be adjusted within 12 months to reflect the completion of the transaction, including adjusting the goodwill. The acquisition cost does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

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

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

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

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

**IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS**

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

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

The Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic's credit risk. As of 30 September 2018, the bank has credit default swap transaction amounting to USD 260 million with 5 year maturity. In this transactions the Parent Bank sells protection.

**V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES**

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

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

**VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES**

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

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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

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

**TÜRKİYE HALK BANKASI AŞ**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

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

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

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

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

*Assesment of Business Model*

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

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

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

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

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

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

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

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

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

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

**3. Other Business Models:**

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

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

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

*Measurement Categories of Financial Assets and Liabilities*

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

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

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

**1. Financial Assets Measured at Amortised Cost**

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

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

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

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

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

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

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

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

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

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

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

***Cash Equivalents and Banks***

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

***Loans and receivables***

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

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

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

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

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

**Reclassification of Financial Assets in accordance with TFRS 9**

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

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

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

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

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

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

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

**Effects on Equity with TFRS 9 Transition**

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

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

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

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

As of the reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition in accordance with TFRS 9 paragraph 5.5.4. When making the assessment, the Group shall use the change in the risk of a default occurring for the financial instrument.

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

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

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

**Calculation of expected credit losses**

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



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

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)**

**Probability of Default (PD)**

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

**Loss given Default (LGD)**

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

**Exposure at Default (EAD)**

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

**12 Month Probability of Default**

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

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

**Lifetime Probability of Default**

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 Group shall measure provision for loss of related financial instrument as equal as expected lifetime probability of default amount.

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

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

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

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)**

**Lifetime Probability of Default (continued)**

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

a) Considering that a debtor is unlikely to pay credit obligations to the Parent Bank and to the Parent Bank’s consolidated financial subsidiaries without using guarantees

b) Considering that a debt having past due more than 90 days to the Parent Bank or its financial subsidiaries

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

**Low Credit Risk**

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

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

a) CBRT transactions (Currencies held in CBRT and reserve requirements)

b) Securities (Fair value through other comprehensive income and financial assets measured at amortised cost)

c) Treasury Loans (Transactions with Treasury Republic of Turkey)

d) Loans guaranteed by Treasury of Republic of Turkey

**The Rules of Significant Increase in Credit Risk**

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

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

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

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

**XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

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

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

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

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

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

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

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

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

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

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

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

*Classification of Investment Properties:*

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

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

**XIV. EXPLANATIONS ON INVESTMENT PROPERTIES**

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

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

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

**XV. EXPLANATIONS ON LEASING TRANSACTIONS**

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

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

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

**XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE**

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

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

**XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS**

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

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

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

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

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

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

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

**XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS (continued)**

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

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

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

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

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

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

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

**XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES**

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

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

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

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

**XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)**

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

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

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

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

**XX. EXPLANATIONS ON TAXATION**

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

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

Calculated corporate tax as of 31 December 2017 has been paid in February 2018 thereby setting off calculated advanced taxes in previous periods. Moreover, accrued advance tax for 1 January-31 March 2018 period is paid in May 2018 and accrued advance tax for 1 January-30 June 2018 period is paid in August 2018. Furthermore, accrued advance tax for 1 January-30 September 2018 period will also be paid in November 2018.

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

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

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

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

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

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

Turkish Republic of Northern Cyprus (TRNC)

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

Bahrain

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



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

**XX. EXPLANATIONS ON TAXATION (continued)**

**Tax practices in the countries that foreign branches operate (continued):**

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

Halk Banka A.D. Skopje

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

"Distributions" are split into two components:

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

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

*Recognition of tax provisions:*

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

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

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

Halk Bank A.D. Beograd

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

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

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

**XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS**

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

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

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

**XXII. EXPLANATIONS ON SHARES ISSUED**

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

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

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

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

**XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES**

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

**XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES**

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

**XXV. EXPLANATIONS ON SEGMENT REPORTING**

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

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

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)**

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

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

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

1. Financial assets at fair value through profit and loss

1.1. Financial assets held for trading

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

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

1.2. Financial assets at fair value through profit and loss

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

2. Investments held to maturity

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

3. Financial assets available for sale

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

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

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

4. Loans and receivables

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

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

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

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

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign currency income and expense accounts in the income statement.

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

***Explanations on Impairment of Financial Assets***

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

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

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

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

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

*Explanations on Impairment of Financial Assets (continued)*

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

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

**XXVII. EXPLANATIONS ON OTHER MATTERS**

None.

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK  
MANAGEMENT OF THE BANK**

**I. EXPLANATIONS ON CONSOLIDATED EQUITY**

Total equity amount and capital adequacy ratio have been calculated in accordance with the “Regulation on Equities of Banks” and “Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy” and in accordance with the requirements of BRSA numbered 10513 dated 12 August 2018 and numbered 10578 dated 13 August 2018.

Regulatory changes are as follows; the valuation differences of the marketable securities included in the “Financial Assets at Fair Value through Other Comprehensive Income” portfolio of banks shall not be taken into consideration in the equity amount that subject to the capital adequacy ratio calculation as of 12 August 2018 and the foreign exchange bid rate to be used for the calculation of amount subject to the credit risk shall be determined as the higher of average CBRT's foreign exchange bid rate of 252 business days prior to the calculation date or foreign exchange bid rate used in the preparation of financial statements as of 30 June 2018.

As of 30 September 2018, calculation of the capital adequacy ratio in accordance with the above-stated regulatory changes is 14,29% (31 December 2017: 13,59%) and the equity amount is calculated as TRY 37.261.927 (31 December 2017: TRY 28.415.296).

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

**I. EXPLANATIONS ON CONSOLIDATED EQUITY (continued)**

1. Information About Total Consolidated Capital Items:

<b>Current Period</b>	<b>Amount</b>	<b>Amounts related to treatment before 1/1/2014<sup>(*)</sup></b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	39.740	
Reserves	20.873.976	
Other Comprehensive Income according to TAS	2.286.382	
Profit	3.236.371	
Current Period Profit	2.228.494	
Prior Period Profit	1.007.877	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	4.723	
Minority Interest	2.623	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>28.914.266</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	13.874	
Leasehold Improvements on Operational Leases	70.142	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	138.974	138.974
Net Deferred Tax Asset/Liability	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined pension benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>222.990</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>28.691.276</b>	

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

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

1. Information About Total Consolidated Capital Items (continued):

<b>ADDITIONAL TIER I CAPITAL</b>	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Shares of Third Parties in Additional Tier I Capital	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-
<b>Additional Tier I Capital before Deductions</b>	-
<b>Deductions from Additional Tier I Capital</b>	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Items to be Deducted from Tier I Capital During the Transition Period</b>	
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 (-)	-
<b>Total Deductions from Additional Tier I Capital</b>	-
<b>Total Additional Tier I Capital</b>	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>28.691.276</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.651.344
<b>Tier II Capital Before Deductions</b>	<b>8.581.139</b>
<b>Deductions From Tier II Capital</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>8.581.139</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>37.272.415</b>
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	<b>37.261.927</b>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be Defined by the BRSA (-)	10.478



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

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

1. Information About Total Consolidated Capital Items (continued):

<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>TOTAL CAPITAL</b>	
Total Capital	37.261.927
Total Risk Weighted Assets	260.698.445
<b>Capital Adequacy Ratios</b>	
CET1 Capital Ratio (%)	11,01
Tier I Capital Ratio (%)	11,01
Capital Adequacy Ratio (%)	14,29
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio (a+b+c)	2,675
a) Capital Conservation Buffer Ratio (%)	1,875
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%) **	0,050
c) Systemic significant bank buffer ratio (%)	0,750
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,006
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	120.522
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	2.186.033
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.582.240
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.651.344
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.651.344
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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

1. Information About Total Consolidated Capital Items (continued):

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

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

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

1. Information About Total Consolidated Capital Items (continued):

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

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

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

1. Information About Total Consolidated Capital Items (continued):

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

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

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

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

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

3. Information about instruments to be included in the Equity Calculation

<b>Details on Subordinated Liabilities:</b>			
Issuer	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHALE2716	TRSTHAL62811	TRSTHAL92826
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation
<b>Regulatory treatment</b>			
Transitional Basel III rules	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Public Sector Bond	Public Sector Bond	Public Sector Bond
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980
Par value of instrument	1.000	1.950	2.980
Accounting classification	346.011	346.011	346.011
Original date of issuance	20.10.2017	2.07.2018	26.09.2018
Perpetual or dated	Dated	Dated	Dated
Original maturity date	20.10.2017	3.07.2018	26.09.2018
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	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	-	-	-
<b>Coupons / dividends</b>			
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %
Existence of a dividend stopper	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-
Existence of step up or other incentive to redeem	-	-	-
Noncumulative or cumulative	-	-	-
<b>Convertible or non-convertible</b>			
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	-	-	-

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

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

3. Information about instruments to be included in the Equity Calculation (continued):

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.	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.

**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 Parent Bank makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Bank as at 30 September 2018 and the previous five working days in full TRY are as follows:

	21.09.2018	24.09.2018	25.09.2018	26.09.2018	27.09.2018	28.09.2018
USD	6,2500000	6,1300000	6,1800000	6,0700000	5,9500000	6,0000000
CHF	6,5166000	6,3715000	6,3962000	6,2545000	6,0943000	6,1280000
GBP	8,1674000	8,0388000	8,1256000	7,9831000	7,7956000	7,7934000
JPY	0,0554549	0,0543588	0,0546759	0,0536409	0,0525085	0,0527376
EURO	7,3459000	7,2214000	7,2865000	7,1256000	6,9538000	6,9549000

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

	Monthly average
USD	6,2995000
CHF	6,4980100
GBP	8,2122450
JPY	0,0561600
EUR	7,3481650

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

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

Information related to currency risk:

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>OTHER FC</b>	<b>TOTAL</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	8.665.421	8.711.916	6.704.291	24.081.628
Banks	1.035.564	2.802.834	692.298	4.530.696
Financial assets at fair value through profit and loss <sup>(3)</sup>	55	33.482	1.431	34.968
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income <sup>(5)</sup>	647.663	121.908	827.454	1.597.025
Loans <sup>(2)</sup>	51.679.143	51.389.575	2.908.398	105.977.116
Subsidiaries, associates and entities under common control <sup>(5)</sup>	492.881	-	-	492.881
Financial assets measured at amortized cost	3.353	12.435.720	224.878	12.663.951
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	139.226	139.226
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	553.930	3.025.590	52.112	3.631.632
<b>Total assets</b>	<b>63.078.010</b>	<b>78.521.025</b>	<b>11.550.088</b>	<b>153.149.123</b>
<b>Liabilities</b>				
Bank deposits	10.173.294	6.089.212	814.421	17.076.927
Foreign currency deposits	45.636.169	38.434.404	6.848.302	90.918.875
Money market balances	-	8.343.155	-	8.343.155
Funds provided from other financial institutions	10.873.319	10.243.502	39.856	21.156.677
Bonds issued	-	13.606.320	-	13.606.320
Sundry creditors	269.460	280.495	45.964	595.919
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	506.288	1.199.102	195.912	1.901.302
<b>Total liabilities</b>	<b>67.458.530</b>	<b>78.196.190</b>	<b>7.944.455</b>	<b>153.599.175</b>
<b>Net balance sheet position</b>	<b>(4.380.521)</b>	<b>324.835</b>	<b>3.605.633</b>	<b>(450.053)</b>
<b>Net off-balance sheet position</b>				
<b>Financial derivative assets<sup>(4)</sup></b>	<b>4.172.790</b>	<b>12.765.626</b>	<b>1.360.400</b>	<b>18.298.816</b>
<b>Financial derivative liabilities<sup>(4)</sup></b>	<b>1.769.615</b>	<b>11.052.260</b>	<b>3.858.476</b>	<b>16.680.351</b>
<b>Non-cash loans<sup>(1)</sup></b>	<b>23.810.805</b>	<b>25.050.341</b>	<b>2.813.158</b>	<b>51.674.304</b>
<b>Prior period</b>				
Total assets	43.271.609	58.465.139	7.839.511	109.576.259
Total liabilities	43.859.517	61.136.255	5.270.971	110.266.743
<b>Net balance sheet position</b>	<b>(587.908)</b>	<b>(2.671.116)</b>	<b>2.568.540</b>	<b>(690.484)</b>
<b>Net off-balance sheet position</b>				
Financial derivative assets	223.198	2.534.947	(1.995.069)	763.076
Financial derivative liabilities	1.065.746	5.996.311	1.250.482	8.312.539
Financial derivative liabilities	842.548	3.461.364	3.245.551	7.549.463
Non-cash loans <sup>(1)</sup>	12.618.873	16.362.849	1.714.234	30.695.956

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

<sup>(2)</sup> Includes TRY 1.372.306 of foreign currency indexed loans and their accruals (31 December 2017: TRY 2.070.996).

