

(Convenience Translation of Unconsolidated 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 Year Ended 31 December 2018
With Auditors' Report Thereon**
*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

14 February 2019

This report contains "Auditors' Report" comprising 8 pages and; "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 160 pages.

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Financial Statements

1) Qualified Opinion

We have audited the financial statements of Türkiye Halk Bankası A.Ş. (“the Bank”), which comprise the balance sheet as at 31 December 2018, and the statement of income, statement of income and expense items accounted for under shareholders’ equity, statement of changes in shareholders’ equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matters on the unconsolidated financial statements described in the basis for the qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and 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 provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

2) Basis for Qualified Opinion

The accompanying unconsolidated financial statements as at 31 December 2018, include a general reserve amounting to TRY 414.000 thousand, provided by the Bank management in the current period for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions. If such general provision was not provided, as at 31 December 2018, other provisions would decrease by TRY 414.000 thousand and net profit would increase by TRY 414.000 thousand.

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 amounted to TRY 17.904.805 thousand as at 31 December 2018. If such reclassification were not made, total assets and shareholders’ equity excluding tax effect would be lower by TRY 2.597.814 thousand as at 31 December 2018.

We conducted our audit in accordance with the regulation on “Independent Auditing of Banks” published in the Official Gazette dated 2 April 2015 with No. 29314 and Standards on Independent Auditing (“SIA”) which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the *Code of Ethics for Independent Auditors* (“Code of Ethics”) published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) **Emphasis of Matter**

As detailed in Section 6 Note 1, 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.

4) **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p><i>Impairment of loans in accordance with TFRS 9</i></p> <p>Impairment of loans is a key area of judgement for the management. The Bank has the total loans and receivables amounting to TRY 250.623.713 thousands, which comprise 66% of the Bank’s total assets in its unconsolidated financial statements and the total provision for impairment amounting to TRY 8.450.513 as at 31 December 2018.</p> <p>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</p>	<p>As part of our audit work, the following procedures were performed:</p> <p>We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Bank with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.</p>

Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. In this respect, as of 31 December 2017, the 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.

The Bank exercises significant decisions using judgement, interpretation and assumptions over calculating loan impairments. These judgements, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans.

There is a potential risk of impairment losses/provisions provided/will be provided may not meet the requirements of the TFRS 9. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter.

Related explanations relating to the impairment of loans and receivables are presented in Section 5 Note I.5.

We have read and analysed the relevant contract terms to assess management’s accounting policy and classification of the instrument for selected samples.

We have performed loan review procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation.

We have tested relevant inputs and assumption used by the management in each stage of the expected credit loss calculation by considering whether the inputs and assumptions appear reasonable, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.

We have tested historical loss data to validate the completeness and accuracy of key parameters.

We have tested whether the model is applied to appropriate groupings of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets’ exposure periods.

We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.

Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimations of impairments were reasonable.

Our specialists are involved in all procedures related to models and assumptions.

	We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loans and receivables and related impairment provisions.
Key Audit Matter	How the matter was addressed in the audit
<p><i>First time adaptation of TFRS 9 Financial Instruments Standard</i></p> <p>As of 1 January 2018, the Bank 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. TFRS 9 standard introduced significant changes in accounting policies and required adjustments to be made to the amounts previously recognized in accordance with the transition rules.</p> <p>For the first time adoption of TFRS 9, the Bank included more significant estimates and judgments in determining the business model and the cash flows characteristics of contracts. Since the Bank had a fundamental change in its financial reporting framework and had an impact on many significant financial statement line-items, the first time adoption of TFRS 9 has been considered as a key audit matter.</p> <p>Explanations on the equity effects of TFRS 9 transition are disclosed in Section 3 Note VI.</p>	<p>Our audit work included the following procedures:</p> <p>The Bank's IFRS 9 policy of the classification of financial assets and financial liabilities has been read and compared with the requirements of TFRS 9.</p> <p>The Bank's contractual cash flows tests for its financial instruments have been reviewed, its criteria and results have been evaluated.</p> <p>The appropriateness of the opening balance adjustments and the disclosures presented were checked.</p> <p>The procedures applied for the expected credit losses are set out in the key audit matter related to the “Impairment of loans in accordance with TFRS 9” above.</p>
Key Audit Matter	How the matter was addressed in the audit
<p><i>Valuation of Pension Fund Obligations</i></p> <p>Defined benefit pension plan that the Bank provides to its employees is managed by Türkiye Halk Bankası AŞ Emekli Sandığı Vakfı and T.C. Ziraat Bankası ve T. Halk Bankası Çalışanları Emekli Sandığı Vakfı (“Plan”) which were established by the 20th provisional article of the Social Security Law numbered 506 (the “Law”).</p> <p>As disclosed in the Section III Note XVI to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to the Social Security Foundation (“SSF”) as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to</p>	<p>Our audit work included the following procedures:</p> <p>We involved external experts (actuary) in our audit team to evaluate the assumptions used in the calculation of the pension obligations and the appropriateness of the estimates.</p> <p>It has been tested whether the plan assets meet plan obligations in accordance with the methods and assumptions used.</p> <p>In addition, reconciliations and tests were carried out through sampling of the accuracy of the data provided to the Bank’s actuary.</p>

