

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

Türkiye Halk Bankası Anonim Şirketi

**Unconsolidated Financial Statements
As of and For the Nine-month Period Ended 30 September 2018
With Limited Review Report Thereon**
*(Convenience Translation of Unconsolidated 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; “Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes” comprising 123 pages.

REPORT ON REVIEW OF UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

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

Scope of Review

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

Basis for Qualified Conclusion

1. The accompanying unconsolidated interim financial statements as at 30 September 2018, include a general reserve amounting to TRY 150.000 thousand, provided by the Bank management in the current period for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions. If such general provision was not provided, as at 30 September 2018, other provisions would decrease by TRY 150.000 thousand 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 accompanying unconsolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. as at 30 September 2018, and of the results of its operations and its 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 Bank’s management indicated that there are no enforcement or other actions against the Bank at this stage. No provision has been made in the accompanying financial statements related to this matter. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

Additional paragraph for English translation:

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

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

Hasan Kılıç
Partner

Istanbul, 8 November 2018

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED 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
E-mail Address: halkbank.ir@halkbank.com.tr

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

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

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

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

SECTION ONE

General Information About the Bank

	Page No
I. Establishment Date of the Bank, Initial Articles of Association, History of the Bank Including The Changes of These Articles	3
II. Capital Structure of the Bank, Shareholders That Retain Direct or Indirect Control and Management of the Bank, Solely or Together, Changes About These Issues During the Year and Disclosures About The Group	3
III. Explanations Regarding the Bank's Chairman and Members of Board of Directors, Audit Committee Members, Chief Executive Officer and Executive Vice Presidents and Their Shares Attributable to the Bank, if any	4
IV. Information About the Persons and Institutions that Have Qualified Shares Attributable to the Bank	5
V. Explanations on the Bank's Functions and Lines of Activity	6
VI. Differences Between the Communiqué 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	7
VII. The Existing or Potential, Actual or Legal Obstacles on the Transfer of Shareholder's Equity Between the Bank and Its Subsidiaries or the Reimbursement of Liabilities	8

SECTION TWO

Unconsolidated Financial Statements

I. Balance Sheet (Statement of Financial Position)	10
II. Statement of Off-Balance Sheet Items	14
III. Statement of Income	16
IV. Statement of Income and Expense Items Accounted under Shareholders' Equity	18
V. Statement of Changes in Shareholders' Equity	20
VI. Statement of Cash Flows	22

SECTION THREE

Explanations on Accounting Policies

I. Explanations on Basis of Presentation	24
II. Explanations on the Strategy of Use of Financial Instruments and Foreign Currency Transactions	26
III. Explanations on Forward and Option Contracts and Derivative Products	26
IV. Explanations on Interest Income and Expenses	27
V. Explanations on Fee and Commission Income and Expenses	27
VI. Explanations on Financial Assets	27
VII. Explanations on Impairment of Financial Assets	32
VIII. Explanations on Offsetting Financial Instruments	34
IX. Explanations on Sales and Repurchase Agreements (Repos) and Transactions on Securities Loaned	35
X. Explanations on Assets Held For Sale, Assets of Discontinued Operations and Related Liabilities	35
XI. Explanations on Goodwill and Other Intangible Assets	35
XII. Explanations on Property, Plant and Equipment	36
XIII. Explanations on Investment Properties	36
XIV. Explanations on Leasing Transactions	37
XV. Explanations on Provisions and Contingent Liabilities	37
XVI. Explanations on Employee Benefit Liabilities	38
XVII. Explanations on Taxation	39
XVIII. Additional Explanations on Borrowings	40
XIX. Explanations on Shares Issued	40
XX. Explanations on Bill Guarantees and Acceptances	40
XXI. Explanations on Government Incentives	40
XXII. Explanations on Segment Reporting	40
XXIII. Explanations on prior period accounting policies not valid for the current period	40
XXIV. Explanations on Other Matters	43

SECTION FOUR

Information Related to Financial Position and Risk Management of the Bank

I.	Explanations on Capital	44
II.	Explanations on Currency Risk	52
III.	Explanations on Interest Rate Risk	54
IV.	Explanations on the Position Risk of Shares	58
V.	Explanations on Liquidity Risk and Liquidity Coverage Ratio	59
VI.	Explanations on Leverage Ratio	64
VII.	Explanations on Related to Business Segmentation	65
VIII.	Explanations on Risk Management and Risk Weighted Amounts	68

SECTION FIVE

Explanations and Notes Related to the Unconsolidated Financial Statements

I.	Explanations and Notes Related to the Assets	70
II.	Explanations and Notes Related to the Liabilities	94
III.	Explanations and Notes Related to the Off-Balance Sheet Items	104
IV.	Explanations and Notes Related to the Income Statement	106
V.	Explanations Related to the Risk Group of the Bank	114
VI.	Explanations Related to the Subsequent Events	116
VII.	Other Explanations	117

SECTION SIX

Limited Review Report

I.	Explanations on Independent Auditors' Limited Review Report	118
II.	Explanations on Notes Prepared by the Independent Auditors	118

SECTION SEVEN

Interim Activity Report

I.	Interim Period Activity Report Included Chairman of the Board of Directors and CEO's Assessments for the Interim Activities	119
----	-----------------------------------------------------------------------------------------------------------------------------	-----

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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 BANK

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

Türkiye Halk Bankası Anonim Şirketi (the “Bank” or “Halkbank”) 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 BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

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

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 ⁽¹⁾	638.276	51,06	638.276	51,06
Public shares ⁽¹⁾	611.641	48,93	611.640	48,93
Other shareholders ⁽²⁾	83	0,01	84	0,01
Total	1.250.000	100,00	1.250.000	100,00

⁽¹⁾ The shares of the Türkiye Varlık Fonu 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.

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

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

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

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

Name	Title
R. Süleyman ÖZDİL	Chairman of the Board of Directors
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 ⁽²⁾	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 ⁽³⁾	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 ⁽³⁾	Executive Vice President, SME and Artisans Banking
Hakan ERYILMAZ ⁽³⁾	Executive Vice President, Treasury Management and International Banking

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

(2) Fatih Metin has started his duty at the 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 Bank.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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 BANK (continued)

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

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

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 Bank’s top management members who have left their position in 2018 are listed with titles and dates of leaving.

Title	Name	Leaving Date
Executive Vice President	Mehmet Hakan ATILLA	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 BANK

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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 BANK (continued)

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

a) General information about the Bank:

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

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

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

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

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

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

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

As of 30 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. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

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

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

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

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

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

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

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

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

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

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

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

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Reviewed		
		Current Period		
		30 September 2018		
ASSETS	Note	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		69.707.492	42.628.412	112.335.904
1.1 Cash and Cash Equivalents		9.605.381	27.949.790	37.555.171
1.1.1 Cash and Balances with Central Bank	(1)	6.302.241	23.499.838	29.802.079
1.1.2 Banks	(3)	2.083.466	4.449.952	6.533.418
1.1.3 Money Markets		1.219.674	-	1.219.674
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	15.096.649	33.689	15.130.338
1.2.1 Government Debt Securities		15.080.680	33.357	15.114.037
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		15.969	332	16.301
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	1.915.004	715.750	2.630.754
1.3.1 Government Debt Securities		1.860.072	609.464	2.469.536
1.3.2 Equity Instruments		54.932	106.286	161.218
1.3.3 Other Financial Assets		-	-	-
1.4 Financial Assets Measured at Amortised Cost	(6)	43.118.642	12.435.720	55.554.362
1.4.1 Government Debt Securities		43.118.642	12.435.720	55.554.362
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	(2)	5.262	1.493.463	1.498.725
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		5.262	1.493.463	1.498.725
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non – Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)		33.446	-	33.446
II. LOANS (Net)		165.547.768	97.454.642	263.002.410
2.1 Loans	(5)	166.354.638	97.454.642	263.809.280
2.1.1 Measured at Amortised Cost		166.354.638	97.454.642	263.809.280
2.1.2 Fair Value Through Profit or Loss		-	-	-
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	(10)	-	-	-
2.2.1 Financial Lease Receivables		-	-	-
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
2.3 Factoring Receivables		-	-	-
2.3.1 Measured at Amortised Cost		-	-	-
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non- Performing Loans	(5)	7.174.888	-	7.174.888
2.5 Expected Credit Loss (-)	(5)	7.981.758	-	7.981.758
2.5.1 12 Month Expected Credit Losses (Stage I)		1.132.254	-	1.132.254
2.5.2 Significant Increase in Credit Risk (Stage II)		1.204.356	-	1.204.356
2.5.3 Credit – Impaired Losses (Stage III / Special Provision)		5.645.148	-	5.645.148
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(14)	-	-	-
3.1 Held for Sale Purpose		-	-	-
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		2.994.408	1.733.494	4.727.902
4.1 Investments in Associates (Net)	(7)	22.490	479.888	502.378
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		22.490	479.888	502.378
4.2 Subsidiaries (Net)	(8)	2.971.918	1.253.606	4.225.524
4.2.1 Unconsolidated Financial Subsidiaries		2.919.740	1.253.606	4.173.346
4.2.2 Unconsolidated Non- Financial Subsidiaries		52.178	-	52.178
4.3 Joint Ventures (Net)	(9)	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. PROPERTY AND EQUIPMENT (Net)		3.031.498	145	3.031.643
VI. INTANGIBLE ASSETS (Net)		99.094	-	99.094
6.1 Goodwill		-	-	-
6.2 Other		99.094	-	99.094
VII. INVESTMENT PROPERTIES (Net)	(12)	356.872	-	356.872
VIII. CURRENT TAX ASSET		9.268	-	9.268
IX. DEFERRED TAX ASSET	(13)	-	-	-
X. OTHER ASSETS	(15)	1.832.756	1.927.542	3.760.298
TOTAL ASSETS		243.579.156	143.744.235	387.323.391

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS	Note	Audited		
		Prior period		Total
		TRY	FC	
				31 December 2017
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	12.917.312	23.455.727	36.373.039
II. FINANCIAL ASSETS AT FV THROUGH PROFIT AND LOSS (Net)	(2)	10.085.889	362.017	10.447.906
2.1 Trading financial assets		10.085.889	362.017	10.447.906
2.1.1 Public sector debt securities		10.075.407	-	10.075.407
2.1.2 Share certificates		-	-	-
2.1.3 Financial assets held for trading		118	361.803	361.921
2.1.4 Other marketable securities		10.364	214	10.578
2.2 Financial assets at fair value through profit and loss		-	-	-
2.2.1 Public sector debt securities		-	-	-
2.2.2 Share certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other marketable securities		-	-	-
III. BANKS	(3)	580.518	5.513.422	6.093.940
IV. MONEY MARKET PLACEMENTS		1.258.647	-	1.258.647
4.1 Interbank money market placements		1.258.647	-	1.258.647
4.2 Takasbank (Clearing & Settlement Bank) Money Market placements		-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	11.474.374	5.615.175	17.089.549
5.1 Share certificates		71.715	52.091	123.806
5.2 Public sector debt securities		11.402.659	5.563.084	16.965.743
5.3 Other marketable securities		-	-	-
VI. LOANS AND RECEIVABLES	(5)	139.676.930	63.787.547	203.464.477
6.1 Loans and receivables		138.349.605	63.787.547	202.137.152
6.1.1 Loans extended to risk group of the Bank		50.196	916.965	967.161
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		138.299.409	62.870.582	201.169.991
6.2 Loans under follow-up		6.106.597	-	6.106.597
6.3 Specific provisions (-)		4.779.272	-	4.779.272
VII. FACTORING RECEIVABLES		-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	(6)	19.214.233	2.512.936	21.727.169
8.1 Public sector debt securities		19.214.233	2.512.936	21.727.169
8.2 Other marketable securities		-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	19.083	313.709	332.792
9.1 Accounted for under equity method		-	-	-
9.2 Unconsolidated associates		19.083	313.709	332.792
9.2.1 Financial investments		12.763	313.709	326.472
9.2.2 Non-financial investments		6.320	-	6.320
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	3.089.737	536.971	3.626.708
10.1 Unconsolidated financial subsidiaries		3.037.559	536.971	3.574.530
10.2 Unconsolidated non-financial subsidiaries		52.178	-	52.178
XI. JOINT VENTURES (Net)	(9)	-	-	-
11.1 Accounted for under equity method		-	-	-
11.2 Unconsolidated joint ventures		-	-	-
11.2.1 Financial joint ventures		-	-	-
11.2.2 Non-financial joint ventures		-	-	-
XII. FINANCE LEASE RECEIVABLES (Net)	(10)	-	-	-
12.1 Finance lease receivables		-	-	-
12.2 Operating lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		-	-	-
XIII. DERIVATIVE FIN. ASSETS HELD FOR RISK MANAGEMENT	(11)	-	-	-
13.1 Fair value risk hedging		-	-	-
13.2 Cash flow risk hedging		-	-	-
13.3 Net foreign investment risk hedging		-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	2.535.687	92	2.535.779
XV. INTANGIBLE ASSETS (Net)	(13)	113.685	-	113.685
15.1 Goodwill		-	-	-
15.2 Other		113.685	-	113.685
XVI. INVESTMENT PROPERTIES (Net)	(14)	358.574	-	358.574
XVII. TAX ASSETS	(15)	-	-	-
17.1 Current tax assets		-	-	-
17.2 Deferred tax assets		-	-	-
XVIII. ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(16)	-	-	-
18.1 Held for sale purpose		-	-	-
18.2 Held from discontinued operations		-	-	-
XIX. OTHER ASSETS	(17)	1.698.762	229.621	1.928.383
TOTAL ASSETS		203.023.431	102.327.217	305.350.648