<sup>(3)</sup> In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", foreign currency intangible assets TRY 31.961, prepaid expenses TRY 205 in assets; and shareholders' equity TRY 325.894 in liabilities and foreign currency minority shares TRY 5.992 are not taken into consideration in the currency risk measurement.

<sup>(4)</sup> Financial derivative assets include forward precious metal purchase transactions amounted to TRY 425.503. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 3.211.416. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

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

**III. EXPLANATIONS ON INTEREST RATE RISK**

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

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

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

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



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

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

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

<b>Current period</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 Months</b>	<b>1-5 years</b>	<b>5 years and over</b>	<b>Non-bearing interest</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	15.428.947	-	-	-	-	14.955.425	30.384.372
Banks	4.300.066	-	15.175	-	-	2.305.472	6.620.713
Financial assets at fair value through profit and loss	51.067	20.997	24.435	34.807	33.359	14.990.247	15.154.912
Money market placements	1.261.274	-	-	-	-	2.434	1.263.708
Financial assets at fair value through other comprehensive income	102.049	568.308	1.079.832	1.322.582	449.532	136.117	3.658.420
Loans	40.782.645	43.901.346	92.723.123	73.150.599	15.852.755	5.613.096	272.023.564
Financial assets measured at amortised cost	1.119.490	18.760.768	2.584.641	11.936.330	21.429.787	-	55.831.016
Other assets <sup>(1) (2)</sup>	1.856.085	659.111	194.867	38.530	1.826	10.265.842	13.016.261
<b>Total assets</b>	<b>64.901.623</b>	<b>63.910.530</b>	<b>96.622.073</b>	<b>86.482.848</b>	<b>37.767.259</b>	<b>48.268.633</b>	<b>397.952.966</b>
<b>Liabilities</b>							
Bank deposits	17.197.942	1.502.831	160.032	-	-	11.646.506	30.507.311
Other deposits	137.527.139	22.576.014	12.336.558	1.380.428	12.279	36.540.008	210.372.426
Money market balances	48.206.918	383.167	2.417.985	-	-	221.154	51.229.224
Sundry creditors	2.560.344	30.926	98.407	98.159	-	2.110.172	4.898.008
Bonds issued	124.666	1.893.046	4.084.455	10.481.622	-	124.965	16.708.754
Funds provided from other financial institutions <sup>(3)</sup>	3.470.596	5.742.204	8.544.818	3.621.724	1.277.563	224.554	22.881.459
Other liabilities <sup>(4)</sup>	1.002.699	15.011.682	1.841.320	178.214	6.820.846	36.501.023	61.355.784
<b>Total liabilities</b>	<b>210.090.304</b>	<b>47.139.870</b>	<b>29.483.575</b>	<b>15.760.147</b>	<b>8.110.688</b>	<b>87.368.382</b>	<b>397.952.966</b>
Balance sheet long position	-	16.770.660	67.138.498	70.722.701	29.656.571	-	184.288.430
Balance sheet short position	(145.188.681)	-	-	-	-	(39.099.749)	(184.288.430)
Off-balance sheet long position	1.297.876	4.298.842	2.958.803	1.297.143	3.665.672	19.127.943	32.646.279
Off-balance sheet short position	(888.443)	(4.429.941)	(2.263.999)	(2.141.053)	(3.665.674)	(19.246.596)	(32.635.706)
<b>Total position</b>	<b>(144.779.248)</b>	<b>16.639.561</b>	<b>67.833.302</b>	<b>69.878.791</b>	<b>29.656.569</b>	<b>(39.218.402)</b>	<b>10.573</b>

<sup>(1)</sup> TRY 101.048 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 658.555 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

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

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

<sup>(2)</sup> TRY 1.410.325 of net non-performing loans is disclosed under the non-bearing interest column in other assets.

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

<sup>(4)</sup> Funds provided from other financial institutions include borrowings.

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

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

2. Average interest rates applied to financial instruments:

Current period	EUR	USD	JPY	TRY
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT <sup>(5)</sup>	-	1,50	-	13,00
Banks	0,19	1,74	-	24,09
Financial assets at fair value through profit and loss	0,25	7,27	-	12,71
Money market placements	-	-	-	23,83
Financial assets at fair value through other comprehensive income	4,64	7,14	-	17,16
Loans <sup>(2)</sup>	5,04	6,97	1,40	17,89
Financial assets measured at amortised cost	2,50	5,61	-	11,74
<b>Liabilities</b>				
Bank deposits	2,34	4,88	0,10	13,36
Other deposits <sup>(4)</sup>	2,15	4,62	0,25	20,13
Money market borrowings	-	3,60	-	23,93
Sundry creditors <sup>(3)</sup>	-	-	-	4,75
Bonds issued	-	4,46	-	20,75
Funds provided from other financial institutions <sup>(4)</sup>	1,07	3,58	1,40	20,61

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

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

<sup>(3)</sup> Declared maximum deposits interest rate with a maturity of 12 months as of 30 September 2018.

<sup>(4)</sup> Customer based calculated interest rates are applied to TRY and FC deposits as of 30 September 2018.

<sup>(5)</sup> Average interest rates for reserve requirements of the Central Bank.

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

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

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

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

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

<sup>(5)</sup> Average interest rates for reserve requirements of the CBRT.

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

**IV. EXPLANATIONS ON THE POSITION RISK OF SHARES**

Information about position risk of shares:

Equities	Comparison			The Amount of Capital Requirement
	Balance Sheet Value	Fair Value Change	Market Value	
Stock investment excluding A,B,C,D group	573.056 <sup>(*)</sup>	479.888 <sup>(**)</sup>	-	103.528

(\*) Includes TRY 52.178 of unconsolidated subsidiary, TRY 511.526 of associates accounted for under the equity method and TRY 9.352 of unconsolidated associates.

(\*\*)The financial information about the fair value of Demir-Halk Bank N.V. has been obtained from its valuation report as of 30 September 2018.

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	-	-	-	-	-	-
3. Other share certificates	-	19.534	19.534	-	-	-
<b>Total</b>	-	<b>19.534</b>	<b>19.534</b>	-	-	-

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

**V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO**

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

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

The Parent 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 Parent Bank's liquidity risk are digitized by daily follow-ups with first and second degree warnings for determined ratios relating to balance-sheet, liquidity deficit in all maturity gap and the Parent Bank's position against such ratios.

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

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

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

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

Effects of macro size balance sheet changes or important changes of market data on bank liquidity; based on legal liquidity ratio and according to liquidity emergency action plan, analysis is made on the effects of the ratios that are being followed. Whether originated from the Parent 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 Parent Bank Audit Committee and the Asset-Liability Committee regularly.

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

**Liquidity Minimum-Maximum**

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Month	(%)	Related Month	(%)
Maximum	27.08.2018	198,67	23.07.2018	118,77
	02.09.2018		29.07.2018	
Minimum	24.09.2018	111,69	03.09.2018	85,25
	30.09.2018		09.09.2018	

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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) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			48.626.668	29.670.899
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	114.548.300	43.930.590	10.163.234	4.393.059
Stable Deposits	25.831.920	-	1.291.596	-
Less Stable Deposits	88.716.380	43.930.590	8.871.638	4.393.059
Unsecured wholesale funding , of which;	100.880.437	51.858.705	44.262.317	23.020.635
Operational Deposits	20.177.156	9.941.252	5.044.289	2.485.313
Non-operational Deposits	73.250.508	37.632.744	33.106.739	17.385.351
Other Unsecured Funding	7.452.773	4.284.709	6.111.289	3.149.971
Secured Funding			-	-
Other cash outflows, of which;	7.791.334	5.098.912	3.650.957	2.763.384
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	199.757	846.462	199.757	846.462
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	7.591.577	4.252.450	3.451.200	1.916.922
Other revocable off-balance sheet commitments and contractual obligations.	83.331	324	83.331	324
Other irrevocable or conditionally revocable off-balance sheet Obligations	98.429.337	42.674.527	7.786.343	3.470.148
<b>Total Cash Outflows</b>			<b>65.946.182</b>	<b>33.647.550</b>
<b>Cash Inflows</b>				
Secured Lending	-	-	-	-
Unsecured Lending	24.552.117	13.013.785	17.157.169	11.038.020
Other Cash Inflows	519.539	3.683.903	519.539	3.683.903
<b>Total Cash Inflows</b>	<b>25.071.656</b>	<b>16.697.688</b>	<b>17.676.708</b>	<b>14.721.923</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>48.626.668</b>	<b>29.670.899</b>
<b>Total Net Cash Outflows</b>			<b>48.269.474</b>	<b>18.925.627</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>100,78%</b>	<b>158,16%</b>

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

<sup>(1)</sup> 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
<b>Assets</b>								
Cash (cash in vault, money in transit, cheques purchased) and balances with the CBRT	3.804.984	26.439.428	-	139.960	-	-	-	30.384.372
Banks	2.549.699	4.051.484	-	19.479	51	-	-	6.620.713
Financial assets at fair value through profit and loss	6.166	53.584	14.992.936	23.632	43.154	33.359	2.081	15.154.912
Receivables from Money market	-	1.263.708	-	-	-	-	-	1.263.708
Financial assets at fair value through other comprehensive income	-	8.786	6.214	1.151.648	2.039.073	316.582	136.117	3.658.420
Loans	8.471.458	8.535.614	16.870.690	78.107.972	120.511.971	39.376.822	149.037	272.023.564
Financial assets measured at amortised cost	63	252.511	639.315	2.250.335	22.995.732	29.693.060	-	55.831.016
Other assets <sup>(2)</sup>	248.526	623.747	1.920.909	1.300.825	374.169	6.147	8.541.938	13.016.261
<b>Total assets</b>	<b>15.080.896</b>	<b>41.228.862</b>	<b>34.430.064</b>	<b>82.993.851</b>	<b>145.964.150</b>	<b>69.425.970</b>	<b>8.829.173</b>	<b>397.952.966</b>
<b>Liabilities</b>								
Bank deposits	11.497.179	17.299.589	1.510.362	200.181	-	-	-	30.507.311
Other deposits	34.523.920	138.806.330	22.946.708	12.624.631	1.433.137	26.469	11.231	210.372.426
Funds provided from other financial institutions <sup>(3)</sup>	975	3.111.113	4.610.426	4.812.353	6.747.568	3.599.024	-	22.881.459
Money market balances	-	45.949.643	383.179	2.478.781	2.417.621	-	-	51.229.224
Bonds issued	-	1.187.480	1.977.543	3.062.109	10.481.622	-	-	16.708.754
Sundry creditors	19.834	1.900.484	145.129	632.500	1.918.022	5.629	276.410	4.898.008
Other liabilities <sup>(1)</sup>	1.182.663	2.487.025	15.662.058	3.259.633	343.730	8.072.693	30.347.982	61.355.784
<b>Total liabilities</b>	<b>47.224.571</b>	<b>210.741.664</b>	<b>47.235.405</b>	<b>27.070.188</b>	<b>23.341.700</b>	<b>11.703.815</b>	<b>30.635.623</b>	<b>397.952.966</b>
<b>Liquidity gap</b>	<b>(32.143.675)</b>	<b>(169.512.802)</b>	<b>(12.805.341)</b>	<b>55.923.663</b>	<b>122.622.450</b>	<b>57.722.155</b>	<b>(21.806.450)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>301</b>	<b>(194.999)</b>	<b>(209.424)</b>	<b>(301.393)</b>	<b>716.088</b>	<b>-</b>	<b>-</b>	<b>10.573</b>
Derivative financial assets	18.774	11.431.656	4.504.054	4.731.045	4.629.404	7.331.346	-	32.646.279
Derivative financial liabilities	(18.473)	(11.626.655)	(4.713.478)	(5.032.438)	(3.913.316)	(7.331.346)	-	(32.635.706)
<b>Non-cash loans</b>	<b>2.207.845</b>	<b>3.760.376</b>	<b>6.274.261</b>	<b>30.125.750</b>	<b>17.870.848</b>	<b>27.013.172</b>	<b>-</b>	<b>87.252.252</b>
<b>Prior Period</b>								
Total Assets	5.976.920	53.989.072	14.969.679	74.950.291	106.647.425	48.029.463	7.656.906	312.219.756
Total Liabilities	29.918.047	151.990.459	43.075.481	38.584.436	16.026.374	5.964.981	26.659.978	312.219.756
<b>Liquidity Gap</b>	<b>(23.941.127)</b>	<b>(98.001.387)</b>	<b>(28.105.802)</b>	<b>36.365.855</b>	<b>90.621.051</b>	<b>42.064.482</b>	<b>(19.003.072)</b>	<b>-</b>
<b>Net off balance sheet position</b>	<b>-</b>	<b>(30.015)</b>	<b>(18.941)</b>	<b>11.949</b>	<b>152.560</b>	<b>-</b>	<b>-</b>	<b>115.553</b>
Derivative financial assets	-	5.319.725	1.400.784	2.606.753	2.396.724	3.804.657	-	15.528.643
Derivative financial liabilities	-	(5.349.740)	(1.419.725)	(2.594.804)	(2.244.164)	(3.804.657)	-	(15.413.090)
<b>Non-cash loans</b>	<b>19.713.335</b>	<b>2.090.829</b>	<b>4.541.264</b>	<b>18.634.374</b>	<b>12.409.276</b>	<b>1.098.547</b>	<b>300.033</b>	<b>58.787.658</b>