<p>the SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the funds and the institutions that employ the funds' members will cover the non-transferable social rights and pension benefits provided under the Plan even if it is included in foundation voucher.</p> <p>As of 31 December 2018, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by the Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. The valuation of the Plan liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in the Plan. Management uses expert opinion of the independent actuary in assessing uncertainties related to these underlying assumptions and estimates.</p> <p>As described in Section V Note II.9.f considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the Law, we considered this as a key audit matter.</p>	<p>We have assessed whether there is a significant change in the actuarial assumptions, methods, legal regulations and legislation used in the calculations and whether the assumptions are reasonable.</p>
<p>Key Audit Matter</p>	<p>How the matter was addressed in the audit</p>
<p><i>Information Technologies Audit</i></p> <p>The Bank and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Bank and its subsidiaries. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Bank means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.</p>	<p>Procedures within the context of our information technology audit work:</p> <p>We identified and tested the Banks' controls over information systems as part of our audit procedures.</p> <p>Information generation comprise all layers of information systems including applications, networks, transmission systems and database. The information systems controls tested are categorized in the following areas:</p> <ul style="list-style-type: none"> • Manage security • Manage changes • Manage operations

	<p>We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner.</p> <p>We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.</p> <p>Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation.</p> <p>We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components.</p> <p>Finally, we understood and tested the controls over database, network, application and operating system layers of applications.</p>
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5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting Regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

6) Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the regulation on “Independent Auditing of Banks” published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 (“TCC”), nothing has come to our attention that may cause us to believe that the Bank’s set of accounts for the period 1 January-31 December 2018 does not comply with the TCC and the provisions of the Bank’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of the TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor’s report is Hasan Kılıç.

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 financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank’s financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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

Hasan Kılıç
Partner

İstanbul, 14 February 2019

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 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 year 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
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** : INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- **Section Five** : EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : OTHER EXPLANATIONS
- **Section Seven** : AUDITORS' REPORT

The unconsolidated financial statements for the year ended 31 December 2018 and related disclosures and footnotes that are subject to audit 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, 14 February 2019

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

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TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 31 December 2018 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31 December 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
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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
Himmat 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
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
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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
Member of the Board of Directors	Fatih METİN	7 November 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
Executive Vice President	Levend TORUSDAĞ	19 October 2018
Executive Vice President	Hakan ERYILMAZ	23 October 2018
Member of the Board of Directors	Cenap AŞCI	6 November 2018
Member of the Board of Directors	Fatih METİN	30 November 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
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
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(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

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

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

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

As of 31 December 2018, the Bank operates with a total of 994 branches consisting of 988 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 47 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
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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
EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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
- VII. Statement of Profit Distribution