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Reviewed			
		Current Period			
		30 September 2018			
LIABILITIES	Note	TRY	FC	TOTAL	
I. DEPOSITS	(1)	135.655.630	103.570.891	239.226.521	
II. FUNDS BORROWED	(3)	486.003	18.363.568	18.849.571	
III. MONEY MARKETS		42.362.036	8.343.155	50.705.191	
IV. SECURITIES ISSUED (Net)	(4)	2.164.004	13.606.320	15.770.324	
4.1 Bills		2.164.004	-	2.164.004	
4.2 Assets Backed Securities		-	-	-	
4.3 Bonds		-	13.606.320	13.606.320	
V. FUNDS	(5)	2.787.175	-	2.787.175	
5.1 Borrower Funds		143	-	143	
5.2 Other		2.787.032	-	2.787.032	
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	
VII. DERIVATIVE FINANCIAL ASSETS	(2)	5.902	1.065.165	1.071.067	
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		5.902	1.065.165	1.071.067	
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	
VIII. FACTORING LIABILITIES		-	-	-	
IX. LEASE LIABILITIES	(7)	-	-	-	
9.1 Financial Lease		-	-	-	
9.2 Operating Lease		-	-	-	
9.3 Other		-	-	-	
9.4 Deferred Financial Lease Expenses (-)		-	-	-	
X. PROVISIONS	(9)	1.472.258	8.932	1.481.190	
10.1 Restructuring Provisions		-	-	-	
10.2 Reserve for Employee Benefits		769.846	-	769.846	
10.3 Insurance for Technical Provision(Net)		-	-	-	
10.4 Other Provisions		702.412	8.932	711.344	
XI. CURRENT TAX LIABILITY	(10)	843.499	53	843.552	
XII. DEFERRED TAX LIABILITIES	(10)	656.403	-	656.403	
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	
13.1 Held for Sale Purpose		-	-	-	
13.2 Related to Discontinued Operations		-	-	-	
XIV. SUBORDINATED DEBT INSTRUMENTS	(12)	6.025.375	-	6.025.375	
14.1 Loans		-	-	-	
14.2 Other Debt Instruments		6.025.375	-	6.025.375	
XV. OTHER LIABILITIES	(6)	20.414.731	1.197.789	21.612.520	
XVI. SHAREHOLDERS' EQUITY	(13)	28.071.035	223.467	28.294.502	
16.1 Paid in Capital		1.250.000	-	1.250.000	
16.2 Capital Reserve		1.231.722	-	1.231.722	
16.2.1 Share Premium		-	-	-	
16.2.2 Share Cancellation Profits		-	-	-	
16.2.3 Other Capital Reserves		1.231.722	-	1.231.722	
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		1.258.566	-	1.258.566	
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		945.670	223.467	1.169.137	
16.5 Profit Reserves		20.475.295	-	20.475.295	
16.5.1 Legal Reserves		1.864.266	-	1.864.266	
16.5.2 Status Reserves		-	-	-	
16.5.3 Extraordinary Reserves		18.563.848	-	18.563.848	
16.5.4 Other Profit Reserves		47.181	-	47.181	
16.6 Income or (Loss)		2.909.782	-	2.909.782	
16.6.1 Prior Periods' Income or (Loss)		704.534	-	704.534	
16.6.2 Current Period Income or (Loss)		2.205.248	-	2.205.248	
16.7 Minority Shares		-	-	-	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		240.944.051	146.379.340	387.323.391	

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

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Audited			
		Prior period			
		31 December 2017			
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	TRY	FC	Total	
I. DEPOSITS	(1)	119.197.840	74.029.229	193.227.069	
1.1 Deposits Held by the Risk Group of the Bank		2.659.529	197.697	2.857.226	
1.2 Other		116.538.311	73.831.532	190.369.843	
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	146	150.376	150.522	
III. FUNDS BORROWED	(3)	465.026	16.553.092	17.018.118	
IV. MONEY MARKET BALANCES		29.220.222	5.387.762	34.607.984	
4.1 Interbank money market borrowings		29.030.813	1.247.014	30.277.827	
4.2 Takasbank (Clearing & Settlement Bank) Money Market takings		-	-	-	
4.3 Funds from repurchase agreements		189.409	4.140.748	4.330.157	
V. MARKETABLE SECURITIES ISSUED (Net)	(4)	2.713.759	8.640.905	11.354.664	
5.1 Treasury bills		2.713.759	-	2.713.759	
5.2 Asset-backed securities		-	-	-	
5.3 Bonds		-	8.640.905	8.640.905	
VI. FUNDS	(5)	2.724.634	-	2.724.634	
6.1 Borrower Funds		860	-	860	
6.2 Other		2.723.774	-	2.723.774	
VII. SUNDRY CREDITORS		3.443.523	113.823	3.557.346	
VIII. OTHER LIABILITIES	(6)	11.206.526	474.486	11.681.012	
IX. FACTORING PAYABLES		-	-	-	
X. FINANCE LEASE PAYABLES	(7)	-	-	-	
10.1 Finance lease payables		-	-	-	
10.2 Operating lease payables		-	-	-	
10.3 Other		-	-	-	
10.4 Deferred finance lease expenses (-)		-	-	-	
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(8)	-	-	-	
11.1 Fair value risk hedging		-	-	-	
11.2 Cash flow risk hedging		-	-	-	
11.3 Net foreign investment risk hedging		-	-	-	
XII. PROVISIONS	(9)	3.443.318	5.642	3.448.960	
12.1 General loan provisions		2.288.701	-	2.288.701	
12.2 Restructuring provisions		-	-	-	
12.3 Employee benefits provisions		836.092	-	836.092	
12.4 Insurance technical reserves (Net)		-	-	-	
12.5 Other provisions		318.525	5.642	324.167	
XIII. TAX LIABILITIES	(10)	1.199.173	42	1.199.215	
13.1 Current tax liabilities		628.765	42	628.807	
13.2 Deferred tax liabilities		570.408	-	570.408	
XIV. LIABILITIES FOR ASSET HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	
14.1 Held for sale purpose		-	-	-	
14.2 Held from discontinued operations		-	-	-	
XV. SUBORDINATED LOAN	(12)	1.004.385	-	1.004.385	
XVI. SHAREHOLDERS' EQUITY	(13)	25.317.394	59.345	25.376.739	
16.1 Paid-in capital		1.250.000	-	1.250.000	
16.2 Capital reserves		3.405.825	59.345	3.465.170	
16.2.1 Share Premium		-	-	-	
16.2.2 Share cancellation profits		-	-	-	
16.2.3 Marketable securities revaluation fund		966.184	59.345	1.025.529	
16.2.4 Tangible assets revaluation reserves		1.273.315	-	1.273.315	
16.2.5 Intangible assets revaluation reserves		-	-	-	
16.2.6 Revaluation reserves of investment properties		-	-	-	
16.2.7 Bonus shares of subsidiaries, associates and joint ventures		8.711	-	8.711	
16.2.8 Hedging Funds (effective portion)		-	-	-	
16.2.9 Value Increase on Assets Held for Sale		-	-	-	
16.2.10 Other capital reserves		1.157.615	-	1.157.615	
16.3 Profit reserves		16.936.107	-	16.936.107	
16.3.1 Legal reserves		1.645.649	-	1.645.649	
16.3.2 Statutory reserves		-	-	-	
16.3.3 Extraordinary reserves		15.243.277	-	15.243.277	
16.3.4 Other profit reserves		47.181	-	47.181	
16.4 Profit/Loss		3.725.462	-	3.725.462	
16.4.1 Prior years' profits/losses		-	-	-	
16.4.2 Period profit/loss		3.725.462	-	3.725.462	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		199.935.946	105.414.702	305.350.648	

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

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

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

II. STATEMENT OF OFF BALANCE SHEET ITEMS

		Reviewed		
		Current Period		
		30 September 2018		
OFF BALANCE SHEET	Note	TRY	FC	TOTAL
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	70.861.014	105.845.102	176.706.116
I.	GUARANTEES AND WARRANTIES	(1) 35.747.218	50.727.390	86.474.608
1.1	Letters of guarantee	33.709.840	39.600.796	73.310.636
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	-	-	-
1.1.3	Other letters of guarantee	31.875.305	23.710.603	55.585.908
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	4.097.530	4.225.009
1.3.1	Documentary letters of credit	127.479	4.097.530	4.225.009
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	179.366	2.081.125
1.9	Other sureties	-	-	-
II.	COMMITMENTS	(1) 23.934.189	1.931.469	25.865.658
2.1	Irrevocable commitments	23.828.079	1.731.812	25.559.891
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	695.490	5.043.434
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	-	12.224.944
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	-	3.758.837
2.2	Revocable commitments	106.110	199.657	305.767
2.2.1	Revocable loan granting commitments	-	-	-
2.2.2	Other revocable commitments	106.110	199.657	305.767
III.	DERIVATIVE FINANCIAL INSTRUMENTS	11.179.607	53.186.243	64.365.850
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	11.179.607	53.186.243	64.365.850
3.2.1	Forward foreign currency buy/sell transactions	4.066.595	11.783.713	15.850.308
3.2.1.1	Forward foreign currency transactions-buy	1.062.346	8.207.713	9.270.059
3.2.1.2	Forward foreign currency transactions-sell	3.004.249	3.576.000	6.580.249
3.2.2	Currency and interest rate swaps	2.371.441	30.622.653	32.994.094
3.2.2.1	Currency swap-buy	1.272.934	5.386.934	6.659.868
3.2.2.2	Currency swap-sell	1.098.507	5.384.455	6.482.962
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.	CUSTODY AND PLEDGED ASSETS (IV+V+VI)	948.281.569	347.951.680	1.296.233.249
IV.	CUSTODIES	432.743.322	44.299.551	477.042.873
4.1	Assets under management	-	-	-
4.2	Custody marketable securities	170.453.525	892.102	171.345.627
4.3	Cheques in collection process	16.971.049	29.948.577	46.919.626
4.4	Commercial notes in collection process	231.818.718	5.600.581	237.419.299
4.5	Other assets in collection process	-	-	-
4.6	Underwritten securities	-	-	-
4.7	Other custodies	4.009.839	258.639	4.268.478
4.8	Custodians	9.490.191	7.599.652	17.089.843
V.	PLEDGED ASSETS	515.538.247	303.652.129	819.190.376
5.1	Marketable securities	5.167.449	827.510	5.994.959
5.2	Collateral notes	8.761.435	1.170.799	9.932.234
5.3	Commodity	25.813	-	25.813
5.4	Warranty	-	-	-
5.5	Land and buildings	374.510.179	251.467.160	625.977.339
5.6	Other pledged assets	77.376.372	45.448.316	122.824.688
5.7	Pledges	49.696.999	4.738.344	54.435.343
VI.	ACCEPTED BILL GUARANTEES AND SURETIES	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		1.019.142.583	453.796.782	1.472.939.365

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

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

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

II. STATEMENT OF OFF BALANCE SHEET ITEMS

		Audited		
		Prior period		
		31 December 2017		
OFF BALANCE SHEET	Note	TRY	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	55.925.500	57.445.133	113.370.633
I.	GUARANTEES AND SURETIES	28.221.975	30.312.673	58.534.648
1.1	Letters of guarantee	27.015.807	22.385.059	49.400.866
1.1.1	Guarantees subject to public procurement law	1.522.672	10.045.779	11.568.451
1.1.2	Guarantees given for foreign trade operations	-	-	-
1.1.3	Other letters of guarantee	25.493.135	12.339.280	37.832.415
1.2	Bank loans	16.829	3.676.678	3.693.507
1.2.1	Import acceptances	-	226.526	226.526
1.2.2	Other bank acceptances	16.829	3.450.152	3.466.981
1.3	Letters of credit	47.204	4.086.827	4.134.031
1.3.1	Documentary letters of credit	47.204	4.086.827	4.134.031
1.3.2	Other letters of credit	-	-	-
1.4	Guaranteed refinancing	-	-	-
1.5	Endorsements	-	-	-
1.5.1	Endorsements to Central Bank of the Republic of Turkey	-	-	-
1.5.2	Other Endorsements	-	-	-
1.6	Purchase guarantees on marketable security issuance	-	-	-
1.7	Factoring guarantees	-	-	-
1.8	Other guarantees	1.142.135	164.109	1.306.244
1.9	Other sureties	-	-	-
II.	COMMITMENTS	22.879.077	1.116.617	23.995.694
2.1	Irrevocable commitments	22.879.077	1.116.617	23.995.694
2.1.1	Forward asset purchase commitments	248.484	661.967	910.451
2.1.2	Forward deposit purchase and sale commitments	-	-	-
2.1.3	Capital commitments to subsidiaries and associates	-	-	-
2.1.4	Loan granting commitments	4.191.402	454.650	4.646.052
2.1.5	Securities underwriting commitments	-	-	-
2.1.6	Payment commitments for reserve deposits	-	-	-
2.1.7	Payment commitments for Cheques	3.269.281	-	3.269.281
2.1.8	Tax and fund liabilities from export commitments	38.072	-	38.072
2.1.9	Commitments for credit card expenditure limits	11.562.109	-	11.562.109
2.1.10	Commitments for credit cards and banking services promotions	32.736	-	32.736
2.1.11	Receivables from short sale commitments	-	-	-
2.1.12	Payables for short sale commitments	-	-	-
2.1.13	Other irrevocable commitments	3.536.993	-	3.536.993
2.2	Revocable commitments	-	-	-
2.2.1	Revocable loan granting commitments	-	-	-
2.2.2	Other revocable commitments	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	4.824.448	26.015.843	30.840.291
3.1	Derivative financial instruments held for risk management	-	-	-
3.1.1	Fair value risk hedging transactions	-	-	-
3.1.2	Cash flow risk hedging transactions	-	-	-
3.1.3	Net foreign investment risk hedging transactions	-	-	-
3.2	Transactions for trading	4.824.448	26.015.843	30.840.291
3.2.1	Forward foreign currency buy/sell transactions	2.711.564	6.375.770	9.087.334
3.2.1.1	Forward foreign currency transactions-buy	1.360.216	4.499.292	5.859.508
3.2.1.2	Forward foreign currency transactions-sell	1.351.348	1.876.478	3.227.826
3.2.2	Currency and interest rate swaps	1.322.806	15.819.312	17.142.118
3.2.2.1	Currency swap-buy	387.590	2.821.721	3.209.311
3.2.2.2	Currency swap-sell	935.216	2.110.829	3.046.045
3.2.2.3	Interest rate swap-buy	-	5.443.381	5.443.381
3.2.2.4	Interest Rate swap-sell	-	5.443.381	5.443.381
3.2.3	Currency, interest rate and marketable securities options	790.078	1.090.343	1.880.421
3.2.3.1	Currency call options	394.932	545.279	940.211
3.2.3.2	Currency put options	395.146	545.064	940.210
3.2.3.3	Interest rate call options	-	-	-
3.2.3.4	Interest rate put options	-	-	-
3.2.3.5	Marketable securities call options	-	-	-
3.2.3.6	Marketable securities put options	-	-	-
3.2.4	Currency futures	-	-	-
3.2.4.1	Currency futures-buy	-	-	-
3.2.4.2	Currency futures-sell	-	-	-
3.2.5	Interest rate buy/sell futures	-	-	-
3.2.5.1	Interest rate futures-buy	-	-	-
3.2.5.2	Interest rate futures-sell	-	-	-
3.2.6	Other	-	2.730.418	2.730.418
B.	CUSTODY AND PLEDGED ASSETS (IV+V+VI)	832.644.477	205.106.195	1.037.750.672
IV.	CUSTODIES	392.094.904	29.257.887	421.352.791
4.1	Assets under management	-	-	-
4.2	Custody marketable securities	175.762.416	518.467	176.280.883
4.3	Cheques in collection process	14.977.312	22.698.848	37.676.160
4.4	Commercial notes in collection process	193.731.159	490.671	194.221.830
4.5	Other assets in collection process	-	-	-
4.6	Underwritten securities	-	-	-
4.7	Other custodies	4.135.360	127.221	4.262.581
4.8	Custodians	3.488.657	5.422.680	8.911.337
V.	PLEDGED ASSETS	440.549.573	175.848.308	616.397.881
5.1	Marketable securities	4.362.027	526.294	4.888.321
5.2	Collateral notes	7.255.638	812.632	8.068.270
5.3	Commodity	25.813	-	25.813
5.4	Warranty	-	-	-
5.5	Land and buildings	324.019.382	148.254.846	472.274.228
5.6	Other pledged assets	67.073.372	23.900.616	90.973.988
5.7	Pledges	37.813.341	2.353.920	40.167.261
VI.	ACCEPTED BILL GUARANTEES AND SURETIES	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		888.569.977	262.551.328	1.151.121.305