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

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

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

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

**VI. EXPLANATIONS ON LEVERAGE RATIO**

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

	<b>Current Period<sup>(2)</sup></b>
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS <sup>(1)</sup>	357.516.919
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1) (2)</sup>	687.244
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments <sup>(2)</sup>	29.736.990
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments <sup>(2)</sup>	25.282.523
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items <sup>(2)</sup>	1.431.714
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-
<b>Total Risk Amount</b>	<b>508.371.977</b>
	<b>Prior Period<sup>(2)</sup></b>
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS <sup>(1)</sup>	270.533.226
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks <sup>(1) (2)</sup>	(1.145.283)
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments <sup>(2)</sup>	17.716.168
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments <sup>(2)</sup>	3.364.403
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items <sup>(2)</sup>	797.772
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-
<b>Total Risk Amount</b>	<b>393.862.493</b>

<sup>(1)</sup> The amounts are represented in the table as of 31 December 2017 and 30 June 2018.

<sup>(2)</sup> The amounts in the table represent three-month averages.

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

**VI. EXPLANATIONS ON LEVERAGE RATIO (continued)**

	<b>Current Period <sup>(1)</sup></b>
<b>On-Balance Sheet Items</b>	
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	393.493.592
2. Assets that are deducted from core capital	(208.051)
3. Total on balance sheet exposures	393.285.541
<b>Derivative exposures and credit derivatives</b>	
4. Replacement cost associated with derivative financial instruments and credit derivatives	1.892.995
5. The potential amount of credit risk with derivative financial instruments and credit derivatives	479.528
6. The total amount of risk on derivative financial instruments and credit derivatives	2.372.523
<b>Investment securities or commodity collateral financing transactions</b>	
7. The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.450.401
8. Risk amount of exchange brokerage operations	-
9. Total risks related with securities or commodity financing transactions	1.450.401
<b>Off -Balance Sheet Items</b>	
10. Gross notional amount of off-balance sheet items	112.695.226
11. Adjustments for conversion to credit equivalent amounts	(1.431.714)
12. The total risk of off-balance sheet items	111.263.512
<b>Capital and Total Exposures</b>	
13. Tier 1 Capital	28.390.494
14. Total Exposures	508.371.977
<b>Leverage Ratio</b>	
15. Leverage Ratio	5,58

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

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

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

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

**VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION**

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

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

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

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

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

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

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

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

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

**VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)**

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 30 September 2018 are presented in the table below.

<b>Current Period (1 January – 30 September 2018)</b>	<b>Corporate</b>	<b>Commercial</b>	<b>Integrated</b>	<b>Treasury / Investment<sup>(1)</sup></b>	<b>Other<sup>(3)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>						
<b>Interest income</b>	<b>2.688.396</b>	<b>3.706.088</b>	<b>14.145.808</b>	<b>4.524.525</b>	<b>486.761</b>	<b>25.551.578</b>
Interest on loans	2.687.799	3.705.783	13.811.967	201.344	-	20.406.893
Interest income on marketable securities	-	-	314.722	3.774.610	45.119	4.134.451
Interest received from banks	-	-	6	403.558	5	403.569
Other interest income	597	305	19.113	145.013	441.637	606.665
<b>Interest expense</b>	<b>1.332.645</b>	<b>910.022</b>	<b>10.129.411</b>	<b>6.201.912</b>	<b>251.190</b>	<b>18.825.180</b>
Interest on deposits	1.329.034	880.930	9.870.194	1.245.073	-	13.325.231
Interest on borrowings	512	6.400	29.085	375.536	211.180	622.713
Interest on money market borrowings	-	-	137.099	3.512.926	8.634	3.658.659
Interest on marketable bonds issued	-	-	-	999.096	28.378	1.027.474
Other interest expense <sup>(2)</sup>	3.099	22.692	93.033	69.281	2.998	191.103
<b>Net interest income</b>	<b>1.355.751</b>	<b>2.796.066</b>	<b>4.016.397</b>	<b>(1.677.387)</b>	<b>235.571</b>	<b>6.726.398</b>
Net fees and commissions income / (expenses)	251.867	213.744	687.646	336.220	(136.858)	1.352.619
Net trading profit / (loss) (Net)	2.320	7.812	1.563.313	(1.586.587)	49.320	36.178
Dividend income	-	-	-	12.441	392	12.833
Other income	33.849	101.059	234.534	385.396	1.111.430	1.866.268
Loans and other receivables' impairment loss	105.723	264.253	737.969	892.008	10.566	2.010.519
Other expenses	26.423	60.169	1.553.652	2.553.294	974.242	5.167.780
<b>Income before taxes</b>	<b>1.511.641</b>	<b>2.794.259</b>	<b>4.210.269</b>	<b>(5.975.219)</b>	<b>275.047</b>	<b>2.815.997</b>
Income tax provision	-	-	-	(439.257)	(129.888)	(569.145)
<b>Net profit for the period</b>	<b>1.511.641</b>	<b>2.794.259</b>	<b>4.210.269</b>	<b>(6.414.476)</b>	<b>145.159</b>	<b>2.246.852</b>
<b>SEGMENT ASSETS (30 September 2018)</b>						
Marketable securities	-	-	7.662.516	66.738.448	243.384	74.644.348
Derivative financial assets	-	-	74.488	1.424.419	1.694	1.500.601
Banks and money market receivables	-	-	4.567	7.864.584	15.270	7.884.421
Associates and subsidiaries (net)	-	-	-	573.056	-	573.056
Loans	45.583.977	55.721.586	157.375.030	8.437.736	4.905.235	272.023.564
Other assets <sup>(1)</sup>	88.023	678.869	2.967.531	36.368.305	1.224.248	41.326.976
<b>TOTAL ASSETS</b>	<b>45.672.000</b>	<b>56.400.455</b>	<b>168.084.132</b>	<b>121.406.548</b>	<b>6.389.831</b>	<b>397.952.966</b>
<b>SEGMENT LIABILITIES (30 September 2018)</b>						
Deposits	41.623.702	19.971.632	151.257.910	28.026.493	-	240.879.737
Derivative financial liabilities	-	-	24.360	1.100.969	-	1.125.329
Money market balances	-	-	4.920.624	46.194.707	113.893	51.229.224
Loans	17.607	319.393	1.261.333	18.378.333	2.904.793	22.881.459
Marketable Securities issued	-	-	-	15.971.703	737.051	16.708.754
Other liabilities	513.955	486.941	7.333.145	22.301.177	257.984	30.893.202
Provisions and tax payable	91.176	123.583	328.917	2.488.842	2.313.840	5.346.358
Shareholders' equity	1.252.536	2.756.163	3.839.162	19.522.341	1.518.701	28.888.903
<b>TOTAL LIABILITIES</b>	<b>43.498.976</b>	<b>23.657.712</b>	<b>168.965.451</b>	<b>153.984.565</b>	<b>7.846.262</b>	<b>397.952.966</b>
<b>OFF BALANCE SHEET ITEMS (30 September 2018)</b>						
Guarantees and surety ships	25.616.138	23.413.709	46.757.784	84.265.021	263.224	180.315.876
Commitments	62.246	867.141	10.158.946	16.529.084	164.222	27.781.639
Derivative financial instruments	-	-	13.727.828	51.455.155	99.002	65.281.985

<sup>(1)</sup> Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Bank A.D. Skopje transactions are presented under the treasury / investment column. In this context net of tangible assets amounting TRY 4.361.272 (net), deferred tax assets amounting TRY 101.048 is presented under the other column.

<sup>(2)</sup> Funds transfer pricing was distributed in other interest income and other interest expense.

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

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**VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)**

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 30 September 2017 and 31 December 2017 are presented in the table below.

<b>Prior Period (1 January –30 September 2017)</b>	<b>Corporate</b>	<b>Commercial</b>	<b>SME / Integrated</b>	<b>Treasury / Investment<sup>(1)</sup></b>	<b>Other<sup>(3)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>						
<b>Interest income</b>	<b>1.516.716</b>	<b>2.321.141</b>	<b>9.531.064</b>	<b>3.103.170</b>	<b>294.773</b>	<b>16.766.864</b>
<i>Interest on loans</i>	<i>1.514.970</i>	<i>2.320.160</i>	<i>9.341.398</i>	<i>318.687</i>	<i>-</i>	<i>13.495.215</i>
<i>Interest income on marketable securities</i>	<i>-</i>	<i>-</i>	<i>179.242</i>	<i>2.484.737</i>	<i>28.426</i>	<i>2.692.405</i>
<i>Interest received from banks</i>	<i>-</i>	<i>-</i>	<i>1</i>	<i>176.712</i>	<i>3.880</i>	<i>180.593</i>
<i>Other interest income<sup>(2)</sup></i>	<i>1.746</i>	<i>981</i>	<i>10.423</i>	<i>123.034</i>	<i>262.467</i>	<i>398.651</i>
<b>Interest expense</b>	<b>1.026.285</b>	<b>489.621</b>	<b>5.696.932</b>	<b>3.266.529</b>	<b>126.320</b>	<b>10.605.687</b>
<i>Interest on deposits</i>	<i>1.025.751</i>	<i>461.978</i>	<i>5.564.370</i>	<i>620.236</i>	<i>-</i>	<i>7.672.335</i>
<i>Interest on borrowings</i>	<i>396</i>	<i>5.056</i>	<i>20.151</i>	<i>251.311</i>	<i>104.809</i>	<i>381.723</i>
<i>Interest on money market borrowings</i>	<i>-</i>	<i>-</i>	<i>46.729</i>	<i>1.811.677</i>	<i>6.799</i>	<i>1.865.205</i>
<i>Interest on marketable bonds issued</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>582.778</i>	<i>13.974</i>	<i>596.752</i>
<i>Other interest expense<sup>(2)</sup></i>	<i>138</i>	<i>22.587</i>	<i>65.682</i>	<i>527</i>	<i>738</i>	<i>89.672</i>
<b>Net interest income</b>	<b>490.431</b>	<b>1.831.520</b>	<b>3.834.132</b>	<b>(163.359)</b>	<b>168.453</b>	<b>6.161.177</b>
Net fees and commissions income / (expenses)	177.035	357.442	808.436	279.439	(159.747)	1.462.605
Net trading profit / (loss)	51	3.860	68.580	23.687	17.106	113.284
Dividend income	-	-	-	5.980	322	6.302
Other income	35.902	60.889	243.202	131.166	1.067.066	1.538.225
Loans and other receivables' impairment loss	11.589	345.802	453.469	256.842	-	1.067.702
Other expenses	23.034	51.222	1.337.865	1.982.595	862.677	4.257.393
<b>Income before taxes</b>	<b>668.796</b>	<b>1.856.687</b>	<b>3.163.016</b>	<b>(1.962.524)</b>	<b>230.523</b>	<b>3.956.498</b>
Income tax provision	-	-	-	(744.917)	(65.114)	(810.031)
<b>Net profit for the period</b>	<b>668.796</b>	<b>1.856.687</b>	<b>3.163.016</b>	<b>(2.707.441)</b>	<b>165.409</b>	<b>3.146.467</b>
<b>SEGMENT ASSETS (31 December 2017)</b>						
Marketable securities	-	-	5.489.437	44.036.225	281.607	49.807.269
Derivative financial assets held for trading	-	-	79.852	282.664	-	362.516
Banks and money market receivables	-	-	289	7.594.793	6.253	7.601.335
Associates and subsidiaries (net)	-	-	-	405.316	-	405.316
Loans	29.738.256	41.267.495	127.277.838	7.269.006	-	205.552.595
Other assets <sup>(1)</sup>	90.690	264.257	1.885.260	41.804.276	4.446.242	48.490.725
<b>TOTAL ASSETS</b>	<b>29.828.946</b>	<b>41.531.752</b>	<b>134.732.676</b>	<b>101.392.280</b>	<b>4.734.102</b>	<b>312.219.756</b>
<b>SEGMENT LIABILITIES (31 December 2017)</b>						
Deposits	27.081.876	16.011.238	136.068.623	14.108.884	-	193.270.621
Derivative financial liabilities held for trading	-	-	46.160	104.509	4	150.673
Money market balances	-	-	4.140.748	30.822.778	39.796	35.003.322
Borrowing funding loans	9.973	233.252	954.275	16.550.464	2.310.520	20.058.484
Bonds issued	-	-	-	11.727.130	295.000	12.022.130
Other liabilities	286.437	379.543	6.336.640	12.356.196	235.239	19.594.055
Provisions and tax payable	57.741	88.335	252.213	4.308.512	1.884.981	6.591.782
Shareholders' equity	767.670	2.565.774	4.065.401	16.797.501	1.332.343	25.528.689
<b>TOTAL LIABILITIES</b>	<b>28.203.697</b>	<b>19.278.142</b>	<b>151.864.060</b>	<b>106.775.974</b>	<b>6.097.883</b>	<b>312.219.756</b>
<b>OFF BALANCE SHEET ITEMS (31 December 2017)</b>						
Guarantees and surety ships	15.446.074	13.990.756	17.241.640	12.109.188	-	58.787.658
Commitments	63.996	878.037	10.134.667	14.002.992	34.502	25.114.194
Derivative financial instruments	-	-	6.914.990	24.026.071	672	30.941.733