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Audited		
		Current Period		
		31 December 2018		
ASSETS	Note	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		66.292.103	49.401.927	115.694.030
1.1 Cash and Cash Equivalents		4.163.791	35.934.002	40.097.793
1.1.1 Cash and Balances with Central Bank	(1)	3.982.876	30.974.174	34.957.050
1.1.2 Banks	(3)	180.915	4.959.828	5.140.743
1.1.3 Money Markets		-	-	-
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	14.475.244	21.455	14.496.699
1.2.1 Government Debt Securities		14.409.039	21.455	14.430.494
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		66.205	-	66.205
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	2.564.581	1.422.613	3.987.194
1.3.1 Government Debt Securities		2.389.866	1.339.997	3.729.863
1.3.2 Equity Instruments		58.724	82.616	141.340
1.3.3 Other Financial Assets		115.991	-	115.991
1.4 Financial Assets Measured at Amortised Cost	(6)	45.110.667	10.962.386	56.073.053
1.4.1 Government Debt Securities		45.060.153	10.962.386	56.022.539
1.4.2 Other Financial Assets		50.514	-	50.514
1.5 Derivative Financial Assets	(2)	9	1.061.471	1.061.480
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		9	1.061.471	1.061.480
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non – Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)		22.189	-	22.189
II. LOANS (Net)		165.649.382	84.974.331	250.623.713
2.1 Loans	(5)	165.572.047	84.974.331	250.546.378
2.1.1 Measured at Amortised Cost		165.572.047	84.974.331	250.546.378
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)	8.527.848	-	8.527.848
2.5 Expected Credit Loss (-)	(5)	8.450.513	-	8.450.513
2.5.1 12 Month Expected Credit Losses (Stage I)		984.741	-	984.741
2.5.2 Significant Increase in Credit Risk (Stage II)		1.182.480	-	1.182.480
2.5.3 Credit – Impaired Losses (Stage III / Special Provision)		6.283.292	-	6.283.292
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	(16)	39.377	-	39.377
3.1 Held for Sale Purpose		39.377	-	39.377
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		3.367.602	1.403.197	4.770.799
4.1 Investments in Associates (Net)	(7)	22.490	415.828	438.318
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		22.490	415.828	438.318
4.2 Subsidiaries (Net)	(8)	3.345.112	987.369	4.332.481
4.2.1 Unconsolidated Financial Subsidiaries		3.287.966	987.369	4.275.335
4.2.2 Unconsolidated Non- Financial Subsidiaries		57.146	-	57.146
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)	(12)	3.147.814	100	3.147.914
VI. INTANGIBLE ASSETS (Net)	(13)	140.250	-	140.250
6.1 Goodwill		-	-	-
6.2 Other		140.250	-	140.250
VII. INVESTMENT PROPERTIES (Net)	(14)	356.848	-	356.848
VIII. CURRENT TAX ASSET		6.042	-	6.042
IX. DEFERRED TAX ASSET	(15)	-	-	-
X. OTHER ASSETS	(17)	2.742.059	901.023	3.643.082
TOTAL ASSETS		241.741.477	136.680.578	378.422.055

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 31 DECEMBER 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

		Audited			
		Current Period			
		31 December 2018			
LIABILITIES	Note	TRY	FC	TOTAL	
I. DEPOSITS	(1)	140.018.439	108.836.815	248.855.254	
II. FUNDS BORROWED	(3)	372.398	11.543.629	11.916.027	
III. MONEY MARKETS		32.759.788	5.402.273	38.162.061	
IV. SECURITIES ISSUED (Net)	(4)	3.023.139	12.024.839	15.047.978	
4.1 Bills		2.011.697	-	2.011.697	
4.2 Assets Backed Securities		1.011.442	-	1.011.442	
4.3 Bonds		-	12.024.839	12.024.839	
V. FUNDS	(5)	2.874.121	-	2.874.121	
5.1 Borrower Funds		42	-	42	
5.2 Other		2.874.079	-	2.874.079	
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	
VII. DERIVATIVE FINANCIAL ASSETS	(2)	16	410.422	410.438	
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		16	410.422	410.438	
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)	1.853.914	-	1.853.914	
10.1 Restructuring Provisions		-	-	-	
10.2 Reserve for Employee Benefits		887.228	-	887.228	
10.3 Insurance for Technical Provision(Net)		-	-	-	
10.4 Other Provisions		966.686	-	966.686	
XI. CURRENT TAX LIABILITY	(10)	669.903	106	670.009	
XII. DEFERRED TAX LIABILITIES	(10)	452.769	-	452.769	
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)	6.182.084	-	6.182.084	
14.1 Loans		-	-	-	
14.2 Other Debt Instruments		6.182.084	-	6.182.084	
XV. OTHER LIABILITIES	(6)	22.085.654	891.011	22.976.665	
XVI. SHAREHOLDERS' EQUITY	(13)	28.896.436	124.299	29.020.735	
16.1 Paid in Capital		1.250.000	-	1.250.000	
16.2 Capital Reserve		1.230.674	-	1.230.674	
16.2.1 Share Premium		-	-	-	
16.2.2 Share Cancellation Profits		-	-	-	
16.2.3 Other Capital Reserves		1.230.674	-	1.230.674	
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		1.334.345	-	1.334.345	
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		1.379.793	124.299	1.504.092	
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)		3.226.329	-	3.226.329	
16.6.1 Prior Periods' Income or (Loss)		704.534	-	704.534	
16.6.2 Current Period Income or (Loss)		2.521.795	-	2.521.795	
16.7 Minority Shares		-	-	-	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		239.188.661	139.233.394	378.422.055	