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

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

III. STATEMENT OF INCOME

INCOME AND EXPENSES		Note	Reviewed Current Period	
			1 January- 30 September 2018	1 July- 30 September 2018
I.	INTEREST INCOME	(1)	24.878.047	10.072.461
1.1	Interest on Loans		20.282.569	8.046.096
1.2	Interest on Reserve Requirements		93.905	24.840
1.3	Interest on Banks		376.420	181.089
1.4	Interest on Money Market Transactions		34.255	9.803
1.5	Interest on Marketable Securities Portfolio		4.068.062	1.800.416
1.5.1	Fair Value Through Profit or Loss		10.652	5.172
1.5.2	Fair Value Through Other Comprehensive Income		142.155	81.503
1.5.3	Measured at Amortized Cost		3.915.255	1.713.741
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		22.836	10.217
II.	INTEREST EXPENSE (-)	(2)	18.751.475	8.070.335
2.1	Interest on Deposits		13.605.196	5.644.833
2.2	Interest on Funds Borrowed		393.482	177.007
2.3	Interest Expense on Money Market Transactions		3.590.275	1.732.209
2.4	Interest on Securities Issued		974.444	441.529
2.5	Other Interest Expense		188.078	74.757
III.	NET INTEREST INCOME (I - II)		6.126.572	2.002.126
IV.	NET FEES AND COMMISSIONS INCOME		1.386.237	479.017
4.1	Fees and Commissions Received		1.865.608	677.098
4.1.1	Non – cash Loans		416.047	165.612
4.1.2	Other		1.449.561	511.486
4.2	Fees and Commissions Paid (-)		479.371	198.081
4.2.1	Non – cash Loans		73	35
4.2.2	Other		479.298	198.046
V.	PERSONNEL EXPENSE (-)		(1.705.306)	(555.774)
VI.	DIVIDEND INCOME	(3)	510.194	135.873
VII.	TRADING INCOME / LOSS (Net)	(4)	(39.262)	(99.092)
7.1	Trading Gains / (Losses) on Securities		18.443	5.852
7.2	Gains / (Losses) on Derivate Financial Transactions		2.373.334	2.070.236
7.3	Foreign Exchange Gains / (Losses)		(2.431.039)	(2.175.180)
VIII.	OTHER OPERATING INCOME	(5)	452.720	78.480
IX.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		6.731.155	2.040.630
X.	EXPECTED LOSS PROVISIONS (-)	(6)	1.959.307	944.064
XI.	OTHER OPERATING EXPENSES (-)	(7)	2.145.808	752.300
XII.	NET OPERATING INCOME /LOSS (IX-X-XI)		2.626.040	344.266
XIII.	EXCESS AMOUNT RECORDED AS			
	INCOME AFTER MERGER		-	-
XIV.	INCOME /(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XV.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XVI.	PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	2.626.040	344.266
XVII.	TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(9)	(420.792)	(41.722)
17.1	Current Tax Provision		6.467	2.880
17.2	Deferred Tax Income Effect (+)		1.378.493	617.713
17.3	Deferred Tax Expense Effect (-)		964.168	578.871
XVIII.	CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(10)	2.205.248	302.544
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
19.1	Income from non- Current Assets Held for Sale		-	-
19.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
19.3	Income from Other Discontinued Operations		-	-
XX.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-
20.1	Expenses for Non-current Assets Held for Sale		-	-
20.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3	Expenses for Other Discontinued Operations		-	-
XXI.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
22.1	Current Tax Provision		-	-
22.2	Deferred Tax Expense Effect (+)		-	-
22.3	Deferred Tax Income Effect (-)		-	-
XXIII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXIV.	NET PROFIT/(LOSS) (XVIII+XXIII)	(11)	2.205.248	302.544
24.1	Profit / (Loss) of Group		2.205.248	302.544
24.2	Profit / (Loss) of Minority Shares (-)		-	-
	Profit / (Loss) Per Share		1,7641984	0,242035

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

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

III. STATEMENT OF INCOME

INCOME AND EXPENSES		Note	Reviewed	
			1 January - 30 September 2017	1 July- 30 September 2017
I.	INTEREST INCOME	(1)	16.349.805	5.776.770
1.1	Interest on loans		13.422.794	4.984.170
1.2	Interest received from reserve deposits		91.064	39.334
1.3	Interest received from banks		149.849	59.261
1.4	Interest received from money market placements		23.079	-
1.5	Interest income on marketable securities		2.648.517	691.422
1.5.1	Financial assets held for trading		573	221
1.5.2	Financial assets at fair value through profit and loss		-	-
1.5.3	Financial assets available-for-sale		1.109.572	324.613
1.5.4	Investments held-to-maturity		1.538.372	366.588
1.6	Finance lease income		-	-
1.7	Other interest income		14.502	2.583
II.	INTEREST EXPENSE	(2)	10.586.846	4.223.362
2.1	Interest on deposits		7.840.734	3.139.376
2.2	Interest on borrowings		269.090	81.329
2.3	Interest on money market borrowings		1.826.593	789.544
2.4	Interest on bonds issued		561.403	188.690
2.5	Other interest expense		89.026	24.423
III.	NET INTEREST INCOME [I – II]		5.762.959	1.553.408
IV.	NET FEES AND COMMISSIONS INCOME		1.559.448	513.196
4.1	Fees and commissions income		1.882.420	630.097
4.1.1	Non-cash loans		288.112	102.362
4.1.2	Other		1.594.308	527.735
4.2	Fees and commissions expenses		322.972	116.901
4.2.1	Non-cash loans		33	5
4.2.2	Other		322.939	116.896
V.	DIVIDEND INCOME	(3)	261.896	239.731
VI.	NET TRADING PROFIT (NET)	(4)	87.364	(15.478)
6.1	Profit/loss from capital market operations		28.581	10.317
6.2	Profit/loss from financial derivative transactions		(339.745)	(150.741)
6.3	Foreign exchange gains/losses		398.528	124.946
VII.	OTHER OPERATING INCOME	(5)	410.307	116.113
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		8.081.974	2.406.970
IX.	IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(6)	1.050.111	319.827
X.	OTHER OPERATING EXPENSES(-)	(7)	3.286.003	1.152.322
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		3.745.860	934.821
XII.	AMOUNT RECORDED IN EXCESS AS GAIN AFTER MERGER		-	-
XIII.	PROFIT/LOSSES FROM SUBSIDIARIES ACCOUNTED FOR AT EQUITY METHOD		-	-
XIV.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(8)	3.745.860	934.821
XVI.	TAX INCOME PROVISION (±)	(9)	(735.757)	(152.657)
16.1	Current tax charge		(683.065)	(128.590)
16.2	Deferred tax (charge) / benefit		(52.692)	(24.067)
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	3.010.103	782.164
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Property and equipment income held for sale		-	-
18.2	Sale profits from associates, subsidiaries and joint ventures (business partners)		-	-
18.3	Other income from terminated operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Property and equipment expense held for sale		-	-
19.2	Sale losses from associates, subsidiaries and joint ventures (business partners)		-	-
19.3	Other expenses from discontinued operations		-	-
XX.	INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)		-	-
21.1	Current tax charge		-	-
21.2	Deferred tax charge		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/(LOSS) (XVII+XXII)	(11)	3.010.103	782.164
	Earnings/losses per share (Full TRY)		2,40808	0,62573

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

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

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

		Reviewed
		Current Period
		1 January - 30 September
		2018
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I.	CURRENT PERIOD INCOME/LOSS	2.205.248
II.	OTHER COMPREHENSIVE INCOME	139.122
2.1	Not Reclassified Through Profit or Loss	(4.486)
2.1.1	Property and Equipment Revaluation Increase/Decrease	(4.984)
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	498
2.2	Reclassified Through Profit or Loss	143.608
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	283.759
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	(85.018)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	2.344.370

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

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

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

		Reviewed
		Prior period
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		1 January-30 September 2017
I.	ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	146.372
II.	TANGIBLE ASSETS REVALUATION DIFFERENCES	(25.538)
III.	INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV.	FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	101.863
V.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (Effective portion of fair value differences)	-
VI.	PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENTS IN FOREIGN OPERATIONS (Effective portion of fair value differences)	-
VII.	THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII.	OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	-
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(11.381)
X.	TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	211.316
XI.	PROFIT/LOSS	3.010.103
11.1	Change in fair value of marketable securities (Transfer to profit/loss)	28.581
11.2	Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-
11.3	Transfer of hedge of net investments in foreign operations to income statement	-
11.4	Other	2.981.522
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	3.221.419

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

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

V. 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					Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Expect Minority Shares	Minority Shares	Total Equity
	Paid in Capital	Share Premiums	Share Cancellation 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	Value Through Other Comprehensive Income	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income						
I. Prior Period End Balance	1.250.000	-	-	1.176.589	1.273.315	(10.263)	-	52.631	972.898	-	16.936.107	3.725.462	-	25.376.739	-	25.376.739
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	704.534	-	704.534	-	704.534
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	704.534	-	704.534	-	704.534
III. Adjusted Beginning Balance (I+II)	1.250.000	-	-	1.176.589	1.273.315	(10.263)	-	52.631	972.898	-	16.936.107	4.429.996	-	26.081.273	-	26.081.273
IV. Total Comprehensive Income	-	-	-	-	(4.486)	-	-	(55.133)	198.741	-	-	-	2.205.248	2.344.370	-	2.344.370
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	-	-	-	55.133	-	-	-	-	-	-	-	-	-	55.133	-	55.133
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	3.539.188	(3.725.462)	-	(186.274)	-	(186.274)
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(186.274)	-	(186.274)	-	(186.274)
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3.539.188	(3.539.188)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+X+XI)	1.250.000	-	-	1.231.722	1.268.829	(10.263)	-	(2.502)	1.171.639	-	20.475.295	704.534	2.205.248	28.294.502	-	28.294.502

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note	Paid in capital	Effect of inflation adjustments on paid in capital	Share premium	Share certificate cancellation profit	Legal reserves	Statutory reserves	Extra-ordinary reserves	Other reserves	Current period net income/(loss)	Prior period net income/(loss)	Valuation changes in marketable sec.	Revaluation changes in prop. and equip. and int. assets	Bonus shares from shareholders	Hedging funds	Value change in pro. and equip. held for sale purp./term. op.	Total shareholders' equity
I. 1 January 2017 – 30 September 2017																	
Balance at end of prior period		1.250.000	1.220.451	-	-	1.482.358	-	13.104.130	(74.244)	2.558.265	-	482.753	1.284.522	8.711	-	-	21.316.946
Changes within the period																	
II. Increase/decrease generated by merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Valuation changes in marketable securities		-	-	-	-	-	-	-	-	-	-	133.714	-	-	-	-	133.714
IV. Hedging funds (effective portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedges for investment made in foreign countries		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation changes of property and equipment		-	-	-	-	-	-	-	-	-	-	-	(24.261)	-	-	-	(24.261)
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners).		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	101.863	-	-	-	-	-	-	-	101.863
IX. Changes after disposal of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes after reclassification of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of changes in shareholders equity of investments and associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Increase in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 From internal resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Issuance of share certificates at end of period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Net profit or losses		-	-	-	-	-	-	-	-	3.010.103	-	-	-	-	-	-	3.010.103
XVIII. Profit distribution		-	-	-	-	163.291	-	2.139.147	-	(2.558.265)	-	-	-	-	-	-	(255.827)
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	(255.827)	-	-	-	-	-	(255.827)
18.2 Transfers to legal reserves		-	-	-	-	163.291	-	2.139.147	-	-	(2.302.438)	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	(2.558.265)	2.558.265	-	-	-	-	-	-
Closing balance		1.250.000	1.220.451	-	-	1.645.649	-	15.243.277	27.619	3.010.103	-	616.467	1.260.261	8.711	-	-	24.282.538

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

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

VI. STATEMENT OF CASH FLOWS

		Reviewed
		Current Period
		1 January-
Note		30 September 2018
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating profit before changes in operating assets and liabilities	(7.752.105)
1.1.1	Interest received	20.999.663
1.1.2	Interest paid	(16.672.752)
1.1.3	Dividend received	232.923
1.1.4	Fees and commissions received	1.876.368
1.1.5	Other income	180.840
1.1.6	Collections from previously written off loans	844.994
1.1.7	Cash payments to personnel and service suppliers	(1.727.756)
1.1.8	Taxes paid	(702.932)
1.1.9	Other	(12.783.453)
1.2	Assets and Liabilities Subject to Banking Operations	10.370.818
1.2.1	Net Increase / decrease in financial assets at fair value through profit or loss	(64.378)
1.2.2	Net (increase) / decrease in due from banks and other financial institutions	(2.254)
1.2.3	Net (increase) / decrease in loans	(60.924.229)
1.2.4	Net (increase) / decrease in other assets	4.024.734
1.2.5	Net increase / (decrease) in bank deposits	11.197.233
1.2.6	Net increase / (decrease) in other deposits	33.084.900
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	1.753.028
1.2.9	Net increase / (decrease) in matured payables	-
1.2.10	Net increase / (decrease) in other liabilities	21.301.784
I.	Net cash provided from banking operations	2.618.713
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES	
II.	Net cash provided from/ (used in) investing activities	(14.349.608)
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	(759.903)
2.4	Fixed assets sales	165.592
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(8.740.998)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	4.415.747
2.7	Cash paid for purchase of investment securities	(12.305.830)
2.8	Cash obtained from sale of investment securities	3.171.713
2.9	Other	14.477
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net cash used in financing activities	4.192.083
3.1	Cash obtained from loans borrowed and securities issued	7.134.795
3.2	Cash used for repayment of loans borrowed and securities issued	(2.756.438)
3.3	Bonds issued	-
3.4	Dividends paid	(186.274)
3.5	Payments for finance leases	-
3.6	Other	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	7.106.247
V.	Net increase / (decrease) in cash and cash equivalents	(432.565)
VI.	Cash and cash equivalents at beginning of the period	27.121.864
VII.	Cash and cash equivalents at end of the period	26.689.299