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

<sup>(2)</sup> Funds transfer pricing was distributed in other interest income and other interest expense.

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

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

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

**Explanations Related To Risk Management**

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

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

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

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

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

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

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

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

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

**Overview of RWA<sup>(\*)</sup>:**

	Risk Weighted Amounts		Minimum Capital Requirements	
	Current Period	Prior Period	Current Period	
1	Credit risk (excluding counterparty credit risk) (CCR)	231.758.641	187.858.563	18.540.691
2	Standardized approach (SA)	231.758.641	187.858.563	18.540.691
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	2.918.209	1.948.749	233.458
5	Standardized approach for counterparty credit risk (SA-CCR)	2.918.209	1.948.749	233.458
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	6.194.775	3.629.588	495.582
17	Standardized approach (SA)	6.194.775	3.629.588	495.582
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	18.548.004	14.724.338	1.483.840
20	Basic Indicator Approach	18.548.004	14.724.338	1.483.840
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.278.816	867.044	102.305
24	Floor adjustment	-	-	-
25	<b>Total ( 1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>260.698.445</b>	<b>209.028.282</b>	<b>20.855.876</b>

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



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

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

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

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

	Current period	
	TRY	FC
Cash and foreign currency	956.712	2.220.850
CBRT	5.346.032	21.445.449
Other <sup>(1)</sup>	-	415.329
<b>Total</b>	<b>6.302.744</b>	<b>24.081.628</b>

<sup>(1)</sup>As of 30 September 2018, required reserve deposits kept in Central Bank of Macedonia amounted TRY 158.555 and amounted TRY 256.770 kept in Central Bank of Serbia.

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

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

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

	Current period	
	TRY	FC
Demand unrestricted amount <sup>(1)</sup>	5.151.471	10.213.078
Time unrestricted amount	-	-
Time restricted amount	-	578.841
Other <sup>(2)</sup>	194.561	10.653.530
<b>Total</b>	<b>5.346.032</b>	<b>21.445.449</b>

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

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

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

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

<sup>(2)</sup> Blocked reserve deposits kept in Central Bank of the Republic of Turkey and Central Bank of 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 1,5% and 8% for TRY deposits and other liabilities between 4% and 12% 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 1300 basis points as of 21 September 2018.

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

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

b) Information on balances with the Central Bank of the Republic of Turkey (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 14 August 2018 of the TRNC, reserve requirement ratio is between 4% and 7% for TRY liabilities and for foreign currency liabilities.

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

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

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

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

(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	14.907.419	-
<b>Total:</b>	<b>14.907.419</b>	<b>-</b>

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	10.002.094	-
<b>Total:</b>	<b>10.002.094</b>	<b>-</b>

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	5.456	-
<b>Total:</b>	<b>5.456</b>	<b>-</b>

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	18.213	-
<b>Total:</b>	<b>18.213</b>	<b>-</b>

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

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

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

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
Forward transactions	-	286.146
Swap transactions	-	1.208.276
Futures transactions	-	-
Options	5.262	917
Other	-	-
<b>Total</b>	<b>5.262</b>	<b>1.495.339</b>

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
Banks		
Domestic banks	2.017.680	1.803.428
Foreign banks	72.337	2.727.268
Branches and offices abroad	-	-
<b>Total</b>	<b>2.090.017</b>	<b>4.530.696</b>

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

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

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

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

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

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

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	523.341	465.379
<b>Total</b>	<b>523.341</b>	<b>465.379</b>

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

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	11.052.292	1.045.607
<b>Total</b>	<b>11.052.292</b>	<b>1.045.607</b>

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	41.667	-
<b>Total</b>	<b>41.667</b>	<b>-</b>

Financial assets available to sale subject to repurchase agreements

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	154.578	4.308.531
<b>Total</b>	<b>154.578</b>	<b>4.308.531</b>

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

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

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

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

	<b>Current Period</b>
Debt securities	3.535.275
<i>Quoted on a stock exchange</i>	3.057.241
<i>Not quoted</i>	478.034
Share certificates	153.630
<i>Quoted on a stock exchange</i>	112.536
<i>Not quoted</i>	41.094
Impairment provision(-)	30.485
<b>Total</b>	<b>3.658.420</b>

Information on financial assets available for sale:

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

(5) Information on loans:

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

	<b>Current period</b>	
	<b>Cash loans</b>	<b>Non-cash loans</b>
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	369.125	-
<b>Total</b>	<b>369.125</b>	<b>-</b>
	<b>Prior period</b>	
	<b>Cash loans</b>	<b>Non-cash loans</b>
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	275.131	-
<b>Total</b>	<b>275.131</b>	<b>-</b>

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

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

(5) Information on loans (continued):

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

Cash Loans	Loans and other receivables under close monitoring <sup>(3)</sup>			
	Standard Loans and Other Receivables	Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non-specialized loans	203.616.155	8.819.177	52.226	6.421.075
<i>Corporation loans</i>	136.366.868	6.078.720	16.378	6.152.639
<i>Export loans</i>	13.130.504	262.797	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	782.177	1.500.000	-	-
<i>Consumer loans<sup>(1)</sup></i>	44.320.090	615.565	35.848	19.828
<i>Credit cards<sup>(2)</sup></i>	5.236.012	129.410	-	55.760
<i>Other</i>	3.780.504	232.685	-	192.848
Specialized lending	43.234.340	860.277	-	204
Other receivables	-	-	-	-
Accruals	4.040.537	654.501	576	155.128
<b>Total</b>	<b>250.891.032</b>	<b>10.333.955</b>	<b>52.802</b>	<b>6.576.407</b>

<sup>(1)</sup> Includes TRY 292.055 personnel loans.

<sup>(2)</sup> Includes TRY 77.070 personnel credit cards.

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

	Standard Loans	Loans under Close Monitoring
Provision for 12 Month Expected Credit Losses	1.195.491	-
Significant Increase in Credit Risk	-	1.215.292

The general explanations on increase in provisions as a result of the comparison of the expected credit loss provisions between 1 January 2018 which is the date of transition to TFRS 9 and 30 September 2018 are as follows.

The main effect of the ECL increase for Stage 1 loans calculated based on 12 months expected credit loss provision, is increase in the credit risk balance that generally depend on the increase in currency rates and it has seen that the ECL ratio for stage 1 loans at transition phase and at 30 September 2018 have not changed significantly.

The increase in the ECL for Stage 2 loans was realized due to increase in foreign exchange rates and interest rates in parallel with increase in the number of repayment days of loans, furthermore increase in close monitoring figures due to the concept of TFRS 9 - significant increase in credit risk.

Besides, the credit risks of foreign currency loans which accounted under stage 2 loans had an important factor in this increase.

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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):

<b>Number of modifications made to extend payment plan</b>	<b>Standard Loans and Other Receivables<sup>(1)</sup></b>	<b>Loans and Other Receivables Under Close Monitoring<sup>(2)</sup></b>
Extended by 1 or 2 times	1.450.951	6.384.216
Extended by 3,4 or 5 times	26.060	24.438
Extended by more than 5 times	870	64.851

<sup>(1)</sup>Accruals amounting to TRY 29.863 are not included in the table above.

<sup>(2)</sup>Accruals amounting to TRY 155.704 are not included in the table above.

<b>Extended period of time</b>	<b>Standard Loans and Other Receivables<sup>(1)</sup></b>	<b>Loans and Other Receivables Under Close Monitoring<sup>(2)</sup></b>
0-6 Months	139.286	606.399
6 Months - 12 Months	38.694	350.992
1-2 Years	175.335	596.526
2-5 Years	527.827	1.890.647
5 Years and over	596.739	3.028.941

<sup>(1)</sup>Accruals amounting to TRY 29.863 are not included in the table above.

<sup>(2)</sup>Accruals amounting to TRY 155.704 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: (\*)

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Consumer loans-TRY	432.077	41.233.944	41.666.021
<i>Real estate loans</i>	10.169	25.256.336	25.266.505
<i>Automobile loans</i>	3.156	237.542	240.698
<i>Consumer loans</i>	418.752	15.740.066	16.158.818
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	2.890	328.081	330.971
<i>Real estate loans</i>	23	1.511	1.534
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	2.867	326.570	329.437
<i>Other</i>	-	-	-
Consumer loans- FC	5.647	1.549.053	1.554.700
<i>Real estate loans</i>	666	574.311	574.977
<i>Automobile loans</i>	94	8.797	8.891
<i>Consumer loans</i>	3.565	860.058	863.623
<i>Other</i>	1.322	105.887	107.209
Individual credit cards-TRY	3.422.586	1.496	3.424.082
<i>Installment</i>	1.314.806	1.496	1.316.302
<i>Non-installment</i>	2.107.780	-	2.107.780
Individual credit cards-FC	328	91.772	92.100
<i>Installment</i>	134	91.772	91.906
<i>Non-installment</i>	194	-	194
Personnel loans-TRY	15.278	231.260	246.538
<i>Real estate loans</i>	-	428	428
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	15.278	230.832	246.110
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	52	5.122	5.174
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	52	5.122	5.174
<i>Other</i>	-	-	-
Personnel loans-FC	239	40.104	40.343
<i>Real estate loans</i>	39	35.539	35.578
<i>Automobile loans</i>	-	180	180
<i>Consumer loans</i>	200	4.198	4.398
<i>Other</i>	-	187	187
Personnel credit cards-TRY	75.060	-	75.060
<i>Installment</i>	25.662	-	25.662
<i>Non-installment</i>	49.398	-	49.398
Personnel credit cards-FC	76	1.934	2.010
<i>Installment</i>	1	1.934	1.935
<i>Non-installment</i>	75	-	75
Overdraft accounts-TRY (Retail customers)	1.072.866	-	1.072.866
Overdraft accounts-FC (Retail customers)	74.581	137	74.718
<b>Total</b>	<b>5.101.680</b>	<b>43.482.903</b>	<b>48.584.583</b>

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

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

(5) Information on loans (continued):

c) Information on consumer loans, individual credit cards, personnel loans and credit cards (continued): (\*)

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

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

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

(5) Information on loans (continued):

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

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Commercial installment loans-TRY	1.011.662	28.117.297	29.128.959
<i>Business premises loans</i>	-	659.989	659.989
<i>Automobile loans</i>	16.461	440.249	456.710
<i>Consumer loans</i>	995.201	27.017.059	28.012.260
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	63.708	130.084	193.792
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	63.708	130.084	193.792
Commercial installment loans - FC	964.549	20.677.633	21.642.182
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	224.898	18.322.695	18.547.593
<i>Other</i>	739.651	2.354.938	3.094.589
Corporate credit cards-TRY	1.824.344	-	1.824.344
<i>Installment</i>	697.182	-	697.182
<i>Non-installment</i>	1.127.162	-	1.127.162
Corporate credit cards-FC	101	3.485	3.586
<i>Installment</i>	-	3.485	3.485
<i>Non-installment</i>	101	-	101
Overdraft accounts-TRY (Commercial customers)	2.201.129	-	2.201.129
Overdraft accounts-FC (Commercial customers)	24.443	-	24.443
<b>Total</b>	<b>6.089.936</b>	<b>48.928.499</b>	<b>55.018.435</b>

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

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

(5) Information on loans (continued):

d) Information on commercial installments loans and corporate credit cards (continued): <sup>(1)</sup>

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

<sup>(1)</sup> Interest income accruals are not included in the table above.

e) Domestic and foreign loans:

	<b>Current Period</b>
Domestic loans	260.080.151
Foreign loans	7.774.045
<b>Total</b>	<b>267.854.196</b>

	<b>Prior Period</b>
Domestic loans	199.539.151
Foreign loans	4.603.119
<b>Total</b>	<b>204.142.270</b>

f) Loans granted to subsidiaries and associates:

None.