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

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

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

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

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

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

II. STATEMENT OF OFF BALANCE SHEET ITEMS

		Audited		
		Current Period		
		31 December 2018		
OFF BALANCE SHEET	Note	TRY	FC	TOTAL
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	70.717.925	86.627.054	157.344.979
I.	GUARANTEES AND WARRANTIES	(1)	37.167.935	45.871.890
1.1	Letters of guarantee	35.165.366	35.686.852	70.852.218
1.1.1	Guarantees subject to public procurement law	1.982.722	12.444.947	14.427.669
1.1.2	Guarantees given for foreign trade operations	-	-	-
1.1.3	Other letters of guarantee	33.182.644	23.241.905	56.424.549
1.2	Bank loans	11.845	7.038.415	7.050.260
1.2.1	Import acceptances	-	94.572	94.572
1.2.2	Other bank acceptances	11.845	6.943.843	6.955.688
1.3	Letters of credit	119.895	3.016.499	3.136.394
1.3.1	Documentary letters of credit	119.895	3.016.499	3.136.394
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	1.870.829	130.124	2.000.953
1.9	Other sureties	-	-	-
II.	COMMITMENTS	(1)	24.243.824	1.853.816
2.1	Irrevocable commitments	24.091.686	1.680.920	25.772.606
2.1.1	Forward asset purchase commitments	807.737	1.228.932	2.036.669
2.1.2	Forward deposit purchase and sale commitments	-	-	-
2.1.3	Capital commitments to subsidiaries and associates	-	-	-
2.1.4	Loan granting commitments	4.159.896	451.988	4.611.884
2.1.5	Securities underwriting commitments	-	-	-
2.1.6	Payment commitments for reserve deposits	-	-	-
2.1.7	Payment commitments for Cheques	2.661.413	-	2.661.413
2.1.8	Tax and fund liabilities from export commitments	65.280	-	65.280
2.1.9	Commitments for credit card expenditure limits	12.674.648	-	12.674.648
2.1.10	Commitments for credit cards and banking services promotions	31.409	-	31.409
2.1.11	Receivables from short sale commitments	-	-	-
2.1.12	Payables for short sale commitments	-	-	-
2.1.13	Other irrevocable commitments	3.691.303	-	3.691.303
2.2	Revocable commitments	152.138	172.896	325.034
2.2.1	Revocable loan granting commitments	-	-	-
2.2.2	Other revocable commitments	152.138	172.896	325.034
III.	DERIVATIVE FINANCIAL INSTRUMENTS	9.306.166	38.901.348	48.207.514
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	9.306.166	38.901.348	48.207.514
3.2.1	Forward foreign currency buy/sell transactions	1.806.188	5.243.125	7.049.313
3.2.1.1	Forward foreign currency transactions-buy	1.553.375	3.068.338	4.621.713
3.2.1.2	Forward foreign currency transactions-sell	252.813	2.174.787	2.427.600
3.2.2	Currency and interest rate swaps	5.202.187	27.857.299	33.059.486
3.2.2.1	Currency swap-buy	1.012.983	6.973.576	7.986.559
3.2.2.2	Currency swap-sell	4.189.204	3.490.839	7.680.043
3.2.2.3	Interest rate swap-buy	-	8.696.442	8.696.442
3.2.2.4	Interest Rate swap-sell	-	8.696.442	8.696.442
3.2.3	Currency, interest rate and marketable securities options	2.297.791	3.561.455	5.859.246
3.2.3.1	Currency call options	1.148.905	1.780.728	2.929.633
3.2.3.2	Currency put options	1.148.886	1.780.727	2.929.613
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	-	2.239.469	2.239.469
B.	CUSTODY AND PLEDGED ASSETS (IV+V+VI)	954.219.496	310.868.814	1.265.088.310
IV.	CUSTODIES	432.711.289	42.627.039	475.338.328
4.1	Assets under management	-	-	-
4.2	Custody marketable securities	161.920.322	1.017.194	162.937.516
4.3	Cheques in collection process	15.226.267	26.439.655	41.665.922
4.4	Commercial notes in collection process	239.240.554	5.575.684	244.816.238
4.5	Other assets in collection process	-	-	-
4.6	Underwritten securities	-	-	-
4.7	Other custodies	4.280.917	486.438	4.767.355
4.8	Custodians	12.043.229	9.108.068	21.151.297
V.	PLEDGED ASSETS	521.508.207	268.241.775	789.749.982
5.1	Marketable securities	5.608.542	733.250	6.341.792
5.2	Collateral notes	7.595.289	1.024.377	8.619.666
5.3	Commodity	25.812	-	25.812
5.4	Warranty	-	-	-
5.5	Land and buildings	384.287.726	224.420.837	608.708.563
5.6	Other pledged assets	76.477.704	39.614.525	116.092.229
5.7	Pledges	47.513.134	2.448.786	49.961.920
VI.	ACCEPTED BILL GUARANTEES AND SURETIES	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		1.024.937.421	397.495.868	1.422.433.289