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

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

VI. STATEMENT OF CASH FLOWS

		Reviewed
		Prior period
		1 January –
		30 September 2017
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating profit before changes in operating assets and liabilities	3.066.990
1.1.1	Interest received	14.866.154
1.1.2	Interest paid	(9.744.876)
1.1.3	Dividend received	36.945
1.1.4	Fees and commissions received	1.882.994
1.1.5	Other income	191.758
1.1.6	Collections from previously written off loans	419.796
1.1.7	Cash payments to personnel and service suppliers	(1.470.269)
1.1.8	Taxes paid	(372.699)
1.1.9	Other	(2.742.813)
1.2	Assets and Liabilities Subject to Banking Operations	5.354.955
1.2.1	Net (increase) decrease in financial assets held for sale	57.128
1.2.2	Net (increase) decrease in financial assets at fair value through profit or loss	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions	10.518
1.2.4	Net (increase) decrease in loans	(35.665.563)
1.2.5	Net (increase) decrease in other assets	(3.885.028)
1.2.6	Net increase (decrease) in bank deposits	(6.082.991)
1.2.7	Net increase (decrease) in other deposits	40.891.147
1.2.8	Net increase (decrease) in loans borrowed	(3.585.317)
1.2.9	Net increase (decrease) in matured payables	-
1.2.10	Net increase (decrease) in other liabilities	13.615.061
I.	Net cash provided from banking operations	8.421.945
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES	
II.	Net cash provided from/ (used in) investing activities	(3.517.383)
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	(223.198)
2.4	Fixed assets sales	120.667
2.5	Cash paid for purchase of financial assets available for sale	(6.296.063)
2.6	Cash obtained from sale of financial assets available for sale	5.070.374
2.7	Cash paid for purchase of investment securities	(2.498.541)
2.8	Cash obtained from sale of investment securities	329.725
2.9	Other	(14.109)
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net cash used in financing activities	(1.607.411)
3.1	Cash obtained from loans borrowed and securities issued	5.590.284
3.2	Cash used for repayment of loans borrowed and securities issued	(6.941.790)
3.3	Bonds issued	-
3.4	Dividends paid	(255.827)
3.5	Payments for finance leases	(78)
3.6	Other	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	84.485
V.	Net increase / (decrease) in cash and cash equivalents	3.381.636
VI.	Cash and cash equivalents at beginning of the period	14.388.793
VII.	Cash and cash equivalents at end of the period	17.770.429

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

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

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

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

Additional paragraph for convenience translation to English

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

Disclosures of TFRS 9 Financial Instruments Standard:

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

I. EXPLANATIONS ON BASIS OF PRESENTATION (continued)

Disclosures of IFRS 9 Financial Instruments Standard (continued):

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

Classification and measurement of financial assets:

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

Impairment of financial assets:

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

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

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

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

TFRS 15 Revenue From Contracts with Customers

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

New Standards not effective as of 1 January 2018

TFRS 16 Leases

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

a) The Bank's strategy on financial instruments:

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

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

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

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

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

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

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

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

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE 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. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS (continued)

Explanations related to credit derivatives and its risk exposures:

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

IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

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

V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

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

VI. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

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

Assesment of Business Model

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

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

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

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

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

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

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

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

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

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

3. Other Business Models:

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Measurement Categories of Financial Assets and Liabilities

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

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

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

1. Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

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

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

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

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Cash Equivalents and Banks

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

Loans and Receivables

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

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

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

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

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

Associates and subsidiaries:

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

Reclassification of Financial Assets in accordance with TFRS 9

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Effects on Equity with TFRS 9 Transition

The Bank reflected the classification, measurement and impairment requirements to opening equity without restating previous period financial statements. In this respect, TRY 291.685 arising between the provision for impairments of the previous period of the Bank and the provision for the loan losses that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as “Prior Period Profit or Loss”.

Deferred tax on previously booked general provisions (formerly general provisions now allocated for TFRS 9 expected loss provisions for the loans under first and second stages), is accounted for the first time as of 1 January 2018. Accordingly, deferred tax assets amounting to TRY 412.849 have been booked to the opening financial statements of 1 January 2018 and the related amount has been classified under “Prior Period Profit or Loss” under equity.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

Calculation of expected credit losses

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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 IMPAIRMENT OF FINANCIAL ASSETS (continued)

Probability of Default (PD):

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

Loss given Default (LGD):

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

Exposure at Default (EAD)

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

12 Month Probability of Default

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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 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 Article 90 of the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches assumes that debt defaulted if at least one of the following two conditions occurs.

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

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

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

Low Credit Risk

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

According to Article 5.5.10 of TFRS 9, if the entity determines that a financial instrument has a low credit risk as of the reporting date, it assumes that the credit risk on the financial instrument has not increased significantly following its initial recognition in the financial statement. Those transactions in the Bank are classified as follows:

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

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

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

d) Loans guaranteed by Treasury of Republic of Turkey

The Rules of Significant Increase in Credit Risk

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

VIII. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

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

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

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

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

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

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

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

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

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

Classification of Investment Properties:

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

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

XIII. EXPLANATIONS ON INVESTMENT PROPERTIES

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

XVI. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

XVII. EXPLANATIONS ON TAXATION

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

XVIII. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

XIX. EXPLANATIONS ON SHARES ISSUED

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

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

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

XX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXII. EXPLANATIONS ON SEGMENT REPORTING

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

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

1. Financial assets at fair value through profit and loss

1.1. Financial assets held for trading

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

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

1.2. Financial assets at fair value through profit and loss

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

2. Investments held to maturity

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

3. Financial assets available for sale

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

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

4. Loans and receivables

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

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

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

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

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

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

Explanations on Impairment of Financial Assets

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED 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)

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

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

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

XXIV. EXPLANATIONS ON OTHER MATTERS

None.

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

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

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

I. EXPLANATIONS ON CAPITAL

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 14,86% (31 December 2017: 14,18%) and the equity amount is calculated as TRY 36.889.583 (31 December 2017: TRY 28.481.912).

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items:

Current Period	Amount	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	20.475.353	
Other Comprehensive Income according to TAS	2.700.521	
Profit	2.909.782	
Current Period Profit	2.205.248	
Prior Period Profit	704.534	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	8.711	
Common Equity Tier 1 Capital Before Deductions	28.564.818	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	12.003	
Leasehold Improvements on Operational Leases (-)	58.380	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	99.094	99.094
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier 1 Capital	169.477	
Total Common Equity Tier 1 Capital	28.395.341	

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
Items to be Deducted from Tier I Capital during the Transition Period	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions From Additional Tier I Capital	-
Total Additional Tier I Capital	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	28.395.341
TIER II CAPITAL	
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)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.574.935
Tier II Capital Before Deductions	8.504.730
Deductions From Tier II Capital	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	8.504.730
Total Equity (Total Tier I and Tier II Capital)	36.900.071
Deductions from Total Capital	
Deductions from Total Capital	36.889.583
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be defined by the BRSA (-)	10.478

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital	36.889.583
Total Risk Weighted Assets	248.258.550
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	11,44
Tier I Capital Ratio (%)	11,44
Capital Adequacy Ratio (%)	14,86
BUFFERS	
Bank-specific total CET1 Capital Ratio (a+b+c)	1,889
a) Capital Conservation Buffer Ratio (%)	1,875
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,014
c) Systemic significant bank buffer ratio (%) **	0,000
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,438
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	119.772
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	493.026
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.481.192
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.574.935
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.574.935
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
(effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

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

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
Items to be Deducted from Tier I Capital during the Transition Period	22.737
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	22.737
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	25.207.268
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1.000.000
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.288.701
Total Deductions from Tier II Capital	3.288.701
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	3.288.701
Total Equity (Total Tier I and Tier II Capital)	28.495.969
Total Tier I Capital and Tier II Capital (Total Equity)	28.481.912
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	10
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-
Other items to be Defined by the BRSA (-)	14.047

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	28.481.912
Total Risk Weighted Assets	200.865.817
CAPITAL ADEQUACY RATIOS	
CET1 Capital Ratio (%)	12,56
Tier I Capital Ratio (%)	12,55
Capital Adequacy Ratio (%)	14,18
BUFFERS	
Bank-specific total CET1 Capital Ratio	6,262
Capital Conservation Buffer Ratio (%)	1,25
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,012
Systemic Bank Buffer Ratio (%)	0,500
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	6,180
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	57.414
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	326.472
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	230.261
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.288.701
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.288.701
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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

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

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

I. EXPLANATIONS ON CAPITAL (continued)

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

Details on Subordinated Liabilities:			
Issuer	T. Halk Bankası A.Ş.	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
Regulatory treatment			
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	-	-	-
Coupons / dividends			
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	-	-	-
Convertible or non-convertible			
If convertible, conversion trigger (s)	-	-	-
If convertible, fully or partially	-	-	-
If convertible, conversion rate	-	-	-
If convertible, mandatory or optional conversion	-	-	-
If convertible, specify instrument type convertible into	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-

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

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

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

I. EXPLANATIONS ON CAPITAL (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 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	6,250000	6,130000	6,180000	6,070000	5,950000	6,000000
CHF	6,516600	6,371500	6,396200	6,254500	6,094300	6,128000
GBP	8,167400	8,038800	8,125600	7,983100	7,795600	7,793400
JPY	0,0554549	0,0543588	0,0546759	0,0536409	0,0525085	0,0527376
EUR	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 Bank for the thirty days before 30 September 2018 are as follows:

	Buying rate of exchange
USD	6,2995000
CHF	6,4980100
GBP	8,2122450
JPY	0,0561600
EUR	7,3481650

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

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

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

II. EXPLANATIONS ON CURRENCY RISK (continued)

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	8.318.787	8.704.874	6.476.177	23.499.838
Banks	1.367.856	2.771.652	310.444	4.449.952
Financial assets at fair value through profit and loss ⁽³⁾	55	33.482	152	33.689
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income	593.842	121.908	-	715.750
Loans ⁽²⁾	49.105.077	48.781.198	940.673	98.826.948
Subsidiaries, associates and entities under common control ⁽⁵⁾	479.888	-	1.253.606	1.733.494
Financial assets measured at amortised cost	-	12.435.720	-	12.435.720
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	145	145
Intangible assets	-	-	-	-
Other assets ⁽³⁾	493.186	2.920.849	6.766	3.420.801
Total assets	60.358.691	75.769.683	8.987.963	145.116.337
Liabilities				
Bank deposits	10.054.197	6.086.781	829.647	16.970.625
Foreign currency deposits	43.655.163	38.814.189	4.130.914	86.600.266
Money market balances	-	8.343.155	-	8.343.155
Funds provided from other financial institutions	8.661.643	9.688.905	13.020	18.363.568
Bonds issued	-	13.606.320	-	13.606.320
Sundry creditors	247.809	273.492	432	521.733
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	496.669	1.165.619	87.918	1.750.206
Total liabilities	63.115.481	77.978.461	5.061.931	146.155.873
Net balance sheet position	(2.756.790)	(2.208.778)	3.926.032	(1.039.536)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	2.401.700	1.997.039	(2.499.088)	1.899.651
Financial derivative assets ⁽⁴⁾	4.124.136	12.718.216	1.293.124	18.135.476
Financial derivative liabilities ⁽⁴⁾	1.722.436	10.721.177	3.792.212	16.235.825
Non-cash loans ⁽¹⁾	23.419.898	25.008.109	2.299.383	50.727.390
Prior period				
Total assets	40.389.094	57.961.241	6.047.695	104.398.030
Total liabilities	41.069.948	60.744.843	3.540.566	105.355.357
Net balance sheet position	(680.854)	(2.783.602)	2.507.129	(957.327)
Net off-balance sheet position				
Financial derivative assets	249.023	2.546.085	(2.001.930)	793.178
Financial derivative assets	1.071.425	5.978.381	1.242.307	8.292.113
Financial derivative liabilities	822.402	3.432.296	3.244.237	7.498.935
Non-cash loans ⁽¹⁾	12.468.340	16.381.903	1.462.430	30.312.673

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

⁽²⁾ Includes TRY 1.372.306 of foreign currency indexed loans and their accruals.

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", prepaid expenses (TRY 204) in assets; and shareholders' equity (TRY 223.467) in liabilities are not taken into consideration in the currency risk measurement.

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

⁽⁵⁾ Other foreign currency subsidiaries Halkbank A.D. Beograd (TRY 585.314) and Halk Banka AD Skopje (TRY 668.292), and Euro foreign currency associate Demir-Halk Bank NV (TRY 479.888) are included.

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

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

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

III. EXPLANATIONS ON INTEREST RATE RISK

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

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

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

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

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

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

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	15.428.946	-	-	-	-	14.373.133	29.802.079
Banks and financial institutions	4.471.601	-	2.000	-	-	2.059.817	6.533.418
Financial assets at fair value through profit and loss	51.067	7.990	23.632	34.807	33.359	14.979.483	15.130.338
Money market placements	1.217.240	-	-	-	-	2.434	1.219.674
Financial assets at fair value through other comprehensive income	106.035	555.540	747.461	943.042	117.458	161.218	2.630.754
Loans	38.220.085	43.283.460	89.865.500	70.936.006	15.154.357	5.543.002	263.002.410
Financial assets measured at amortised cost	894.611	18.730.810	2.584.641	11.931.716	21.412.584	-	55.554.362
Other assets	1.854.696	1.983	9.046	28.303	1.826	11.554.502	13.450.356
Total assets	62.244.281	62.579.783	93.232.280	83.873.874	36.719.584	48.673.589	387.323.391
Liabilities							
Bank deposits	17.093.789	1.507.671	146.053	-	-	11.654.649	30.402.162
Other deposits	137.035.458	23.502.726	12.200.908	540.915	2.032	35.542.320	208.824.359
Money market balances	48.064.548	1.504	2.417.985	-	-	221.154	50.705.191
Sundry creditors	2.523.671	-	-	-	-	2.044.643	4.568.314
Bonds issued	-	1.062.815	4.100.922	10.481.622	-	124.965	15.770.324
Funds provided from other financial institutions ⁽³⁾	2.366.554	4.375.377	7.479.918	3.155.575	1.267.090	205.057	18.849.571
Other liabilities ^{(1),(2)}	1.002.699	14.985.502	151.812	178.214	6.820.846	35.064.397	58.203.470
Total liabilities	208.086.719	45.435.595	26.497.598	14.356.326	8.089.968	84.857.185	387.323.391
Balance sheet long position	-	17.144.188	66.734.682	69.517.548	28.629.616	-	182.026.034
Balance sheet short position	(145.842.438)	-	-	-	-	(36.183.596)	(182.026.034)
Off-balance sheet long position	960.000	4.265.743	2.925.597	1.297.143	3.665.672	19.109.169	32.223.324
Off-balance sheet short position	(480.000)	(4.396.803)	(2.230.873)	(2.141.053)	(3.665.674)	(19.228.123)	(32.142.526)
Total position	(145.362.438)	17.013.128	67.429.406	68.673.638	28.629.614	(36.302.550)	80.798

⁽¹⁾ TRY 656.403 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

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

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

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

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

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	26.154.546	-	-	-	-	10.218.493	36.373.039
Banks and financial institutions	5.050.173	-	4.000	-	-	1.039.767	6.093.940
Financial assets at fair value through profit and loss	70.107	1.503	13.667	253	27	10.362.349	10.447.906
Money market placements	1.255.978	-	-	-	-	2.669	1.258.647
Financial assets available-for-sale	220.218	3.279.889	1.744.195	4.311.486	7.409.955	123.806	17.089.549
Loans	91.735.652	22.798.262	46.177.314	30.756.615	7.754.680	2.914.629	202.137.152
Held-to-maturity investments	255.657	8.649.762	1.495.694	4.442.939	6.883.117	-	21.727.169
Other assets ⁽⁴⁾	4.376	3.314	10.234	34.334	4.657	10.166.331	10.223.246
Total assets	124.746.707	34.732.730	49.445.104	39.545.627	22.052.436	34.828.044	305.350.648
Liabilities							
Bank deposits	13.009.651	2.077.415	198.569	-	-	3.865.737	19.151.372
Other deposits	98.453.291	36.086.448	13.653.224	282.997	2.565	25.597.172	174.075.697
Money market balances	33.517.186	1.046.179	-	-	-	44.619	34.607.984
Sundry creditors	1.668.238	-	-	-	-	1.889.108	3.557.346
Bonds issued	674.164	1.940.081	99.514	8.510.538	-	130.367	11.354.664
Funds provided from other financial institutions ⁽³⁾	735.425	5.585.548	7.336.160	2.147.154	1.087.198	126.633	17.018.118
Other liabilities ⁽¹⁾⁽²⁾	1.325.846	2.398.788	10.000.429	-	-	31.860.404	45.585.467
Total liabilities	149.383.801	49.134.459	31.287.896	10.940.689	1.089.763	63.514.040	305.350.648
Balance sheet long position	-	-	18.157.208	28.604.938	20.962.673	-	67.724.819
Balance sheet short position	(24.637.094)	(14.401.729)	-	-	-	(28.685.996)	(67.724.819)
Off-balance sheet long position	379.000	568.500	2.919.781	819.361	1.902.329	8.888.422	15.477.393
Off-balance sheet short position	-	(568.500)	(2.532.191)	(1.424.801)	(1.902.329)	(8.935.077)	(15.362.898)
Total position	(24.258.094)	(14.401.729)	18.544.798	27.999.498	20.962.673	(28.732.651)	114.495

⁽¹⁾ TRY 570.408 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

⁽⁴⁾ TRY 1.327.325 of net non-performing loans is disclosed under the non-bearing interest column in other assets.