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

(5) Information on loans (continued):

g) Credit-impaired losses (Stage III):

	<b>Current Period</b>
Loans and receivables with limited collectability	419.866
Loans and receivables with doubtful collectability	457.463
Uncollectible loans and receivables	5.113.572
<b>Total</b>	<b>5.990.901</b>

Special provision for loans:

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

The reasons of increase in the expected loss provision for the Parent Bank's Stage 3 loans are additions to non-performing loan portfolio and increasing loss given default ratio after initial transferring date to non-performing loan portfolio.

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>			
Gross amounts before provisions	32.469	138.339	1.247.144
Rescheduled loans	32.469	138.339	1.247.144
<b>Prior period</b>			
Gross amounts before specific provisions	77.659	59.104	1.309.399
Rescheduled loans and other receivables	77.659	59.104	1.309.399

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

(5) Information on loans (continued):

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

**Current Period:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
Prior period end balance	679.089	768.024	5.176.799
Additions (+)	1.866.934	138.833	170.673
Transfers from other categories of loans under follow-up (+)	-	1.257.149	1.170.685
Transfers to other categories of loans under follow-up (-)	1.308.077	1.119.757	-
Collections (-)	351.614	166.704	574.117
Sold (-)	-	-	-
Write-offs (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
<b>Current period end balance</b>	<b>886.332</b>	<b>877.545</b>	<b>5.944.040</b>
Provision (-)	419.866	457.463	5.113.572
<b>Net balance on balance sheet</b>	<b>466.466</b>	<b>420.082</b>	<b>830.468</b>

**Prior Period:**

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

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

(5) Information on loans (continued):

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period</b>			
Balance at the end of the period	130.555	258.023	2.257.092
Provisions(-)	64.493	127.998	2.012.918
<b>Net balance in the balance sheet</b>	<b>66.062</b>	<b>130.025</b>	<b>244.174</b>
<b>Prior period</b>			
Balance at the end of the period	162.249	195.411	1.913.175
Specific provisions(-)	96.465	150.886	1.230.028
<b>Net balance in the balance sheet</b>	<b>65.784</b>	<b>44.525</b>	<b>683.147</b>

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>	<b>466.466</b>	<b>420.082</b>	<b>830.468</b>
Loans to granted real persons and legal entities (Gross)	885.639	876.054	5.871.935
Provisions (-)	419.173	455.972	5.041.467
<b>Loans to granted real persons and legal entities (Net)</b>	<b>466.466</b>	<b>420.082</b>	<b>830.468</b>
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	693	1.491	72.105
Provisions (-)	693	1.491	72.105
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

(5) Information on loans (continued):

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

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period (Net)</b>	<b>44.459</b>	<b>38.953</b>	<b>398</b>
Interest Accruals and Valuation Differences	87.646	85.175	2.639
Provision (-)	43.187	46.222	2.241

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

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 CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

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

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

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

	Current Period	
	TRY	FC
Government bonds and similar securities	53.661	-
Treasury Bills	37.705.516	4.603.423
<b>Total</b>	<b>37.759.177</b>	<b>4.603.423</b>

Held-to-maturity blocked/given as collateral:

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

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

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar	1.031.922	7.639.233
<b>Total</b>	<b>1.031.922</b>	<b>7.639.233</b>

Held-to-maturity subject to repurchase agreements:

	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar	34.794	1.169.918
<b>Total</b>	<b>34.794</b>	<b>1.169.918</b>

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

	Current Period
Government bonds	43.039.473
Treasury bills	340.328
Other public sector debt securities	12.451.215
<b>Total</b>	<b>55.831.016</b>

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

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

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

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

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

c) Information on financial assets measured at amortised cost:

	<b>Current Period</b>
Debt securities	55.831.016
<i>Quoted on a stock exchange</i>	55.606.138
<i>Not quoted</i>	224.878
Impairment provision (-)	-
<b>Total</b>	<b>55.831.016</b>

Information on held-to-maturity:

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

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

	<b>Current Period</b>
Beginning balance	21.987.099
Foreign currency differences on monetary assets	3.493.377
Purchases during the year <sup>(1)(2)</sup>	35.761.988
Disposals through sales and redemptions	(5.411.448)
Impairment provision (-) / provision reversal (+)	-
<b>Balance at the end of the period</b>	<b>55.831.016</b>

<sup>(1)</sup> Interest income accrual differences between 30 September 2018 amounting to TRY 5.453.770 and 31 December 2017 amounting to TRY 2.902.480 has been included in purchases row.

<sup>(2)</sup> The Parent 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.

Movement of held-to-maturity within the year:

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

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

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

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

(7) Information on associates (Net):

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

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

b) Information on unconsolidated associates:

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

Information related to the associates as sorted above:

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1.	291.183	176.342	151.912	1.487	-	30.092	31.738	-
2.	103.597	66.974	47.322	3.996	-	17.880	6.983	-

<sup>(1)</sup> The financial data is obtained from 30 September 2018 unreviewed financial statements.

<sup>(2)</sup> The financial data is obtained from 30 September 2018 reviewed financial statements.

c) Information on consolidated associates:

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

Information related to the associates as sorted above: <sup>(1)</sup>

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value <sup>(2)</sup>
1.	11.392.425	1.642.935	10.836	273.638	2.897	67.806	52.706	479.888
2.	52.831	52.134	80	3.089	-	3.734	237	-
3.	52.398	13.735	480	795	-	5.249	819	-

<sup>(1)</sup> The financial data is obtained from 30 September 2018 financial statements used in consolidation.

<sup>(2)</sup> Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 30 September 2018.

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

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

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

Movement of associates:

	<b>Current Period</b>
Balance at the beginning of the period	353.138
Movements during the period	167.740
<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>	164.333
<i>Impairment Provisions (-) / Reversals</i>	-
<b>Balance at the end of the period</b>	<b>520.878</b>
Capital commitments	-
Share percentage at the end of the period (%)	-

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

d) Sectorial information and related carrying amounts of associates:

	<b>Current Period</b>
Banks	492.881
Insurance companies	2.238
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	16.407
Other non- financial investments	9.352

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

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

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

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

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

e) Associates quoted to a stock exchange:

None.

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

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

- (8) Information on subsidiaries (Net):  
a) Information on consolidated subsidiaries <sup>(1)</sup>:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Bank A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
<b>CORE CAPITAL</b>										
Paid in Capital	104.000	280.000	412.000	858.000	323.000	26.000	301.922	96.000	213.395	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-	-
Share premium	-	101	-	49.945	-	-	11.633	-	99.004	-
Reserves	15.958	23.048	91.617	72.118	13.915	2.152	328.062	10.095	278.348	-
Other Comprehensive Income according to TAS	5.290	-	-	2.562	-	-	7.186	10	13.022	-
<b>Profit / Loss</b>	<b>35.958</b>	<b>(66.907)</b>	<b>243.266</b>	<b>71.396</b>	<b>55.473</b>	<b>7.393</b>	<b>56.007</b>	<b>20.342</b>	<b>15.191</b>	<b>353</b>
<i>Net Profit</i>	<i>35.958</i>	<i>70.526</i>	<i>221.263</i>	<i>71.396</i>	<i>42.507</i>	<i>6.964</i>	<i>36.609</i>	<i>29.795</i>	<i>12.911</i>	<i>344</i>
<i>Prior Period Profit/Loss</i>	<i>-</i>	<i>(137.433)</i>	<i>22.003</i>	<i>-</i>	<i>12.966</i>	<i>429</i>	<i>19.398</i>	<i>(9.453)</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 (-)	1.220	3.141	1.355	254	1.285	16	5.709	648	11.071	-
<b>Total Core Capital</b>	<b>160.736</b>	<b>233.101</b>	<b>745.291</b>	<b>1.053.767</b>	<b>391.103</b>	<b>35.529</b>	<b>691.414</b>	<b>125.613</b>	<b>604.237</b>	<b>453</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.113</b>	<b>-</b>	<b>7.428</b>	<b>-</b>
<b>CAPITAL</b>	<b>160.736</b>	<b>233.101</b>	<b>745.291</b>	<b>1.053.767</b>	<b>391.103</b>	<b>35.529</b>	<b>709.527</b>	<b>125.613</b>	<b>611.665</b>	<b>453</b>
<b>NET AVAILABLE CAPITAL</b>	<b>160.736</b>	<b>233.101</b>	<b>745.291</b>	<b>1.053.767</b>	<b>391.103</b>	<b>35.529</b>	<b>709.527</b>	<b>125.613</b>	<b>611.665</b>	<b>453</b>

<sup>(1)</sup> The financial data is obtained from 30 September 2018 financial statements used in consolidation.

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 CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

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

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

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

c) Information on unconsolidated subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)								
				Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value <sup>(2)</sup>
1. Bileşim Alternatif Dağ. Kan. AŞ <sup>(1)</sup>	Istanbul	100,00	100,00	58.024	39.485	8.234	3.180	461	7.022	6.679	52.178

<sup>(1)</sup> The financial information of Bileşim Alternatif Dağ. Kan. AŞ is presented from its financial statements as of 30 September 2018.

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

d) Information on consolidated subsidiaries (Net):

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,96	99,96
2. Halk Sigorta AŞ	İstanbul	89,18	95,32
3. Halk Hayat ve Emeklilik AŞ	İstanbul	100,00	100,00
4. Halk Gayrimenkul Yatırım Ortaklığı AŞ	İstanbul	79,33	79,36
5. Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
6. Halk Portföy Yönetimi AŞ	İstanbul	75,00	99,99
7. Halk Banka AD, Skopje	Macedonia	99,17	99,17
8. Halk Faktoring AŞ	İstanbul	97,50	100,00
9. Halkbank A.D. Beograd	Serbia	99,99	99,99
10. Halk Varlık Kiralama AŞ	İstanbul	100,00	100,00

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

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

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

Information related to the subsidiaries as sorted above <sup>(1)</sup>:

	<b>Total assets</b>	<b>Shareholders' equity</b>	<b>Total fixed assets</b>	<b>Interest income</b>	<b>Income from marketable securities portfolio</b>	<b>Current period profit / loss</b>	<b>Prior period profit / loss</b>	<b>Fair value<sup>(2)</sup></b>
<b>1.</b>	969.241	161.956	3.373	86.756	2.431	35.958	18.716	193.371
<b>2.</b>	2.189.764	234.739	4.818	156.275	23.854	70.526	21.254	480.165
<b>3.</b>	1.312.198	729.259	3.412	143.024	23.551	221.263	168.275	1.212.842
<b>4.</b>	1.374.911	1.029.832	636.792	5.080	-	71.396	33.665	395.244
<b>5.</b>	3.756.490	392.293	1.853	215.916	-	42.507	61.246	474.507
<b>6.</b>	37.366	35.510	460	4.009	134	6.964	6.368	39.828
<b>7.</b>	4.949.832	704.706	91.856	117.923	10.508	36.609	24.663	668.292
<b>8.</b>	1.570.666	126.447	1.165	226.254	-	29.795	23.005	123.683
<b>9.</b>	2.958.109	618.960	57.663	65.127	8.331	12.911	8.777	585.314
<b>10.</b>	547.683	453	-	-	-	344	-	100

<sup>(1)</sup> The financial data is obtained from 30 September 2018 financial statements used in consolidation.