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 31 DECEMBER 2018
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. STATEMENT OF INCOME

		Audited	
		Current Period	
		1 January-	
		31 December	
		2018	
INCOME AND EXPENSES		Note	
I.	INTEREST INCOME	(1)	36.670.838
1.1	Interest on Loans		28.811.827
1.2	Interest on Reserve Requirements		96.272
1.3	Interest on Banks		630.175
1.4	Interest on Money Market Transactions		57.377
1.5	Interest on Marketable Securities Portfolio		7.044.654
1.5.1	Fair Value Through Profit or Loss		15.305
1.5.2	Fair Value Through Other Comprehensive Income		288.106
1.5.3	Measured at Amortized Cost		6.741.243
1.6	Financial Lease Income		-
1.7	Other Interest Income		30.533
II.	INTEREST EXPENSE (-)	(2)	28.591.260
2.1	Interest on Deposits		20.719.577
2.2	Interest on Funds Borrowed		462.119
2.3	Interest Expense on Money Market Transactions		5.695.982
2.4	Interest on Securities Issued		1.463.544
2.5	Other Interest Expense		250.038
III.	NET INTEREST INCOME (I - II)		8.079.578
IV.	NET FEES AND COMMISSIONS INCOME		1.949.657
4.1	Fees and Commissions Received		2.725.776
4.1.1	Non – cash Loans		617.730
4.1.2	Other		2.108.046
4.2	Fees and Commissions Paid (-)		776.119
4.2.1	Non – cash Loans		125
4.2.2	Other		775.994
V.	PERSONNEL EXPENSE (-)		(2.393.536)
VI.	DIVIDEND INCOME	(3)	510.357
VII.	TRADING INCOME / LOSS (Net)	(4)	149.255
7.1	Trading Gains / (Losses) on Securities		29.870
7.2	Gains / (Losses) on Derivate Financial Transactions		1.934.763
7.3	Foreign Exchange Gains / (Losses)		(1.815.378)
VIII.	OTHER OPERATING INCOME	(5)	624.474
IX.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		8.919.785
X.	EXPECTED LOSS PROVISIONS (-)	(6)	3.135.073
XI.	OTHER OPERATING EXPENSES (-)	(7)	3.066.894
XII.	NET OPERATING INCOME /LOSS (IX-X-XI)		2.717.818
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)	2.717.818
XVII.	TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(9)	(196.023)
17.1	Current Tax Provision		9.840
17.2	Deferred Tax Income Effect (+)		1.144.825
17.3	Deferred Tax Expense Effect (-)		958.642
XVIII.	CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	(10)	2.521.795
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)	(8)	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(9)	-
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)	(10)	-
XXIV.	NET PROFIT/(LOSS) (XVIII+XXIII)	(11)	2.521.795
24.1	Profit / (Loss) of Group		2.521.795
24.2	Profit / (Loss) of Minority Shares (-)		-
	Profit / (Loss) Per Share		2,017436