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

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

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

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

2. Average interest rates applied to financial instruments:

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	1,50	-	13,00
Due from other banks and financial institutions ⁽¹⁾	0,19	1,75	-	24,09
Financial assets at fair value through profit and loss	0,25	7,27	-	12,28
Money market placements	-	-	-	24,00
Financial assets at fair value through other comprehensive income	4,64	7,14	-	18,25
Loans ⁽²⁾	5,08	7,20	1,40	17,71
Financial assets measured at amortised cost	-	5,61	-	11,74
Liabilities				
Bank deposits	2,81	4,88	0,10	13,36
Other deposits ⁽⁴⁾	2,20	4,63	0,25	20,13
Money market borrowings	-	3,60	-	23,98
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	20,74
Funds provided from other financial institutions	0,81	3,50	1,40	6,97

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

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

⁽³⁾ Declared maximum deposits interest rate with a maturity of twelve months as of 30 September 2018.

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

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

Prior Period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	1,25	-	4,00
Due from other banks and financial institutions ⁽¹⁾	0,08	1,41	-	13,25
Financial assets at fair value through profit and loss	1,10	1,86	-	9,17
Money market placements	-	-	-	12,75
Available-for-sale financial assets	4,65	5,46	-	15,15
Loans ⁽²⁾	4,79	6,42	0,84	13,12
Held-to-maturity investments	-	5,89	-	18,35
Liabilities				
Bank deposits	1,68	4,24	0,10	10,67
Other deposits ⁽⁴⁾	1,71	3,50	0,25	12,02
Money market borrowings	-	2,43	-	12,74
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	12,95
Funds provided from other financial institutions	0,83	2,97	0,84	6,95

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

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

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

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

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

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

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

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

IV. EXPLANATIONS ON THE POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Comparison		Market Value	Capital Requirements
	Balance Sheet Value	Fair Value Change		
Investment in Shares-Grade A	395.244	395.244	395.244	31.619
Quoted Securities ⁽¹⁾	395.244	395.244	395.244	31.619
Investment in Shares-Grade B	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares-Grade C	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares- Grade D ⁽²⁾	480.165	480.165	-	38.413
Other	3.869.048	3.852.493	-	368.687

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

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

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

Portfolio	Realized gains (losses) in the current period		Revaluation surplus in the fair value		Unrealized gains and losses	
	Total	Included in supplementary capital	Total	Included in total core capital	Included in supplementary capital	
1. Private equity investments	-	-	-	-	-	
2. Share certificates quoted on a stock exchange ^{(1) (2)}	-	233.836	233.836	-	-	
3. Other share certificates	-	1.197.856	1.197.856	-	-	
Total	-	1.431.692	1.431.692	-	-	

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

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

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

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

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

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Week	(%)	Related Week	(%)
Maximum	20.08.2018	182,9	23.07.2018	113,73
	26.08.2018		29.07.2018	
Minimum	24.09.2018	119,92	3.09.2018	90,03
	30.09.2018		9.09.2018	

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

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

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

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

Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			48.456.263	29.568.712
Cash Outflows				
Retail and Small Business Customers, of which;	114.574.264	43.952.357	10.166.033	4.395.236
Stable Deposits	25.827.875	-	1.291.394	-
Less Stable Deposits	88.746.389	43.952.357	8.874.639	4.395.236
Unsecured wholesale funding , of which;	101.003.315	51.911.295	44.180.779	23.023.546
Operational Deposits	20.298.052	9.997.211	5.074.513	2.499.303
Non-operational Deposits	73.249.966	37.600.948	33.089.139	17.356.224
Other Unsecured Funding	7.455.297	4.313.136	6.017.127	3.168.019
Secured Funding			-	-
Other cash outflows, of which;	7.780.041	5.077.657	3.636.915	2.739.735
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	183.424	820.824	183.424	820.824
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	7.596.617	4.256.833	3.453.491	1.918.911
Other revocable off-balance sheet commitments and contractual obligations.	83.386	320	83.386	320
Other irrevocable or conditionally revocable off-balance sheet Obligations	98.471.763	42.719.006	7.789.896	3.473.827
Total Cash Outflows			65.857.009	33.632.664
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	24.514.554	12.953.468	17.139.411	10.984.347
Other Cash Inflows	486.731	3.663.074	486.731	3.663.074
Total Cash Inflows	25.001.285	16.616.542	17.626.142	14.647.421
			Total Adjusted Value	
Total HQLA Stock			48.456.263	29.568.712
Total Net Cash Outflows			48.230.867	18.985.243
Liquidity Coverage Ratio (%)			100,51%	157,18%

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

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

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

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

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

	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
Prior Period				
High Quality Liquid Assets				
High Quality Liquid Assets			42.608.988	26.685.146
Cash Outflows				
Retail and Small Business Customers, of which;	91.173.619	34.600.675	7.950.079	3.460.068
Stable Deposits	23.345.656	-	1.167.283	-
Less Stable Deposits	67.827.963	34.600.675	6.782.796	3.460.068
Unsecured wholesale funding , of which;	77.605.222	36.568.784	42.389.795	21.631.394
Operational Deposits	1.213.026	18.620	303.257	4.655
Non-operational Deposits	70.411.775	33.102.269	37.023.049	18.907.154
Other Unsecured Funding	5.980.421	3.447.895	5.063.489	2.719.585
Secured Funding			-	-
Other cash outflows, of which;	5.377.746	3.152.691	2.468.276	1.635.734
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	45.403	392.995	45.403	392.995
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	5.332.343	2.759.696	2.422.873	1.242.739
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	76.855.216	28.709.981	5.963.044	2.296.340
Total Cash Outflows			58.771.194	29.023.536
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	27.242.440	14.370.514	20.306.320	13.051.159
Other Cash Inflows	-	-	-	-
Total Cash Inflows	27.242.440	14.370.514	20.306.320	13.051.159
			Total Adjusted Value	
Total HQLA Stock			42.608.988	26.685.146
Total Net Cash Outflows			38.464.874	15.972.377
Liquidity Coverage Ratio (%)			111,13%	171,91%

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

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

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

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

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

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

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

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	3.361.148	26.439.428	-	1.503	-	-	-	29.802.079
Banks	2.292.857	4.234.209	-	6.352	-	-	-	6.533.418
Financial assets at fair value through profit and loss	-	51.067	14.987.473	23.632	34.807	33.359	-	15.130.338
Money market placements	-	1.219.674	-	-	-	-	-	1.219.674
Financial assets at fair value through other comprehensive income	-	4	2.228	812.485	1.494.273	160.546	161.218	2.630.754
Loans ⁽²⁾	8.381.121	6.969.684	16.368.820	76.469.835	117.500.333	37.312.617	-	263.002.410
Financial assets at measured at amortised cost	-	27.632	609.420	2.250.335	22.991.118	29.675.857	-	55.554.362
Other assets ⁽²⁾	3.279	622.358	1.263.781	1.115.004	363.942	6.147	10.075.845	13.450.356
Total assets	14.038.405	39.564.056	33.231.722	80.679.146	142.384.473	67.188.526	10.237.063	387.323.391
Liabilities								
Bank deposits	11.520.245	17.219.249	1.515.202	147.466	-	-	-	30.402.162
Other deposits	33.779.198	138.182.299	23.871.534	12.440.968	548.328	2.032	-	208.824.359
Funds provided from other financial institutions ⁽³⁾	38	2.173.888	3.863.166	3.714.608	5.826.717	3.271.154	-	18.849.571
Money market balances	-	45.807.273	1.516	2.478.781	2.417.621	-	-	50.705.191
Bonds issued	-	1.062.814	1.147.312	3.078.576	10.481.622	-	-	15.770.324
Sundry creditors	13.663	1.838.042	114.802	534.093	1.819.863	5.629	242.222	4.568.314
Other liabilities ⁽¹⁾	102.367	2.434.224	15.635.878	1.555.704	342.701	8.072.693	30.059.903	58.203.470
Total liabilities	45.415.511	208.717.789	46.149.410	23.950.196	21.436.852	11.351.508	30.302.125	387.323.391
Liquidity gap	(31.377.106)	(169.153.733)	(12.917.688)	56.728.950	120.947.621	55.837.018	(20.065.062)	-
Net off balance sheet position	-	(124.393)	(209.504)	(301.393)	716.088	-	-	80.798
Derivative financial assets	-	11.060.681	4.470.848	4.731.045	4.629.404	7.331.346	-	32.223.324
Derivative financial liabilities	-	(11.185.074)	(4.680.352)	(5.032.438)	(3.913.316)	(7.331.346)	-	(32.142.526)
Non-cash loans	2.344.353	3.711.081	6.070.994	29.706.549	17.632.138	27.009.493	-	86.474.608
Prior Period								
Total Assets	5.149.058	53.158.727	13.867.852	73.329.452	104.264.045	46.619.908	8.961.606	305.350.648
Total Liabilities	28.397.362	150.468.979	44.118.006	35.517.499	14.790.779	5.774.906	26.283.117	305.350.648
Liquidity Gap	(23.248.304)	(97.310.252)	(30.250.154)	37.811.953	89.473.266	40.845.002	(17.321.511)	-
Net off balance sheet position	-	(29.806)	(20.208)	11.949	152.560	-	-	114.495
Derivative financial assets	-	5.298.182	1.371.077	2.606.753	2.396.724	3.804.657	-	15.477.393
Derivative financial liabilities	-	(5.327.988)	(1.391.285)	(2.594.804)	(2.244.164)	(3.804.657)	-	(15.362.898)
Non-cash loans	19.842.448	2.091.386	4.521.027	18.586.996	12.401.691	1.091.100	-	58.534.648

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

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

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

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

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

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

VI. EXPLANATIONS ON LEVERAGE RATIO

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

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance Sheet Items		
1.On-balance sheet items (excluding derivatives and SFTs, but including collateral)	383.497.224	299.192.752
2.Assets that are deducted from core capital	(156.827)	(157.786)
3.Total on balance sheet exposures	383.340.397	299.034.966
Derivative exposures and credit derivatives		
4.Replacement cost associated with derivative financial instruments and credit derivatives	1.376.830	445.528
5.The potential amount of credit risk with derivative financial instruments and credit derivatives	396.615	228.995
6.The total amount of risk on derivative financial instruments and credit derivatives	1.773.445	674.523
Investment securities or commodity collateral financing transactions		
7.The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.500.099	1.100.207
8.Risk amount of exchange brokerage operations	-	-
9.Total risks related with securities or commodity financing transactions	1.500.099	1.100.207
Off -Balance Sheet Items		
10.Gross notional amount of off-balance sheet items	109.697.895	85.128.086
11.Adjustments for conversion to credit equivalent amounts	-	-
12.The total risk of off-balance sheet items	109.697.895	85.128.086
Capital and Total Exposures		
13.Tier 1 Capital	28.147.291	24.481.121
14.Total Exposures	496.311.836	385.937.782
Leverage Ratio		
15.Leverage Ratio	5,67%	6,34%

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

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

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

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

VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

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

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

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.

Current Period (1 January - 30 September 2018)	Corporate	Commercial	SME/ Integrated	Treasury / Investment	Total
OPERATING INCOME / EXPENSES					
Interest income	2.726.718	3.706.088	14.145.808	4.299.433	24.878.047
<i>Interest on loans</i>	2.726.121	3.705.783	13.811.967	38.698	20.282.569
<i>Interest income on marketable securities</i>	-	-	314.722	3.753.340	4.068.062
<i>Interest received from banks</i>	-	-	6	376.414	376.420
<i>Other interest income</i>	597	305	19.113	130.981	150.996
Interest expense	1.638.736	910.022	10.129.411	6.073.306	18.751.475
<i>Interest on deposits</i>	1.635.125	880.930	9.870.194	1.218.947	13.605.196
<i>Interest on borrowings</i>	512	6.400	29.085	357.485	393.482
<i>Interest on money market borrowings</i>	-	-	137.099	3.453.176	3.590.275
<i>Interest on marketable bonds issued</i>	-	-	-	974.444	974.444
<i>Other interest expense</i>	3.099	22.692	93.033	69.254	188.078
Net interest income / (loss)	1.087.981	2.796.067	4.016.397	(1.773.873)	6.126.572
Net fees and commissions income	251.867	213.744	687.646	232.980	1.386.237
Net trading profit / (loss)	2.320	7.812	1.563.313	(1.612.707)	(39.262)
Dividend income	-	-	-	510.194	510.194
Other income	33.849	101.059	234.534	83.278	452.720
Expected credit loss	105.723	264.253	737.969	851.362	1.959.307
Other expenses	26.423	60.169	1.553.652	2.210.870	3.851.114
Income before taxes	1.243.871	2.794.260	4.210.269	(5.622.360)	2.626.040
Income tax provision	-	-	-	(420.792)	(420.792)
Net profit for the period	1.243.871	2.794.260	4.210.269	(6.043.152)	2.205.248

**SEGMENT ASSETS
(30 September 2018)**

Marketable securities	-	-	7.662.516	65.652.938	73.315.454
Derivative financial assets	-	-	74.488	1.424.237	1.498.725
Banks and money market receivables	-	-	4.567	7.748.525	7.753.092
Associates and subsidiaries (net)	-	-	-	4.727.902	4.727.902
Loans	46.966.058	55.721.586	157.375.030	2.939.736	263.002.410
Other assets ⁽¹⁾	88.023	678.869	2.967.531	33.291.385	37.025.808
TOTAL ASSETS	47.054.081	56.400.455	168.084.132	115.784.723	387.323.391