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

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



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

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

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

Movement of the subsidiaries:

	<b>Current Period</b>
Balance at the beginning of the period (before elimination)	3.626.708
Movements during the period	598.816
<i>Purchases<sup>(1)(2)(3)</sup></i>	310.031
<i>Bonus shares obtained profit from current year's share</i>	266.211
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfer</i>	-
<i>Revaluation increase</i>	(191.610)
<i>Reversals / Provisions(-) for impairment</i>	(198.672)
<i>Currency Differences on Valuation of Foreign Subsidiaries</i>	412.856
Share capital elimination of subsidiaries	(4.173.346)
<b>Balance at the end of the period</b>	<b>52.178</b>
Capital commitments	-
Share percentage at the end of the period (%)	-

<sup>(1)</sup> Between 1 January - 30 September 2018, The Parent Bank paid TRY 202.659 for 0,10% shares of Halkbank A.D. Beograd, which is located in Serbia and increased its shares to 99,99%.

<sup>(2)</sup> Between 1 January – 30 September 2018, The Parent 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%.

<sup>(3)</sup> Between 1 January – 30 September 2018, The Parent Bank paid TRY 53.508 for shares of Halk Sigorta A.Ş.

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

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

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

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

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

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

	<b>Current Period</b>
Banks	1.253.606
Insurance companies	1.693.007
Factoring companies	123.683
Leasing companies	474.507
Financing companies	-
Other financial subsidiaries	628.543
Other non-financial subsidiaries	52.178

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

f) Subsidiaries quoted in the stock exchange:

	<b>Current Period</b>	<b>Prior Period</b>
Quoted to domestic stock <sup>(1), (2)</sup>	875.409	993.228
Quoted foreign stock exchange	-	-

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

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

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

None.

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

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

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

a) Maturity structure of investments on financial lease:

	Current Period	
	Gross	Net
Less than 1 year	1.488.582	1.264.334
Between 1-4 years	1.990.656	1.630.165
More than 4 years	512.142	463.985
<b>Total</b>	<b>3.991.380</b>	<b>3.358.484</b>
	<b>Prior Period</b>	
	Gross	Net
Less than 1 year	958.715	798.268
Between 1-4 years	1.756.371	1.446.211
More than 4 years	452.146	426.774
<b>Total</b>	<b>3.167.232</b>	<b>2.671.253</b>

b) Information on gross investments of financial lease:

	Current Period
Gross financial lease investment	3.991.380
Unearned revenues from financial lease	(632.896)
<b>Total</b>	<b>3.358.484</b>
	Prior Period
Gross financial lease investment	3.167.232
Unearned revenues from financial lease	(495.979)
<b>Total</b>	<b>2.671.253</b>

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

	Current Period
Financial lease receivables with limited collectability	19.244
Financial lease receivables with doubtful collectability	10.408
Uncollectible financial lease receivables	295.234
Provisions	(234.154)
<b>Total</b>	<b>90.732</b>
	Prior Period
Financial lease receivables with limited collectability	6.158
Financial lease receivables with doubtful collectability	14.353
Uncollectible financial lease receivables	282.817
Specific provisions	(226.693)
<b>Total</b>	<b>76.635</b>

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

None.

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

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

(12) Information on investment property:

	<b>Current Period</b>
<b>Cost:</b>	
Opening Balance	<b>988.280</b>
Acquisitions	62.740
Transfer	-
Disposals (-)	1.644
Impairment Charge	-
<b>Ending Balance</b>	<b>1.049.376</b>
<b>Accumulated Depreciation</b>	
<b>Opening Balance</b>	
Amortization Charge (-)	77.902
Acquisitions	4.649
Disposals (-)	-
Impairment Provisions	80
Transfer	-
<b>Ending Balance</b>	<b>82.471</b>
<b>Net Book Value</b>	<b>966.905</b>
	<b>Prior Period</b>
<b>Cost:</b>	
Opening Balance	<b>934.058</b>
Acquisitions	55.273
Transfer	(407)
Disposals (-)	644
Impairment Charge	-
<b>Ending Balance</b>	<b>988.280</b>
<b>Accumulated Depreciation</b>	
<b>Opening Balance</b>	
Amortization Charge (-)	69.942
Acquisitions	8.392
Disposals (-)	25
Impairment Provisions	-
Transfer	(407)
<b>Ending Balance</b>	<b>77.902</b>
<b>Net Book Value</b>	<b>910.378</b>

(13) Information on tax assets

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

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

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

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

	<b>Current Period</b>
Cost	5.610
Accumulated Depreciation (-) <sup>(1)</sup>	-
<b>Net Book Value</b>	<b>5.610</b>
<b>Opening Balance</b>	<b>790</b>
Acquisitions (Transfers) (Net)	4.889
Disposals (-) (Net)	69
Revaluation Increase	-
Impairment Charge / Cancellation(-)	-
Amortization Charge (-)	-
<b>Net Book Value</b>	<b>5.610</b>

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

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

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

(15) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 5.390.489 and does not exceed 10% of the balance sheet total (31 December 2017: TRY 3.026.257).

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

**II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES**

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

a) For deposit / funds collected banks:

**Current period:**

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	7.696.103	-	2.657.885	47.054.202	1.526.996	722.134	489.898	100.453	60.247.671
Foreign currency deposits	14.488.307	-	6.919.294	49.776.908	4.876.356	3.762.437	7.749.306	13.812	87.586.420
<i>Residents in Turkey</i>	11.539.972	-	4.104.279	45.755.547	3.939.781	2.620.561	4.009.257	13.257	71.982.654
<i>Residents abroad</i>	2.948.335	-	2.815.015	4.021.361	936.575	1.141.876	3.740.049	555	15.603.766
Public sector deposits	2.893.632	-	2.019.473	3.983.431	665.966	3.581.209	17.273	-	13.160.984
Commercial inst. deposits	5.727.192	-	6.067.506	19.706.695	1.241.964	918.401	137.178	-	33.798.936
Other inst. deposits	765.473	-	1.026.207	7.145.360	1.063.966	2.005.477	239.477	-	12.245.960
Precious metals	2.953.213	-	836	303.270	28.273	19.013	27.850	-	3.332.455
Interbank deposits	11.497.179	-	3.772.362	12.693.048	2.181.026	51.993	311.703	-	30.507.311
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	106.318	-	1.073.357	6.272.761	19.991	4.258	-	-	7.476.685
<i>Foreign banks</i>	11.378.710	-	2.098.242	6.239.081	1.798.969	47.735	311.703	-	21.874.440
<i>Participation banks</i>	12.151	-	600.763	181.206	362.066	-	-	-	1.156.186
<b>Total</b>	<b>46.021.099</b>	<b>-</b>	<b>22.463.563</b>	<b>140.662.914</b>	<b>11.584.547</b>	<b>11.060.664</b>	<b>8.972.685</b>	<b>114.265</b>	<b>240.879.737</b>

**Prior period:**

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.767.610	-	758.785	39.992.067	1.734.753	459.667	537.645	104.662	50.355.189
Foreign currency deposits	9.021.857	-	3.937.904	37.510.134	3.612.492	3.755.042	4.983.103	10.866	62.831.398
<i>Residents in Turkey</i>	6.816.699	-	3.464.401	34.802.545	3.232.691	2.913.211	2.590.680	10.511	53.830.738
<i>Residents abroad</i>	2.205.158	-	473.503	2.707.589	379.801	841.831	2.392.423	355	9.000.660
Public sector deposits	2.100.039	-	2.541.047	4.614.515	426.883	4.138.990	53.204	-	13.874.678
Commercial inst. deposits	5.235.492	-	5.853.719	19.976.270	1.714.801	2.288.182	267.237	-	35.335.701
Other inst. deposits	571.038	-	1.134.603	6.514.654	675.153	820.826	20.045	-	9.736.319
Precious metals	1.821.711	-	246	82.140	4.392	4.069	10.080	-	1.922.638
Interbank deposits	3.813.689	-	3.863.659	11.192.988	74.936	24.560	244.866	-	19.214.698
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	41.021	-	1.531.378	6.900.085	6.559	9.579	-	-	8.488.622
<i>Foreign banks</i>	3.763.920	-	1.974.804	3.930.882	68.377	14.981	167.973	-	9.920.937
<i>Participation banks</i>	8.748	-	357.477	362.021	-	-	76.893	-	805.139
<b>Total</b>	<b>29.331.436</b>	<b>-</b>	<b>18.089.963</b>	<b>119.882.768</b>	<b>8.243.410</b>	<b>11.491.336</b>	<b>6.116.180</b>	<b>115.528</b>	<b>193.270.621</b>

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee	Exceeding the insurance limit
	insurance	
	Current Period	Current Period
Saving deposits	29.396.159	30.611.530
Foreign currency saving deposits	12.281.344	31.204.984
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	340.697	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

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

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

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

	Current Period
Foreign branches' saving deposits and other accounts	196.153
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	6.570
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):

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

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

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

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
Forward transactions	-	359.234
Swap transactions	-	731.268
Future transactions	-	-
Options	5.902	28.925
Other	-	-
<b>Total</b>	<b>5.902</b>	<b>1.119.427</b>

  

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

(3) Information on funds borrowed:

a) Information on funds borrowed:

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
Funds borrowed from CBRT	-	-
Domestic banks and institutions	1.347.272	2.952.012
Foreign banks, institutions and funds	377.510	18.204.665
<b>Total</b>	<b>1.724.782</b>	<b>21.156.677</b>

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



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

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

(3) Information on funds borrowed (continued):

b) Maturity structure of funds borrowed:

	Current Period	
	TRY	FC
Short-term	1.553.880	4.389.404
Medium and long-term	170.902	16.767.273
<b>Total</b>	<b>1.724.782</b>	<b>21.156.677</b>

  

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

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

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

Main liability of the Group is deposits, which is composed of 25,01% of saving deposits and 36,36% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Group can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Group's 55,98% of bank deposits and 43,22% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (Net):

	Current period	
	TRY	FC
Treasury Bills	2.559.425	-
Asset Back Securities	543.009	-
Bonds	-	13.606.320
<b>Total</b>	<b>3.102.434</b>	<b>13.606.320</b>

  

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

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

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

(5) Explanations to the funds:

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

a) Maturity structure of funds:

<b>Current Period</b>	
<b>Short Term</b>	<b>Long Term</b>
1.061	2.786.114

  

<b>Prior Period</b>	
<b>Short Term</b>	<b>Long Term</b>
1.213	2.723.421

(6) Information on other liabilities:

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

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

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

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

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

b) Explanation on finance lease payables:

None.

c) Explanations regarding operational leases:

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

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

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

(8) Information on derivative financial liabilities for hedging purposes:  
None.

(9) Explanations on provisions:

a) Information on general provisions:

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

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

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

None. (31 December 2017: TRY 1.923).

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

As of 30 September 2018, the Group's specific provision for unindemnified non-cash loans balance is TRY 180.369 (31 December 2017: TRY 123.060).

d) Information on other provisions:

Total other provision balance amounting to TRY 752.938 (31 December 2017: TRY 351.688) consists of TRY 180.369 (31 December 2017: TRY 123.060) for specific provisions for unindemnified non cash loans, TRY 204.879 for expected loss amount for non cash loans, TRY 102.268 (31 December 2017: TRY 110.968) for legal cases filed against the Group , TRY 167.000 (31 December 2017: TRY 17.000) general provision for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions and TRY 98.422 (31 December 2017: TRY 100.660) of other provisions.

e) Liabilities for employee benefits:

As of 30 September 2018, unused vacation accruals are TRY 102.608, personnel dividend provision is TRY 146.916, severance indemnity provision for Group personnel is TRY 534.669 and severance indemnity provision for outsourcing firms is TRY 21.319. (31 December 2017: TRY 161.876 for unused vacation accruals; TRY 471.506 for severance indemnity provision for Group personnel; TRY 17.553 for severance indemnity provision for outsources; TRY 209.505 for personnel dividend provision).

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

f) Liabilities arising from retirement benefits:

f.1. Liabilities of pension funds founded as per the Social Security Institution:  
None.

f.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 CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

(10) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 September 2018, the Group's corporate tax payable is amounting to TRY 55.044 and accounted for under corporate tax provision at the related date. (31 December 2017: TRY 175.402)

a.2. Information on taxes payable:

	<b>Current Period</b>
Corporate tax payable	55.044
Income on securities tax	632.030
Property income tax	1.837
Banking and insurance transactions tax (BITT)	151.045
Foreign exchange transactions tax	18
Value added tax payable	5.937
Other	58.743
<b>Total</b>	<b>904.654</b>

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

a.3. Information on premiums:

	<b>Current Period</b>
Social insurance premiums-employee	1.311
Social insurance premiums-employer	2.645
Bank social aid pension fund premium-employee	13.173
Bank social aid pension fund premium-employer	18.301
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	93
Unemployment insurance-employer	257
Other	3.247
<b>Total</b>	<b>39.027</b>

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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):

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

b) Deferred tax liability:

	<b>Current Period</b>
<b>Deferred Tax (Asset) /Liability</b>	
Provisions <sup>(1)</sup>	848.758
Revaluation of Financial Assets	(1.905.981)
Other	499.716
<b>Deferred Tax (Asset) /Liability<sup>(2)</sup>:</b>	<b>(557.507)</b>
<b>Deferred tax accounted in shareholders' equity</b>	<b>(32.380)</b>
Fair value differences for financial assets at through other comprehensive income	105.969
Actuarial gains and losses	2.633
Property Revaluation	(140.982)

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

(2) Net deferred tax liability represents TRY 557.507 deferred tax liability consists of deferred tax assets which amounting to TRY 101.048 and deferred tax liabilities amounting to TRY 658.555.

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

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

b) Deferred tax liability (continued):

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

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

(2) Net deferred tax liability represents TRY 486.989 deferred tax liability consists of deferred tax assets which amounting to TRY 87.181 and deferred tax liabilities amounting to TRY 574.170.

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

None.

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

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
<b>Information on Subordinated Loans</b>		
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	6.025.375	-
Subordinated loans	-	-
Subordinated debt instruments	6.025.375	-
<b>Total</b>	<b>6.025.375</b>	<b>-</b>

\* Detailed information is given in Section 4, footnote I.

	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
<b>Subordinated debts</b>		
Domestic Banks	-	-
Domestic Other Institutions	1.004.385	-
Foreign Banks	-	-
Foreign Other Institutions	-	-
<b>Total</b>	<b>1.004.385</b>	<b>-</b>

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

(13) Information on shareholders' equity

a) Presentation of paid-in capital:

	<b>Current Period</b>	<b>Prior Period</b>
Common stock	1.250.000	1.250.000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

There is an application of registered capital system and registered capital ceiling amount is TRY 7.500.000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

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

None.

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

None.

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

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

g) Information on preferred shares:

None.

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

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

h) Information on marketable securities revaluation fund:

	Current Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	13.303	6.231
Valuation differences	13.303	6.231
Exchange rate difference	-	-
Financial assets at fair value through other comprehensive income	(54.645)	(184.511)
Valuation differences	(54.645)	(184.511)
Exchange rate difference	-	-
<b>Total</b>	<b>(41.342)</b>	<b>(178.280)</b>

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



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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

<b>Types of irrevocable commitments</b>	<b>Current Period</b>
Commitments for credit card expenditure limits	12.286.169
Payment commitments for cheques	2.890.985
Loan granting commitments	5.102.851
Two days forward foreign exchange buy/sell transactions	1.553.306
Commitments for credit cards and banking services promotions	35.545
Tax and fund liabilities from export commitments	52.840
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	4.220.924
<b>Total</b>	<b>26.142.620</b>

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

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

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

	<b>Current Period</b>
Letters of credit	4.349.832
Bank acceptances	6.857.838
Other guarantees	2.065.159
<b>Total</b>	<b>13.272.829</b>

	<b>Prior Period</b>
Letters of credit	4.148.121
Bank acceptances	3.693.507
Other guarantees	1.285.922
<b>Total</b>	<b>9.127.550</b>

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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:

	<b>Current Period</b>
Letters of certain guarantees	19.077.762
Letters of advance guarantees	7.667.312
Letters of tentative guarantees	868.072
Letters of guarantee given to customs offices	1.634.433
Other letters of guarantee	44.731.844
<b>Total</b>	<b>73.979.423</b>

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

b.3. Total non-cash loans:

	<b>Current Period</b>
Non-cash loans for providing cash loans	6.808.127
<i>Within one year or less original maturity</i>	1.572.272
<i>Within more than one year maturity</i>	5.235.855
Other non-cash loans	80.444.125
<b>Total</b>	<b>87.252.252</b>

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

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT**

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period	
	TRY	FC
<b>Interest on loans<sup>(1)</sup></b>		
Short term loans	5.397.954	252.791
Medium and long term loans	10.995.420	3.637.725
Interest on non-performing loans	120.366	2.637
Premiums from resource utilization support fund	-	-
<b>Total</b>	<b>16.513.740</b>	<b>3.893.153</b>

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

	Prior Period	
	TRY	FC
<b>Interest on loans<sup>(1)</sup></b>		
Short term loans	3.186.907	162.174
Medium and long term loans	7.808.591	2.285.527
Interest on non-performing loans	49.672	2.344
Premiums from resource utilization support fund	-	-
<b>Total</b>	<b>11.045.170</b>	<b>2.450.045</b>

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

b) Interest received from banks:

	Current Period	
	TRY	FC
CBRT	240.596	47.845
Domestic banks	81.399	22.695
Overseas banks	5.854	5.180
Head office and branches	-	-
<b>Total</b>	<b>327.849</b>	<b>75.720</b>

	Prior Period	
	TRY	FC
CBRT	63.094	56.821
Domestic banks	37.192	4.871
Overseas banks	6.856	11.759
Head office and branches	-	-
<b>Total</b>	<b>107.142</b>	<b>73.451</b>

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

(1) Information on interest income (continued):

c) Interest income on marketable securities:

	<b>Current Period</b>	
	<b>TRY</b>	<b>FC</b>
Financial assets at fair value through profit or loss	12.720	1.086
Financial assets at fair value through other comprehensive income	106.639	71.091
Financial assets measured at amortised cost	3.529.205	413.710
<b>Total</b>	<b>3.648.564</b>	<b>485.887</b>

	<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>
Financial assets held for trading	2.191	-
Financial Assets at fair value through profit or loss	-	-
Available-for-sale financial assets	929.012	210.098
Held-to-maturity investments	1.447.313	103.791
<b>Total</b>	<b>2.378.516</b>	<b>313.889</b>

d) Interest income from subsidiaries and associates:

None.

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**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	193.155	413.959
<i>CBRT</i>	-	-
<i>Domestic banks</i>	146.823	52.706
<i>Overseas banks</i>	46.332	361.253
<i>Overseas head office and branches</i>	-	-
Other institutions	8	15.591
<b>Total</b>	<b>193.163</b>	<b>429.550</b>

	Prior Period	
	TRY	FC
Banks	93.487	277.759
<i>CBRT</i>	-	-
<i>Domestic banks</i>	67.639	25.642
<i>Overseas banks</i>	25.848	252.117
<i>Overseas head office and branches</i>	-	-
Other institutions	9	10.468
<b>Total</b>	<b>93.496</b>	<b>288.227</b>

b) Interest expenses to subsidiaries and associates:

	Current period
Interest expenses to subsidiaries and associates	10.481

	Prior period
Interest expenses to subsidiaries and associates	2.908

c) Information on interest expenses to marketable securities issued:

	Current period	
	TRY	FC
Interest on securities issued	598.175	429.299
<b>Total</b>	<b>598.175</b>	<b>429.299</b>

	Prior period	
	TRY	FC
Interest on securities issued	237.652	359.100
<b>Total</b>	<b>237.652</b>	<b>359.100</b>

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

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

Current Period	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
<b>TRY</b>									
Bank deposits	648	309.323	334.513	39.719	257	-	-	684.460	
Saving deposits	4	168.973	4.779.625	162.167	42.359	32.893	7.172	5.193.193	
Public deposits	127	173.964	377.394	67.840	410.850	3.020	-	1.033.195	
Commercial deposits	14	669.066	2.349.293	188.397	128.775	23.342	-	3.358.887	
Other deposits	-	84.896	922.031	137.010	141.362	2.164	-	1.287.463	
7 days call accounts	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>793</b>	<b>1.406.222</b>	<b>8.762.856</b>	<b>595.133</b>	<b>723.603</b>	<b>61.419</b>	<b>7.172</b>	<b>11.557.198</b>	
<b>Foreign currency</b>									
Deposits	501	81.631	1.191.843	69.078	85.583	108.601	283	1.537.520	
Bank deposits	32	226.817	292	200	30	491	157	228.019	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	26	1.681	172	217	398	-	2.494	
<b>Total</b>	<b>533</b>	<b>308.474</b>	<b>1.193.816</b>	<b>69.450</b>	<b>85.830</b>	<b>109.490</b>	<b>440</b>	<b>1.768.033</b>	
<b>Grand total</b>	<b>1.326</b>	<b>1.714.696</b>	<b>9.956.672</b>	<b>664.583</b>	<b>809.433</b>	<b>170.909</b>	<b>7.612</b>	<b>13.325.231</b>	

Prior Period	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
<b>TRY</b>									
Bank deposits	248	275.840	229.075	684	512	-	-	506.359	
Saving deposits	5	43.761	2.787.246	105.419	31.446	33.708	6.553	3.008.138	
Public deposits	71	129.664	206.887	55.439	277.171	2.981	-	672.213	
Commercial deposits	25	272.188	1.245.883	229.819	153.170	10.234	-	1.911.319	
Other deposits	-	42.006	185.157	56.335	25.500	6.345	-	315.343	
7 days call accounts	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>349</b>	<b>763.459</b>	<b>4.654.248</b>	<b>447.696</b>	<b>487.799</b>	<b>53.268</b>	<b>6.553</b>	<b>6.413.372</b>	
<b>Foreign currency</b>									
Deposits	356	50.855	817.034	169.962	36.005	55.728	270	1.130.210	
Bank deposits	4	128.128	142	304	28	138	9	128.753	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>360</b>	<b>178.983</b>	<b>817.176</b>	<b>170.266</b>	<b>36.033</b>	<b>55.866</b>	<b>279</b>	<b>1.258.963</b>	
<b>Grand total</b>	<b>709</b>	<b>942.442</b>	<b>5.471.424</b>	<b>617.962</b>	<b>523.832</b>	<b>109.134</b>	<b>6.832</b>	<b>7.672.335</b>	

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

(3) Explanations on trading profit / loss (net):

	<b>Current Period</b>
<b>Profit</b>	<b>44.630.226</b>
Profit from the capital market operations	37.524
Profit on derivative financial instruments	5.747.982
Foreign exchange gains	38.844.720
<b>Loss (-)</b>	<b>44.594.048</b>
Loss from the capital market operations	16.312
Loss on derivative financial instruments	3.401.430
Foreign exchange losses	41.176.306
	<b>Prior Period</b>
<b>Profit</b>	<b>38.752.008</b>
Profit from the capital market operations	33.824
Profit on derivative financial instruments	1.161.930
Foreign exchange gains	37.556.254
<b>Loss (-)</b>	<b>38.638.724</b>
Loss from the capital market operations	3.465
Loss on derivative financial instruments	1.506.893
Foreign exchange losses	37.128.366

(4) Information on other operating income:

	<b>Current period</b>
Adjustments for prior period expenses	367.133
Insurance technical income	1.109.821
Income from the asset sale on credit terms	59.577
Rent income	42.328
Other income	265.066
<b>Total</b>	<b>1.843.925</b>
	<b>Prior Period</b>
Adjustments for prior period expenses	303.274
Insurance technical income	1.049.387
Income from the asset sale on credit terms	74.811
Rent income	36.166
Other income	59.028
<b>Total</b>	<b>1.522.666</b>

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

(5) Impairment losses on loans and other receivables:

Expected credit loss provisions:

	<b>Current Period</b>
Expected Credit Loss	1.844.606
<i>12 Month Expected Credit Loss (Stage 1)</i>	246.017
<i>Significant Increase in Credit Risk (Stage 2)</i>	457.581
<i>Non – Performing Loans (Stage 3)</i>	1.141.008
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>	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
Other	165.913
<b>Total</b>	<b>2.010.519</b>