**SEGMENT LIABILITIES
(30 September 2018)**

Deposits	45.246.756	19.971.632	151.257.910	22.750.223	239.226.521
Derivative financial liabilities	-	-	24.360	1.046.707	1.071.067
Money market balances	-	-	4.920.624	45.784.567	50.705.191
Borrowing funding loans	17.607	319.393	1.261.333	17.251.238	18.849.571
Bonds issued	-	-	-	15.770.324	15.770.324
Other liabilities	513.955	486.941	7.333.145	22.091.029	30.425.070
Provisions and tax payable	91.176	123.583	328.917	2.437.469	2.981.145
Shareholders' equity	1.252.536	2.756.163	3.839.162	20.446.641	28.294.502
TOTAL LIABILITIES	47.122.030	23.657.712	168.965.451	147.578.198	387.323.391

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

Guarantees and sureties	25.785.621	22.546.568	22.871.010	15.271.409	86.474.608
Commitments	62.246	867.141	10.158.946	14.777.325	25.865.658
Derivative financial instruments	-	-	13.727.828	50.638.022	64.365.850

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

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

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

VII. EXPLANATIONS RELATED TO BUSINESS SEGMENTATION (continued)

Prior Period (1 January-30 September 2017)	Corporate	Commercial	SME/ Integrated	Treasury / Investment⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	1.552.129	2.321.141	9.531.064	2.945.471	16.349.805
<i>Interest on loans</i>	1.550.383	2.320.160	9.341.398	210.853	13.422.794
<i>Interest income on marketable securities</i>	-	-	179.242	2.469.275	2.648.517
<i>Interest received from banks</i>	-	-	1	149.848	149.849
<i>Other interest income</i>	1.746	981	10.423	115.495	128.645
Interest expense	1.213.040	489.621	5.696.932	3.187.253	10.586.846
<i>Interest on deposits</i>	1.212.506	461.978	5.564.370	601.880	7.840.734
<i>Interest on borrowings</i>	396	5.056	20.151	243.487	269.090
<i>Interest on money market borrowings</i>	-	-	46.729	1.779.864	1.826.593
<i>Interest on marketable bonds issued</i>	-	-	-	561.403	561.403
<i>Other interest expense⁽²⁾</i>	138	22.587	65.682	619	89.026
Net interest income	339.089	1.831.520	3.834.132	(241.782)	5.762.959
Net fees and commissions income	177.035	357.442	808.436	216.535	1.559.448
Net trading profit / (loss)	51	3.860	68.580	14.873	87.364
Dividend income	-	-	-	261.896	261.896
Other income	35.902	60.889	243.202	70.314	410.307
Impairment losses on loans and other receivables	11.589	345.802	453.469	239.251	1.050.111
Other expenses	23.034	51.222	1.337.865	1.873.882	3.286.003
Income before taxes	517.454	1.856.687	3.163.016	(1.791.297)	3.745.860
Income tax provision	-	-	-	(735.757)	(735.757)
Net profit for the period	517.454	1.856.687	3.163.016	(2.527.054)	3.010.103
SEGMENT ASSETS (31 December 2017)					
Marketable securities	-	-	5.489.437	43.413.266	48.902.703
Derivative financial assets held for trading	-	-	79.852	282.069	361.921
Banks and money market receivables	-	-	289	7.352.298	7.352.587
Associates and subsidiaries (net)	-	-	-	3.959.500	3.959.500
Loans	30.705.417	41.267.495	127.277.838	4.213.727	203.464.477
Other assets	90.690	264.257	1.885.260	39.069.253	41.309.460
TOTAL ASSETS	30.796.107	41.531.752	134.732.676	98.290.113	305.350.648
SEGMENT LIABILITIES (31 December 2017)					
Deposits	30.068.341	16.011.238	136.068.623	11.078.867	193.227.069
Derivative financial liabilities held for trading	-	-	46.160	104.362	150.522
Money market balances	-	-	4.140.748	30.467.236	34.607.984
Borrowing funding loans	9.973	233.252	954.275	15.820.618	17.018.118
Bonds issued	-	-	-	11.354.664	11.354.664
Other liabilities	286.437	379.543	6.336.644	11.964.753	18.967.377
Provisions and tax payable	57.741	88.335	252.213	4.249.886	4.648.175
Shareholders' equity	767.670	2.565.774	4.065.401	17.977.894	25.376.739
TOTAL LIABILITIES	31.190.162	19.278.142	151.864.064	103.018.280	305.350.648
OFF BALANCE SHEET ITEMS (31 December 2017)					
Guarantees and sureties	15.680.596	13.990.756	17.241.640	11.621.656	58.534.648
Commitments	63.996	878.037	10.134.667	12.918.994	23.995.694
Derivative financial instruments	-	-	6.914.990	23.925.301	30.840.291

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

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

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

VIII. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS

Explanations Related To Risk Management

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

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

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

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

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

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

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

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

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

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

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

Explanations Related To Risk Management (continued)

Overview of RWA (*):

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	224.498.126	182.074.573	17.959.850
2	Standardized approach (SA)	224.498.126	182.074.573	17.959.850
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	2.912.124	1.946.444	232.970
5	Standardized approach for counterparty credit risk (SA-CCR)	2.912.124	1.946.444	232.970
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach (*)	-	-	-
10	Investments made in collective investment companies - %1250 weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	3.447.925	3.230.950	275.834
17	Standardized approach (SA)	3.447.925	3.230.950	275.834
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	16.167.810	12.797.670	1.293.425
20	Basic Indicator Approach	16.167.810	12.797.670	1.293.425
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.232.565	816.180	98.605
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	248.258.550	200.865.817	19.860.684

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

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

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

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

	Current period	
	TRY	FC
Cash and foreign currency	956.209	2.054.385
CBRT	5.346.032	21.445.449
Other	-	4
Total	6.302.241	23.499.838

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

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

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

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

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

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

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

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

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TRY and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 1,5%-8% for TRY deposits and other liabilities between 4%-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 rate as of 21 September 2018.

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

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

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

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

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

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

With the decision No.1005 dated 14 August 2018 of the TRNC, reserve requirement ratio is between 4% and 7% for TRY liabilities and for foreign currency liabilities.

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

a) Financial assets at fair value through profit and loss blocked/given as collateral:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	14.906.615	-
Total	14.906.615	-

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

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

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

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

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

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

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

None.

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

	Current Period	
	TRY	FC
Forward transactions	-	284.309
Swap transactions	-	1.208.237
Futures transactions	-	-
Options	5.262	917
Other	-	-
Total	5.262	1.493.463

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

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

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

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period	
	TRY	FC
Banks		
Domestic banks	2.011.131	1.803.037
Foreign banks	72.335	2.646.915
Branches and offices abroad	-	-
Total	2.083.466	4.449.952
	Prior Period	
	TRY	FC
Banks		
Domestic banks	504.964	4.126.213
Foreign banks	75.554	1.387.209
Branches and offices abroad	-	-
Total	580.518	5.513.422

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

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

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

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	401.418	465.379
Total	401.418	465.379
	Prior Period	
	TRY	FC
Treasury bills, government bonds and similar securities	10.936.493	1.045.607
Total	10.936.493	1.045.607

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

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	41.667	-
Total	41.667	-

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

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

SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED 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):

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

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

a.3. Information on financial assets at fair value through other comprehensive income portfolio:

	Current Period
Debt securities	2.482.702
<i>Quoted on a stock exchange</i>	2.482.702
<i>Not quoted</i>	-
Share certificates	208.609
<i>Quoted on a stock exchange</i>	174.773
<i>Not quoted</i>	33.836
Impairment provision(-)	60.557
Total	2.630.754

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

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

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

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

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

(5) Information on loans:

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

	Current period	
	Cash loans	Non-Cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	321.673	-
Total	321.673	-
	Prior period	
	Cash loans	Cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	252.835	-
Total	252.835	-

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

Cash Loans	Loans and other receivables under close monitoring ⁽³⁾			
	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	199.888.702	8.515.662	35.848	6.421.075
<i>Corporation loans</i>	133.302.952	5.848.012	-	6.152.639
<i>Export loans</i>	13.130.504	262.797	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	2.149.065	1.500.000	-	-
<i>Consumer loans⁽¹⁾</i>	42.378.716	551.033	35.848	19.828
<i>Credit cards⁽²⁾</i>	5.146.961	121.135	-	55.760
<i>Other</i>	3.780.504	232.685	-	192.848
Specialized lending	43.234.340	860.277	-	204
Other receivables	-	-	-	-
Accruals	4.043.855	653.613	576	155.128
Total	247.166.897	10.029.552	36.424	6.576.407

⁽¹⁾ Includes TRY 246.538 personnel loans.

⁽²⁾ Includes TRY 75.135 personnel credit cards.

⁽³⁾ The Bank has a cash loan exposure of USD 160.040.606 related with the company operating in the telecommunication sector with a key position are classified under "Loans and Other Receivables Under Close Monitoring". All creditors have reached an agreement on restructuring the debts granted within the context of the existing loan agreements. As per the agreed structure, it is contemplated that the telecommunication company's shares owned by the mentioned company, representing 55% of its issued share capital, which have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Republic of Turkey, and owned by directly or indirectly by the creditors. Completion of the transaction is subject to an agreement to be reached on the contracts of the loan to be restructured with the new company, completion of the necessary institutional, administrative and all kinds of approvals and permits, and fulfilling requisite conditions based on the contracts.

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

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

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

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

(5) Information on loans (continued):

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

	Standard Loans	Loans and Other Receivables Under Close Monitoring
12 Month Expected Credit Losses	1.132.254	-
Significant Increase in Credit Risk	-	1.204.356

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.

Number of modifications made to extend payment plan	Standard Loans and Other Receivables ⁽¹⁾	Loans and Other Receivables Under Close Monitoring ⁽²⁾
Extended by 1 or 2 times	1.450.951	6.367.838
Extended by 3,4 or 5 times	26.060	24.438
Extended by more than 5 times	870	64.851

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

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

Extended period of time	Standard Loans and Other Receivables ⁽¹⁾	Loans and Other Receivables Under Close Monitoring ⁽²⁾
0-6 Months	139.286	606.399
6 Months - 12 Months	38.694	350.992
1-2 Years	175.335	580.148
2-5 Years	527.827	1.890.647
5 Years and over	596.739	3.028.941

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

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

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

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

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

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

(5) Information on loans (continued):

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

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	3.422.586	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	194	-	194
<i>Installment</i>	-	-	-
<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	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	75.060	-	75.060
<i>Installment</i>	25.662	-	25.662
<i>Non-installment</i>	49.398	-	49.398
Personnel credit cards-FC	75	-	75
<i>Installment</i>	-	-	-
<i>Non-installment</i>	75	-	75
Overdraft accounts-TRY (Retail customers)	1.072.866	-	1.072.866
Overdraft accounts-FC (Retail customers)	-	-	-
Total	5.018.136	41.466.700	46.484.836

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

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

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

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

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

(5) Information on loans (continued):

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

Prior Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	406.948	36.405.136	36.812.084
<i>Real estate loans</i>	10.525	20.856.426	20.866.951
<i>Automobile loans</i>	4.950	275.611	280.561
<i>Consumer loans</i>	391.473	15.273.099	15.664.572
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	2.931.375	1.900	2.933.275
<i>Installment</i>	1.197.690	-	1.197.690
<i>Non-installment</i>	1.733.685	1.900	1.735.585
Individual credit cards-FC	291	-	291
<i>Installment</i>	-	-	-
<i>Non-installment</i>	291	-	291
Personnel loans-TRY	11.167	179.270	190.437
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	11.167	179.270	190.437
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	62.366	-	62.366
<i>Installment</i>	20.308	-	20.308
<i>Non-installment</i>	42.058	-	42.058
Personnel credit cards-FC	32	-	32
<i>Installment</i>	-	-	-
<i>Non-installment</i>	32	-	32
Overdraft accounts-TRY (Retail customers)	953.999	-	953.999
Overdraft accounts-FC (Retail customers)	-	-	-
Total	4.366.178	36.586.306	40.952.484

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

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

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

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

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

(5) Information on loans (continued):

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

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.011.662	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	-	-	-
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	224.898	18.322.695	18.547.593
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	224.898	18.322.695	18.547.593
<i>Other</i>	-	-	-
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	-	101
<i>Installment</i>	-	-	-
<i>Non-installment</i>	101	-	101
Overdraft accounts-TRY (Commercial customers)	2.201.129	-	2.201.129
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	5.262.134	46.439.992	51.702.126

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

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

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

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

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

(5) Information on loans (continued):

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

Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	835.787	26.928.317	27.764.104
<i>Business premises loans</i>	-	681.102	681.102
<i>Automobile loans</i>	8.417	393.974	402.391
<i>Consumer loans</i>	827.370	25.853.241	26.680.611
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	14.226	9.695.831	9.710.057
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	14.226	9.695.831	9.710.057
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.258.098	-	1.258.098
<i>Installment</i>	529.167	-	529.167
<i>Non-installment</i>	728.931	-	728.931
Corporate credit cards-FC	25	-	25
<i>Installment</i>	-	-	-
<i>Non-installment</i>	25	-	25
Overdraft accounts-TRY (Commercial customers)	1.239.335	-	1.239.335
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	3.347.471	36.624.148	39.971.619

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

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

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

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

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

(5) Information on loans (continued):

e) Domestic and foreign loans:

	Current Period
Domestic loans	261.429.068
Foreign loans	2.380.212
Total	263.809.280

	Prior Period
Domestic loans	200.506.312
Foreign loans	1.630.840
Total	202.137.152

f) Loans granted to subsidiaries and associates:

	Current Period
Direct loans granted to subsidiaries and associates	1.382.081
Indirect loans granted to subsidiaries and associates	-
Total	1.382.081

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

g) Credit-impaired losses (Stage III):

	Current Period
Loans and receivables with limited collectability	413.967
Loans and receivables with doubtful collectability	411.859
Uncollectible loans and receivables	4.819.322
Total	5.645.148

	Prior Period
Specific provisions	
Loans and receivables with limited collectability	342.250
Loans and receivables with doubtful collectability	471.850
Uncollectible loans and receivables	3.965.172
Total	4.779.272

The reasons of increase in the expected loss provision for the 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.