	<b>Prior Period</b>
Specific provisions on loans and receivables	792.741
<i>Group - III loans and receivables</i>	337.955
<i>Group - IV loans and receivables</i>	376.164
<i>Group - V loans and receivables</i>	78.622
General loan provision expenses	198.119
Provision expenses for possible losses	-
Marketable securities impairment losses	-
<i>Financial assets at fair value through profit and loss</i>	-
<i>Financial assets available for sale</i>	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Jointly controlled entities (joint ventures)</i>	-
<i>Investments held-to-maturity</i>	-
Other	76.842
<b>Total</b>	<b>1.067.702</b>



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

(6) Information on other operating expenses:

	<b>Current Period</b>
Personnel expenses	1.870.938
Reserve for employee termination benefits	64.301
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	-
Depreciation expenses of fixed assets	107.530
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	44.266
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	5.935
Impairment expense for property and equipment held for sale	-
Other operating expenses	1.592.387
<i>Operational leasing expenses</i>	209.739
<i>Maintenance expenses</i>	34.845
<i>Advertisement expenses</i>	141.094
<i>Other expenses</i>	1.206.709
Loss on sales of assets	1.592
Other	1.480.831
<b>Total</b>	<b>5.167.780</b>

	<b>Prior Period</b>
Personnel expenses	1.546.405
Reserve for employee termination benefits	92.370
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	-
Depreciation expenses of fixed assets	83.724
Intangible assets impairment expense	-
<i>Goodwill impairment expense</i>	-
Amortization expenses of intangible assets	34.134
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	11.261
Impairment expense for property and equipment held for sale	-
Other operating expenses	1.277.635
<i>Operational leasing expenses</i>	177.613
<i>Maintenance expenses</i>	34.648
<i>Advertisement expenses</i>	143.382
<i>Other expenses</i>	921.992
Loss on sales of assets	302
Other	1.210.825
<b>Total</b>	<b>4.257.393</b>

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

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

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

The Group's income before tax is due from continuing activities. The amount of profit before tax consists TRY 6.726.398 of net interest income and TRY 1.352.619 of net fees and commissions. The profit from continuing operations before tax of the Group is amounting to TRY 2.815.997.

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

For the period ended 30 September 2018, the Group's tax provision amounting to TRY 569.145 consists of TRY 158.459 of current tax charge and TRY 1.396.677 of deferred tax charge and TRY 985.991 of deferred tax benefit.

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

As of 30 September 2018, the Group's net operating income after tax is amounting to TRY 2.246.852.

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

a) Income and expenses from ordinary banking operations:

None.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss:

There is no issue to be disclosed.

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

**V. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK**

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

a) **Current period:**

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

**Prior period:**

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

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Current Period	Current Period	Current Period	Current Period	Current Period
Deposits						
Beginning balance	21.542	-	-	-	-	-
Closing Balance	31.584	-	-	-	-	-
Interest expense on deposits	3.151	-	-	-	-	-

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	8.771	-	-	-	-	-
Closing Balance	21.542	-	-	-	-	-
Interest expense on deposits	795	-	-	-	-	-

- c) Forward and option contracts and similar transactions with the Parent Bank's risk group:  
None.

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

**V. 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 Parent Bank and its related parties, regardless of whether there are any transactions or not:

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

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

	<b>Amount</b>	<b>% compared to the amounts in the financial statements</b>
Cash loans	-	-
Non-cash loans	-	-
Deposits	31.584	0,01%
Forward and option contracts	-	-
Banks and other financial institutions	-	-

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

- (3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 21.774 as of 30 September 2018 (30 September 2017: TRY 17.980).

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

**VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS**

Per decision of the Board of Directors and pursuant to a tender dated 27 September 2018, part of the Parent Bank's receivables which constitute TRY 76.685.144 (full TRY) of the Parent Bank's non-performing loans portfolio has been assigned and transferred to Birleşim Varlık Yönetim A.Ş. on 5 October 2018 with a sale price of TRY 4.500.000 (full TRY) which was collected in cash.

**VII. OTHER EXPLANATIONS**

One of the Parent 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 Parent Bank such as appeal and other legal rights following the first phase of the trial.

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

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

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

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

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**SECTION VI: LIMITED REVIEW REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDITORS' LIMITED REVIEW REPORT**

The Parent Bank's publicly available consolidated interim financial statements and footnotes have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' limited review report dated 8 November 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,

This year has posed an exacting test for international financial markets. The global economic and political landscape have recently stressed the need for redefining some conventional concepts associated with the free market. This period of economic fluctuations marks the beginning of a new era both for the Turkish economy and the global economy. Countries that heavily rely on foreign technology imports, and therefore transfer their already-limited value-added to foreign companies due to unequal exchange will evidently fall behind in global markets. However, the New Economy Program, which includes many contemporary practices, responds to this need.

The Fed's stance on interest rates and the European Central Bank's decision to reduce net asset purchases, although it did not introduce a radical change in its expansionary monetary policy, will directly influence the supply of funds for financial institutions. Stern messages and the increased use of mutual sanctions in trade wars further intensified the existing disputes.

Closely monitoring the recent developments in the global market, Turkey remains a dynamic country with a strong government, young population and entrepreneurial spirit. We have more than enough energy and experience to adapt quickly to the new era. Our real economy will surely fulfill its responsibility for Turkey to have a stronger economy that prioritizes domestic and national production, and exports high value-added products. Particularly small and medium-sized enterprises will grasp significant opportunities throughout this period, thanks to their flexible production capacities and their ability to swiftly adapt to innovations.

Exporting SMEs will play a leading role in the economy, while facilitating access to finance will become high on the agenda, due to increased production costs worldwide. Encouraging and supporting the companies that use their resources for efficient investments would be in step with our new understanding of the economy. Therefore, the banking industry, a major power that drives the Turkish economy, will play an active role in the distribution of these resources.

Esteemed Stakeholders,

Our country is taking decisive steps to adopt a sustainable economic approach, while the global economy undergoes a transition. In the meantime, Halkbank continues to support the real economy, as it has for the past 80 years. Founded with the mission of supporting craftsmen and artisans, our bank remains determined to be the strongest supporter of the industry, and be the bank of the people.

Our deep-rooted banking tradition and family culture are positively reflected in our financial results, which helps our bank to move forward. Halkbank will maintain its outstanding performance in the first 9 months of the year to add value to our country. I believe that we will build a stronger Turkey together by reaching our year-end goals successfully. We thank you, our valuable stakeholders, for being with us in this process.

Yours faithfully,

R. Süleyman Özdil  
Chairman

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

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**Assessment of General Manager**

Esteemed stakeholders,

We live in a period where information and technology dominate the industrial space, as the elements of international competition in global trade continually change. Protective measures and changes in monetary policies at the global level directly affect the financial markets. This often causes various fluctuations, especially in developing countries. Thanks to our stable political environment since 2002, Turkey has successfully managed this process in the most effective way.

Developing its strength step by step in the past 16 years, Turkey's economy is poised to create new success stories as it grows stronger with its New Economic Program built on stability, discipline and adaptability. A dynamic decision-making authority, Turkey's economic leadership has a stable and adaptable structure, providing strong strategic guidance to ensure normalization and stabilization. Following the stabilization of the exchange rates, markets have started to normalize due to the downward revision of financial indicators such as the risk and interest rates. During this period when Turkish Lira has started to appreciate, the banking sector bears a significant responsibility for reducing the cost of deposits and loans. The recommendations made by the Banks Association of Turkey to avoid any liquidity crunch in the domestic market regarding the loan maturities show our industry's commitment in this direction. Thanks to this new practice, companies that meet certain criteria will now be able to restructure their maturing installments of up to 24 months if their total outstanding cash loan is less than 15 million Turkish lira.

In introducing this new practice, the Turkish banking sector relies on its strong financial position and asset quality, which give confidence to the markets. Galvanized by its export-oriented growth strategy, our industry will continue to support the real economy throughout the new period. In the banking sector, we will continue to show our commitment to the real economy, helping push the nominal interest rates down in order to ensure the measures taken within the scope of the Total Inflation Program take root and the program reach its ultimate targets.

During the third quarter when we truly felt the impact of global developments, one of the most positive developments in the Turkish economy was the drop in the foreign trade deficit. We have seen significant increases in total exports not only in terms of quantity but also in value. Once again, attempts to increase exports, particularly e-exports, have greatly contributed to the economy. During this period, SMEs specialized in innovative products have continued to generate new employment opportunities.

In our 80th anniversary at Halkbank, we continue to be the strongest supporter of the real economy, especially for the artisans and SMEs. We continue to cultivate close ties with our customers through field visits and face-to-face banking. In the third quarter, we organized Shared Wisdom Meetings in the Organized Industrial Zones with our SMEs, and listened to their requests and needs, and exchanged ideas. We took notes to develop solutions to meet their needs.

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

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

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

Esteemed stakeholders,

The solutions we offer to the economy and the value we add to the society reflect positively in our financial results as well. In this period, our total loans, including cash and non-cash loans, reached 350.3 billion Turkish lira, up by 34,4 percent compared to year-end 2017. Likewise, our commercial loans, including SME loans, reached 217 billion Turkish lira, up by 34,9 percent, and our loans to artisans reached 31 billion Turkish lira. Our bank's asset size reached 387.3 billion Turkish lira at the end of the third quarter, up by 26,8 percent compared to year-end 2017, shareholders' equity increased by 11,5 percent, and net profits amounted to 2.205 million Turkish lira.

At Halkbank, we are proud to be the strongest supporter of economic growth for 80 years. With our commitment to contemporary banking principles, we will continue to add value to our country with the mission of becoming people's bank.

Sincerely,

Osman Arslan  
General Manager

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

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

**Major Consolidated Financial Information**

<b>Summary Balance Sheet (Million TRY)</b>	<b>September 2018</b>	<b>December 2017</b>	<b>Change (%)</b>
Total Assets	397.953	312.220	27,5
Loans	267.854	204.142	31,2
<i>TRY</i>	166.263	138.299	20,2
<i>FC</i>	101.591	65.843	54,3
Marketable Securities	74.644	49.807	49,9
Deposit	240.880	193.271	24,6
<i>TRY</i>	132.884	116.560	14,0
<i>FC</i>	107.996	76.711	40,8
Total Equity	28.889	25.529	13,2

<b>Summary Income Statement (Million TRY)</b>	<b>September 2018</b>	<b>September 2017</b>	<b>Change (%)</b>
Interest Income	25.552	16.767	52,4
<i>On Loan</i>	20.407	13.495	51,2
<i>On Securities</i>	4.134	2.692	53,6
Interest Expense	18.825	10.606	77,5
<i>On Deposit</i>	13.325	7.672	73,7
Net Interest Income	6.726	6.161	9,2
Net Fee and Commission	1.353	1.463	(7,5)
Profit Before Tax	2.816	3.956	(28,8)
Net Profit	2.247	3.146	(28,6)

<b>Ratio (%)</b>	<b>September 2018</b>	<b>December 2017</b>
Cash Loans/Total Asset	67,3	65,4
Non-Performing Loans/Total Cash Loans (Gross)	2,8	3,0
Demand Deposit/Total Deposit	19,1	15,2
Loan/Deposit Ratio	111,2	105,6
Average Return on Asset (ROA)	0,8	1,5
Average Return on Equity (ROE)	11,0	17,3
Capital Adequacy Ratio	14,29	13,59

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**2018 Third Quarter Interim Developments**

**Important Developments**

- Our Bank has issued bonds with a par value of 2.160.000.000 Turkish lira, and tier 2 capital bonds with nominal value of 4.929.795.000 Turkish lira to qualified investors throughout this period.

**New Products and Campaigns**

- Upon adoption of the Law on Zoning Peace, we presented "Zoning Peace Loans" to satisfy the needs of our customers.

**Corporate Social Responsibility Projects**

- We acted as the main sponsor of the 9th Istanbul Finance Summit on the theme of Trade Wars and Financing Industries.
- We sponsored the 31st Kırşehir Ahilik Festival organized by the Ministry of Customs and Trade, Directorate General of Craftsmen and Artisans. The festival aimed to promote the ancient artisan culture of ahi (brotherhood) and yaran (friendship) that represent good morality, integrity, and benevolence.
- Halkbank supported the Kırşehir Book Fair, which was organized within the scope of the 31st Kırşehir Ahilik Week.
- We also provided funds for the 7th International Clarinet Festival.
- Halkbank sponsored the 9th Turkey Investment Conference, which was organized at New York Gotham Hall.
- We sponsored Turkish Summer School organized by Yunus Emre Institute.
- We also sponsored the Media Oscars Award Ceremony, organized by the Radio-Television Journalists Association, hosting many artists and media representatives.

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