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

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

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

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

(5) Information on loans (continued):

h) Information on non-performing loans:

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Gross amounts before the specific provisions	29.963	41.910	1.193.733
Rescheduled loans and other receivables	29.963	41.910	1.193.733
Prior period			
Gross amounts before the specific provisions	38.728	44.727	1.188.583
Rescheduled loans and other receivables	38.728	44.727	1.188.583

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period end balance	612.816	733.233	4.760.548
Additions (+)	1.796.269	32.556	84.460
Transfers from other categories of loans under follow-up (+)	-	1.250.624	1.148.285
Transfers to other categories of loans under follow-up (-)	1.286.036	1.112.873	-
Collections (-)	265.596	138.984	440.414
Write-offs (-)	-	-	-
Sold (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Current period end balance	857.453	764.556	5.552.879
Provision (-)	413.967	411.859	4.819.322
Net balance on balance sheet	443.486	352.697	733.557

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

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

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

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

(5) Information on loans (continued):

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	116.566	147.310	1.966.585
Provisions(-)	60.620	82.573	1.784.969
Net balance in the balance sheet	55.946	64.737	181.616

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period			
Balance at the end of the period	121.484	174.975	1.784.567
Provisions(-)	82.490	139.302	1.148.778
Net balance in the balance sheet	38.994	35.673	635.789

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	443.486	352.697	733.557
Loans to granted real persons and legal entities (Gross)	856.760	763.065	5.480.774
Provisions (-)	413.274	410.368	4.747.217
Loans to granted real persons and legal entities (Net)	443.486	352.697	733.557
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	693	1.491	72.105
Provisions (-)	693	1.491	72.105
Other loans and receivables (Net)	-	-	-
Prior period (Net)	270.566	261.383	795.376
Loans to granted real persons and legal entities (Gross)	611.987	732.308	4.690.496
Specific provisions (-)	341.421	470.925	3.895.120
Loans to granted real persons and legal entities (Net)	270.566	261.383	795.376
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	829	925	70.052
Specific provisions (-)	829	925	70.052
Other loans and receivables (Net)	-	-	-

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

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

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

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

(5) Information on loans (continued):

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

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	44.400	38.467	227
Interest Accruals and Valuation Differences	87.381	84.049	456
Provision (-)	42.981	45.582	229

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

- j) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

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

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

- k) Explanations on write-off policy:

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

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

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

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

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

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

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

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

	Current Period	
	TRY	FC
Bond	-	-
Government bonds and similar securities	37.666.643	4.603.423
Total	37.666.643	4.603.423

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

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

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar	1.031.922	7.639.233
Total	1.031.922	7.639.233

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

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

	Current Period
Government bonds	42.987.697
Treasury bills	115.450
Other public sector debt securities	12.451.215
Total	55.554.362

Information on public sector debt investments:

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

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

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

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

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

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

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

	Current Period
Debt securities	55.554.362
<i>Quoted on a stock exchange</i>	55.554.362
<i>Not quoted</i>	-
Impairment provision (-)	-
Total	55.554.362

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

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

	Current Period
Beginning balance	21.727.169
Foreign currency differences on monetary assets	3.470.263
Purchases during the year ⁽¹⁾⁽²⁾	33.528.643
Disposals through sales and redemptions	(3.171.713)
Impairment provision (-) / provision reversal (+)	-
Balance at the end of the period	55.554.362

⁽¹⁾ Interest income accrual differences between 30 September 2018 amounting to TRY 5.442.406 and 31 December 2017 amounting to TRY 2.894.918 has been included in purchases row.

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

Movement of held-to-maturity investments within the year:

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

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

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

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

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

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

(7) Information on associates (Net):

a) Information on associates:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽³⁾
1.	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.	291.183	176.342	151.912	1.487	-	30.092	31.738	-
4.	103.597	66.974	47.322	3.996	-	17.880	6.983	-
5.	52.398	13.735	480	795	-	5.249	819	-

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

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

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

c) Movement of associates:

	Current Period
Balance at the beginning of the period	332.792
Movements during the period	169.586
<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>	166.179
<i>Impairment Provisions (-) / Reversals</i>	-
Balance at the end of the period	502.378
Capital commitments	-
Share percentage at the end of the period (%)	-

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

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

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

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

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

c) Movement of associates (continued):

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

d) Sectorial information and related carrying amounts of associates:

	Current Period
Banks	479.888
Insurance companies	1.620
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	9.352
	Prior Period
Banks	313.709
Insurance companies	1.245
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	6.320

e) Associates quoted on a stock exchange:

None.

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

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

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

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

(8) Information on subsidiaries (Net):

a) Information on subsidiaries⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Bank A.D., Skopje	Halk Factoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
CORE CAPITAL										
Paid in Capital	104.000	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	-
Profit / Loss	35.958	(66.907)	243.266	71.396	55.473	7.393	56.007	20.342	15.191	353
<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	-
Total Core Capital	160.736	233.101	745.291	1.053.767	391.103	35.529	691.414	125.613	604.237	453
SUPPLEMENTARY CAPITAL	-	-	-	-	-	-	18.113	-	7.428	-
CAPITAL	160.736	233.101	745.291	1.053.767	391.103	35.529	709.527	125.613	611.665	453
NET AVAILABLE CAPITAL	160.736	233.101	745.291	1.053.767	391.103	35.529	709.527	125.613	611.665	453

⁽¹⁾ The information is presented from companies' financial statements as of 30 September 2018.

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

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

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

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

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

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

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

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

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

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

b) Information on subsidiaries:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
1.	969.241	161.956	3.373	86.756	2.431	35.958	18.716	193.371
2.	2.189.764	234.739	4.818	156.275	23.854	70.526	21.254	480.165
3.	1.312.198	729.259	3.412	143.024	23.551	221.263	168.275	1.212.842
4.	1.374.911	1.029.832	636.792	5.080	-	71.396	33.665	395.244
5.	3.756.490	392.293	1.853	215.916	-	42.507	61.246	474.507
6.	37.366	35.510	460	4.009	134	6.964	6.368	39.828
7.	4.949.832	704.706	91.856	117.923	10.508	36.609	24.663	668.292
8.	1.570.666	126.447	1.165	226.254	-	29.795	23.005	123.683
9.	58.024	39.485	8.234	3.180	461	7.022	6.679	52.178
10.	2.958.109	618.960	57.663	65.127	8.331	12.911	8.777	585.314
11.	547.683	453	-	-	-	344	-	100

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

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

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

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

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

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

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

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

d) Movement of the subsidiaries:

	Current Period
Balance at the beginning of the period	3.626.708
Movements during the period	598.816
<i>Purchase⁽¹⁾⁽²⁾⁽³⁾</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/Decrease</i>	221.247
<i>Impairment Provisions (-)/ Reversals</i>	(198.673)
Balance at the end of the period	4.225.524
Capital commitments	-
Share percentage at the end of the period (%)	-

⁽¹⁾ Between 1 January – 30 September 2018, The Bank paid TRY 202.659 for 0,10% shares of Halkbank A.D. Beograd, and increased its shares to 99,99%.

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

⁽³⁾ In the period of 30 September 2018, The Bank paid TRY 53.508 for shares of Halk Sigorta A.Ş.

	Prior Period
Balance at the beginning of the period	2.877.824
Movements during the period	748.884
<i>Purchase⁽¹⁾</i>	14.994
<i>Bonus shares obtained profit from current year's share</i>	230.201
<i>Dividends from current year income</i>	-
<i>Sales</i>	-
<i>Transfer</i>	-
<i>Revaluation Increase/Decrease</i>	476.127
<i>Impairment Provisions (-)/ Reversals</i>	27.562
Balance at the end of the period	3.626.708
Capital commitments	-
Share percentage at the end of the period (%)	-

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

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

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

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

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

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

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

	Current Period
Banks	1.253.606
Insurance companies	1.693.007
Factoring companies	123.683
Leasing companies	474.506
Financing companies	-
Other financial subsidiaries	628.544
Other non-financial subsidiaries	52.178

	Prior Period
Banks	536.971
Insurance companies	1.639.499
Factoring companies	123.683
Leasing companies	474.506
Financing companies	-
Other financial subsidiaries	799.871
Other non-financial subsidiaries	52.178

f) Subsidiaries quoted in the stock exchange:

	Current Period
Quoted to domestic stock ^{(1), (2)}	875.409
Quoted foreign stock exchange	-

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

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

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

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

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

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

None.

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

None.

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

None.

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

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

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

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

(12) Information on investment property:

	Current Period	Prior Period
Cost:		
Opening Balance	430.845	430.059
Acquisitions	714	786
Transfer	-	-
Disposals	-	-
Impairment Charge/Cancellation	-	-
Ending Balance	431.559	430.845
Accumulated Depreciation (-)		
Opening Balance	72.271	66.738
Amortization Charge	2.416	5.533
Transfer	-	-
Disposals	-	-
Impairment Provisions	-	-
Total Accumulated Depreciation (-)	74.687	72.271
Net Book Value	356.872	358.574

(13) Information on tax assets:

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

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

None.

(15) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 3.760.298 and does not exceed 10% of the balance sheet total (31 December 2017: TRY 1.928.383).

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

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

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

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

a) For deposit / funds collected:

Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	7.694.714	-	2.657.885	47.054.202	1.526.996	722.134	489.898	100.453	60.246.282
Foreign currency deposits	13.714.988	-	5.445.679	49.712.943	4.359.314	3.262.984	6.758.091	13.812	83.267.811
<i>Residents in Turkey</i>	<i>11.541.658</i>	-	<i>4.281.735</i>	<i>45.909.938</i>	<i>4.097.735</i>	<i>2.620.561</i>	<i>4.009.257</i>	<i>13.257</i>	<i>72.474.141</i>
<i>Residents abroad</i>	<i>2.173.330</i>	-	<i>1.163.944</i>	<i>3.803.005</i>	<i>261.579</i>	<i>642.423</i>	<i>2.748.834</i>	<i>555</i>	<i>10.793.670</i>
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	5.757.178	-	6.208.369	20.855.097	1.986.813	1.626.232	137.178	-	36.570.867
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	11.520.245	-	3.711.735	12.685.019	2.177.632	4.258	303.273	-	30.402.162
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	<i>106.318</i>	-	<i>1.073.357</i>	<i>6.272.761</i>	<i>19.991</i>	<i>4.258</i>	-	-	<i>7.476.685</i>
<i>Foreign banks</i>	<i>11.401.776</i>	-	<i>2.037.615</i>	<i>6.231.052</i>	<i>1.795.575</i>	-	<i>303.273</i>	-	<i>21.769.291</i>
<i>Participation banks</i>	<i>12.151</i>	-	<i>600.763</i>	<i>181.206</i>	<i>362.066</i>	-	-	-	<i>1.156.186</i>
Total	45.299.443	-	21.070.184	141.739.322	11.808.960	11.221.307	7.973.040	114.265	239.226.521

Prior period:

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

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

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

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee	Exceeding the insurance limit
	insurance	
	Current Period	Current Period
Saving deposits	29.396.159	30.611.530
Foreign currency saving deposits	10.555.219	30.776.686
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	8.155.310	19.353.149
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	211.478	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

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

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

	Current Period
Foreign branches' saving deposits and other accounts	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	3.176
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	-

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

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

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

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

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

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

	Prior Period
Foreign branches' saving deposits and other accounts	143.237
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	2.517
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-

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

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

	Current Period	
	TRY	FC
Forward transactions	-	359.224
Swap transactions	-	677.016
Future transactions	-	-
Options	5.902	28.925
Other	-	-
Total	5.902	1.065.165

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

(3) Information on funds borrowed:

a) Information on Banks and other financial instruments:

	Current Period	
	TRY	FC
Funds borrowed from CBRT	-	-
Domestic banks and institutions	328.493	1.921.921
Foreign banks, institutions and funds	157.510	16.441.647
Total	486.003	18.363.568

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

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

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

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

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

(3) Information on funds borrowed:

b) Maturity structure of funds borrowed:

	Current Period	
	TRY	FC
Short-term	328.107	3.413.830
Medium and long-term	157.896	14.949.738
Total	486.003	18.363.568

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

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

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

Main liability of the Bank is deposits, which is composed of 25,18% of saving deposits and 34,81% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets. The Bank can borrow loans from overseas institutions especially to be used in the financing of consumer loans. There are funds obtained from the Ministry of Industry and Trade especially for constructing small industrial estates and organized industrial estates.

The Bank's 55,82% of bank deposits and 41,47% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued:

	Current Period	
	TRY	FC
Bonds	2.164.004	-
Treasury Bills	-	13.606.320
Total	2.164.004	13.606.320

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

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

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

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

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

(5) Explanations to the funds:

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

Maturity structure of funds:

Current Period	
Short Term	Long Term
1.061	2.786.114

Prior Period	
Short Term	Long Term
1.213	2.723.421

(6) Information on other liabilities:

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

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

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

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

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

- a) Explanation on finance lease payables:

None.

- c) Explanations regarding operational leases:

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

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

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

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

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

(8) Information on derivative financial liabilities for hedging purposes:
None.

(9) Explanations on provisions:

a) Information on general provisions:

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

	Prior Period
General provision	2.288.701
Provisions for first group loans and receivables	2.057.879
Provisions for second group loans and receivables	100.590
Provisions for non-cash loans	130.232
Other	-

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

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

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

As of 30 September 2018, the Bank's specific provision for unindemnified non-cash loans balance is TRY 180.311 (31 December 2017: TRY 122.876).

d) Information on other provisions:

Total other provision balance amounting to TRY 711.344 (31 December 2017: TRY 324.167) consists of TRY 180.311 (31 December 2017: TRY 122.876) for specific provisions of unindemnified and unfunded non cash loans, TRY 204.879 for expected loss amount of non-cash loans, TRY 97.681 (31 December 2017: TRY 107.231) for legal cases filed against the Bank, TRY 150.000 (31 December 2017: None) general provision for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions and TRY 78.473 (31 December 2017: TRY 94.060) of other provisions.

e) Liabilities for employee benefits:

As of 30 September 2018, unused vacation accruals are TRY 97.785, personnel dividend provision is TRY 129.633, severance indemnity provision for Bank personnel is TRY 521.188 and severance indemnity provision for outsourcing firms is TRY 21.240 (31 December 2017: TRY 157.035 for unused vacation accruals; TRY 461.909 for severance indemnity provision for Bank personnel; TRY 17.483 for severance indemnity provision for outsources; TRY 199.665 for personnel dividend provision)

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

f) Liabilities arising from retirement benefits:

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.

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

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

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

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

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

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 September 2018, the Bank's current tax asset is amounting to TRY 9.268.

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

a.2. Information on taxes payable:

	Current Period
Corporate tax payable	-
Income on securities tax	631.954
Property income tax	1.837
Banking and insurance transactions tax (BITT)	140.418
Foreign exchange transactions tax	18
Value added tax payable	-
Other	34.794
Total	809.021

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

a.3. Information on premiums:

	Current Period
Social insurance premiums-employee	19
Social insurance premiums-employer	24
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	-
Unemployment insurance-employer	-
Other	3.014
Total	34.531

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

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

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

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

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

a.3. Information on premiums (continued):

	Prior Period
Social insurance premiums-employee	18
Social insurance premiums-employer	21
Bank social aid pension fund premium-employee	9.221
Bank social aid pension fund premium-employer	12.800
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	-
Unemployment insurance-employer	-
Other	2.120
Total	24.180

b) Information deferred tax liability:

	Current Period
Deferred Tax (Asset) /Liability	
Provisions ⁽¹⁾	770.244
Revaluation of Financial Assets	(1.907.344)
Other	480.697
Deferred Tax (Asset) /Liability:	(656.403)
Deferred tax accounted in shareholders' equity	(134.259)
Fair value through other comprehensive income arising from securities	4.157
Actuarial gains and losses	2.566
Valuation of subsidiaries	-
Property revaluation	(140.982)

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

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

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

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

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

b) Information on deferred tax liability (continued):

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

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

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

None.

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

	Current Period	
	TRY	FC
Information on Subordinated Loans		
To be included in the calculation of additional capital borrowings instruments	-	-
Subordinated loans	-	-
Subordinated debt instruments	-	-
Debt instruments to be included in contribution capital calculation	6.025.375	-
Subordinated loans	-	-
Subordinated debt instruments	6.025.375	-
Total	6.025.375	-

* Detailed information is given in Section 4, footnote I.

	Prior Period	
	TRY	FC
Subordinated debts		
Domestic Banks	-	-
Other Domestic Institutions	1.004.385	-
Foreign Banks	-	-
Other Foreign Institutions	-	-
Total	1.004.385	-

(13) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

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

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

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

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

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

- b) Application of registered capital system and registered capital ceiling amount:
There is an application of registered capital system and registered capital ceiling amount is TRY 7.500.000.
- c) Information on share capital increases and their sources; other information on increased capital shares in the current period:
None.
- d) Information on additions from capital reserves to capital in the current period:
None.
- e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:
None.
- f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:
The Bank has sustainable profitability and equity structure. There are no uncertainties that would impact the current position.
- g) Information on preferred shares:
None.
- h) Information on marketable securities revaluation fund:

	Current Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.010.861	420.831
Valuation differences	1.010.861	420.831
Exchange rate difference	-	-
Financial assets at fair value through other comprehensive income	(65.191)	(197.364)
Valuation differences	(65.191)	(197.364)
Exchange rate difference	-	-
Total	945.670	223.467

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

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

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

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period
Commitments for credit card expenditure limits	12.224.944
Payment commitments for cheques	2.890.985
Loan granting commitments	5.043.434
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	3.758.837
Total	25.559.891

Types of irrevocable commitments	Prior Period
Commitments for credit card expenditure limits	11.562.109
Payment commitments for cheques	3.269.281
Loan granting commitments	4.646.052
Two days forward foreign exchange buy/sell transactions	910.451
Commitments for credit cards and banking services promotions	32.736
Tax and fund liabilities from export commitments	38.072
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.536.993
Total	23.995.694

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

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

	Current Period
Letters of credit	4.225.009
Bank acceptances	6.857.838
Other guarantees	2.081.125
Total	13.163.972

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

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

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

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

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

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

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

	Current Period
Letters of certain guarantees	19.112.019
Letters of advance guarantees	7.561.903
Letters of tentative guarantees	851.455
Letters of guarantee given to customs offices	1.633.875
Other letters of guarantee	44.151.384
Total	73.310.636

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

c) Total non-cash loans:

	Current Period
Non-cash loans for providing cash loans	5.931.710
<i>Within one year or less original maturity</i>	1.063.698
<i>Within more than one year maturity</i>	4.868.012
Other non-cash loans	80.542.898
Total	86.474.608

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

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

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

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

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	5.407.634	221.325
Medium and long term loans	10.998.873	3.534.371
Interest on non-performing loans	120.366	-
Premiums from resource utilization support fund	-	-
Total	16.526.873	3.755.696

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

	Prior Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	3.196.570	139.871
Medium and long term loans	7.822.211	2.214.470
Interest on non-performing loans	49.672	-
Premiums from resource utilization support fund	-	-
Total	11.068.453	2.354.341

⁽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	54.301	22.935
Overseas banks	5.854	4.889
Head office and branches	-	-
Total	300.751	75.669

	Prior Period	
	TRY	FC
CBRT	63.094	56.821
Domestic banks	5.343	6.024
Overseas banks	6.856	11.711
Head office and branches	-	-
Total	75.293	74.556

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

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

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

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

(1) Information on interest income (continued):

c) Interest income on marketable securities:

	Current Period	
	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	9.566	1.086
Financial Assets at Fair Value through Other Comprehensive Income	85.878	56.277
Financial Assets Measured at Amortized Cost	3.505.570	409.685
Total	3.601.014	467.048

	Prior Period	
	TRY	FC
Financial assets held for trading	573	-
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	909.835	199.737
Held-to-maturity investments	1.438.767	99.605
Total	2.349.175	299.342

d) Interest income from subsidiaries and associates:

	Current period
Interest income from subsidiaries and associates	38.321

	Prior period
Interest income from subsidiaries and associates	35.413

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

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

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

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period	
	TRY	FC
Banks	25.300	352.583
<i>CBRT</i>	-	-
<i>Domestic banks</i>	16.743	22.427
<i>Overseas banks</i>	8.557	330.156
<i>Overseas head office and branches</i>	-	-
Other institutions	8	15.591
Total	25.308	368.174

	Prior Period	
	TRY	FC
Banks	23.702	234.911
<i>CBRT</i>	-	-
<i>Domestic banks</i>	14.009	17.634
<i>Overseas banks</i>	9.693	217.277
<i>Overseas head office and branches</i>	-	-
Other institutions	9	10.468
Total	23.711	245.379

b) Interest expenses to subsidiaries and associates:

	Current Period
Interest expenses to subsidiaries and associates	316.571

	Prior Period
Interest expenses to subsidiaries and associates	189.663

c) Information on interest expenses to marketable securities issued:

	Current Period	
	TRY	FC
Interest on securities issued	545.145	429.299
Total	545.145	429.299

	Prior Period	
	TRY	FC
Interest on securities issued	202.303	359.100
Total	202.303	359.100

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

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

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

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

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

Account name	Current Period		Time deposits					Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	654	309.323	334.513	39.719	257	-	-	684.466	
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	682.356	2.519.775	258.782	165.852	23.342	-	3.650.121	
Other deposits	-	84.896	922.031	137.010	141.362	2.164	-	1.287.463	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	799	1.419.512	8.933.338	665.518	760.680	61.419	7.172	11.848.438	
Foreign currency									
Deposits	23	76.183	1.203.307	70.503	82.793	94.754	-	1.527.563	
Bank deposits	5	226.696	-	-	-	-	-	226.701	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	26	1.681	172	217	398	-	2.494	
Total	28	302.905	1.204.988	70.675	83.010	95.152	-	1.756.758	
Grand total	827	1.722.417	10.138.326	736.193	843.690	156.571	7.172	13.605.196	

Account name	Prior Period		Time deposits					Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	248	275.840	229.075	684	512	-	-	506.359	
Saving deposits	5	43.761	2.787.246	105.419	31.446	33.708	6.553	3.008.138	
Public deposits	71	129.664	206.887	55.439	277.171	2.981	-	672.213	
Commercial deposits	25	279.647	1.414.894	238.375	153.170	10.234	-	2.096.345	
Other deposits	-	42.006	185.157	56.335	25.500	6.345	-	315.343	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	349	770.918	4.823.259	456.252	487.799	53.268	6.553	6.598.398	
Foreign currency									
Deposits	44	49.989	818.351	169.158	32.440	44.383	-	1.114.365	
Bank deposits	-	127.971	-	-	-	-	-	127.971	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	-	-	-	-	-	-	-	
Total	44	177.960	818.351	169.158	32.440	44.383	-	1.242.336	
Grand total	393	948.878	5.641.610	625.410	520.239	97.651	6.553	7.840.734	

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

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

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

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

(3) Information on trading profit/loss:

	Current Period
Profit	42.482.535
Profit from the capital market operations	34.630
Profit on derivative financial instruments	5.744.092
Foreign exchange gains	36.703.813
Loss (-)	42.521.797
Loss from the capital market operations	16.187
Loss on derivative financial instruments	3.370.758
Foreign exchange losses	39.134.852
	Prior Period
Profit	37.938.270
Profit from the capital market operations	32.046
Profit on derivative financial instruments	1.159.251
Foreign exchange gains	36.746.973
Loss (-)	37.850.906
Loss from the capital market operations	3.465
Loss on derivative financial instruments	1.498.996
Foreign exchange losses	36.348.445

(4) Information on other operating income:

	Current Period
Adjustments for prior period expenses	333.007
Receivable from the asset sale on credit terms	59.577
Rent income	27.902
Other income	32.234
Total	452.720
	Prior Period
Adjustments for prior period expenses	289.808
Receivable from the asset sale on credit terms	66.998
Rent income	25.833
Other income	27.668
Total	410.307

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

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

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

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

(5) Impairment losses on loans and other receivables:

	Current Period
Expected Credit Loss	1.795.860
<i>12 Month Expected Credit Loss (Stage 1)</i>	242.844
<i>Significant Increase in Credit Risk (Stage 2)</i>	455.303
<i>Non – Performing Loans (Stage 3)</i>	1.097.713
Marketable Securities Impairment Expense	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-
<i>Financial Assets at Fair Value through Other Comprehensive Income</i>	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
Other	163.447
Total	1.959.307

	Prior Period
Specific provisions on loans and receivables	778.694
<i>Group - III loans and receivables</i>	330.990
<i>Group - IV loans and receivables</i>	373.606
<i>Group - V loans and receivables</i>	74.098
General loan provision expenses	194.574
Provision expenses for possible losses	-
Marketable securities impairment losses	-
<i>Financial assets at fair value through profit and loss</i>	-
<i>Financial assets available for sale</i>	-
Impairment losses from associates, subsidiaries, jointly controlled entities (joint ventures) and investments held-to-maturity	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Jointly controlled entities (joint ventures)</i>	-
<i>Investments held-to-maturity</i>	-
Other	76.843
Total	1.050.111

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

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

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

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

(6) Information on other operating expenses:

	Current Period
Personnel expenses	1.705.306
Reserve for employee termination benefits	63.036
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	-
Depreciation expenses of fixed assets	93.927
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	38.468
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	1.300.950
<i>Operational leasing expenses</i>	204.122
<i>Maintenance expenses</i>	26.162
<i>Advertisement expenses</i>	132.165
<i>Other expenses</i>	938.501
Loss on sales of assets	33
Other	643.459
Total	3.851.114

	Prior Period
Personnel expenses	1.444.475
Reserve for employee termination benefits	90.886
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	-
Depreciation expenses of fixed assets	73.223
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	29.157
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	1.188.050
<i>Operational leasing expenses</i>	173.716
<i>Maintenance expenses</i>	28.636
<i>Advertisement expenses</i>	139.311
<i>Other expenses</i>	846.387
Loss on sales of assets	302
Other	447.912
Total	3.286.003

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

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

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

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

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

The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 6.126.572 of net interest income and TRY 1.386.237 of net fees and commissions. The profit from continuing operations before tax of the Bank is amounting to TRY 2.626.040.

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

For the period then ended 30 September 2018, the Bank's tax provision amounting to TRY 420.792 consists of TRY 6.467 of current tax charge and TRY 1.378.493 of deferred tax charge, TRY 964.168 of deferred tax income.

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

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

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

a) Income and expenses from ordinary banking operations:

None.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss:

There is no issue to be disclosed.

c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

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

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

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

V. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK

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

a) **Current period:**

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	967.161	234.553	-	-	-	-
Closing balance	1.382.081	231.729	-	-	-	-
Interest and commissions income	38.322	729	-	-	-	-

Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	1.078.414	219.823	-	-	-	-
Closing balance	967.161	234.553	-	-	-	-
Interest and commissions income	35.413	420	-	-	-	-

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

Current Period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Current Period	Current Period	Current Period	Current Period	Current Period
Deposits						
Beginning balance	2.857.226	-	-	-	-	-
Closing Balance	3.349.338	-	-	-	-	-
Interest expense on deposits	309.242	-	-	-	-	-

Prior Period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Prior Period	Prior Period	Prior Period	Prior Period	Prior Period	Prior Period
Deposits						
Beginning balance	1.733.533	-	-	-	-	-
Closing Balance	2.857.226	-	-	-	-	-
Interest expense on deposits	187.892	-	-	-	-	-

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

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

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

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

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

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

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank	Other real and legal persons in the risk group
Financial Assets At Fv Through Profit And Loss	Prior Period	Prior Period	Prior Period
Beginning balance	-	-	-
Closing Balance	11.936	-	-
Total Profit/Loss	4	-	-

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

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

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

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

(2) Disclosures for risk group:

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

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

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

	Amount	% compared to the amounts in the financial statements
Cash loans	1.382.081	0,52
Non-cash loans	231.729	0,27
Deposits	3.349.338	1,40
Forward and option contracts	-	-

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

- (3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 8.338 as of 30 September 2018 (30 September 2017: TRY 6.440).

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 Bank's receivables which constitute TRY 76.685.144 (full TRY) of the Bank's nonperforming 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.

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

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

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

VII. OTHER EXPLANATIONS

One of the Bank’s former directors has been convicted and imprisoned for some of the charges by the court in the United States of America (“USA”) of the violation of the USA sanctions involving Iran as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former director of the Bank such as appeal and other legal rights following the first phase of the trial.

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

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

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

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

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

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

SECTION VI: LIMITED REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' LIMITED REVIEW REPORT

The Bank's publicly available unconsolidated interim financial statements and footnotes as of 30 September 2018 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
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018

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

SECTION VII: INTERIM ACTIVITY REPORT

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

Assessment of Chairman of the Board of Directors

Esteemed Stakeholders,

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

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

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

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

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.

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

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

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Assessment of General Manager

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

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

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

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Major Unconsolidated Financial Information

Summary Balance Sheet (Million TRY)	September 2018	December 2017	Change (%)
Total Assets	387.323	305.351	26,8
Loans	263.809	202.137	30,5
<i>TRY</i>	166.355	138.350	20,2
<i>FC</i>	97.455	63.788	52,8
Marketable Securities	73.315	48.903	49,9
Deposit	239.227	193.227	23,8
<i>TRY</i>	135.656	119.198	13,8
<i>FC</i>	103.571	74.029	39,9
Total Equity	28.295	25.377	11,5

Summary Income Statement (Million TRY)	September 2018	September 2017	Change (%)
Interest Income	24.878	16.350	52,2
<i>On Loan</i>	20.283	13.423	51,1
<i>On Securities</i>	4.068	2.649	53,6
Interest Expense	18.751	10.587	77,1
<i>On Deposit</i>	13.605	7.841	73,5
Net Interest Income	6.127	5.763	6,3
Net Fee and Commission	1.386	1.559	(11,1)
Profit Before Tax	2.626	3.746	(29,9)
Net Profit	2.205	3.010	(26,7)

Ratio (%)	September 2018	December 2017
Cash Loans/Total Asset	68,1	66,2
Non-Performing Loans/Total Cash Loans (Gross)	2,7	2,9
Demand Deposit/Total Deposit	18,9	14,7
Loan/Deposit Ratio	110,3	104,6
Average Return on Asset (ROA)	0,9	1,4
Average Return on Equity (ROE)	11,0	16,0
Capital Adequacy Ratio	14,86	14,18

* The cash loan amounts in the table includes accruals and excludes net of non-performing loans for the both periods. The amounts for the year 2017 have been updated in this context.

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

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

SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

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.

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