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

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

III. STATEMENT OF INCOME

INCOME AND EXPENSES		Note	Audited Prior period 1 January- 31 December 2017
I.	INTEREST INCOME	(1)	23,093.994
1.1	Interest on loans		18.959.501
1.2	Interest received from reserve deposits		131.500
1.3	Interest received from banks		227.093
1.4	Interest received from money market placements		56.316
1.5	Interest income on marketable securities		3.702.972
1.5.1	Financial assets held for trading		1.114
1.5.2	Financial assets at fair value through profit and loss		-
1.5.3	Financial assets available-for-sale		1.541.940
1.5.4	Investments held-to-maturity		2.159.918
1.6	Finance lease income		-
1.7	Other interest income		16.612
II.	INTEREST EXPENSE	(2)	15,293.393
2.1	Interest on deposits		11.339.797
2.2	Interest on borrowings		380.803
2.3	Interest on money market borrowings		2.667.803
2.4	Interest on bonds issued		789.909
2.5	Other interest expense		115.081
III.	NET INTEREST INCOME [I – II]		7,800.601
IV.	NET FEES AND COMMISSIONS INCOME		2,027.308
4.1	Fees and commissions income		2.484.914
4.1.1	Non-cash loans		401.146
4.1.2	Other		2.083.768
4.2	Fees and commissions expenses		457.606
4.2.1	Non-cash loans		44
4.2.2	Other		457.562
V.	DIVIDEND INCOME	(3)	267.214
VI.	NET TRADING PROFIT (NET)	(4)	35.869
6.1	Profit/loss from capital market operations		33.120
6.2	Profit/loss from financial derivative transactions		(198.722)
6.3	Foreign exchange gains/losses		201.471
VII.	OTHER OPERATING INCOME	(5)	600.635
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		10,731.627
IX.	IMPAIRMENT LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(6)	1,469.327
X.	OTHER OPERATING EXPENSES(-)	(7)	4,552.718
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		4,709.582
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)	4,709.582
XVI.	TAX INCOME PROVISION (±)	(9)	(984.120)
16.1	Current tax charge		(749.669)
16.2	Deferred tax (charge) / benefit		(234.451)
XVII.	NET OPERATING INCOME AFTER TAX (XV±XVI)	(10)	3,725.462
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)	(8)	-
XXI.	PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-
21.1	Current tax charge		-
21.2	Deferred tax charge	(10)	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII.	NET PROFIT/(LOSS) (XVII+XXII)	(11)	3,725.462
	Earnings/losses per share (Full TRY)		2,98037

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

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

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

	Audited
	Current Period
	1 January - 31 December
	2018
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	
I. CURRENT PERIOD INCOME/LOSS	2.521.795
II. OTHER COMPREHENSIVE INCOME	549.856
2.1 Not Reclassified Through Profit or Loss	71.293
2.1.1 Property and Equipment Revaluation Increase/Decrease	57.207
2.1.2 Intangible Assets Revaluation Increase/Decrease	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	24.758
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	(10.672)
2.2 Reclassified Through Profit or Loss	478.563
2.2.1 Foreign Currency Translation Differences	(54.085)
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	631.003
2.2.3 Cash Flow Hedge Income/Loss	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Loss	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(98.355)
III. TOTAL COMPREHENSIVE INCOME (I+II)	3.071.651

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

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

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

	Audited
	Prior period
	1 January-31 December
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	2017
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	520.512
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	62.666
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	67.886
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 UNDER EQUITY DUE TO TAS	(11.621)
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(49.285)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	590.158
XI. PROFIT/LOSS	3.725.462
11.1 Change in fair value of marketable securities (Transfer to profit/loss)	33.120
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to income statement	-
11.3 Transfer of hedge of net investments in foreign operations to income statement	-
11.4 Other	3.692.342
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X±XI)	4.315.620

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited (1 January – 31 December 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	-	-	-	-	51.487	19.806	-	(54.085)	532.648	-	-	-	2.521.795	3.071.651	-	3.071.651
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	-	-	-	54.085	-	-	-	-	-	-	-	-	-	54.085	-	54.085
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	-	-	1.230.674	1.324.802	9.543	-	(1.454)	1.505.546	-	20.475.295	704.534	2.521.795	29.020.735	-	29.020.735

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

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited (1 January - 31 December 2017)	Note	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
		Paid in capital	on paid in capital														
I. 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		-	-	-	-	-	-	-	-	-	-	542.776	-	-	-	-	542.776
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		-	-	-	-	-	-	-	-	-	-	-	(11.207)	-	-	-	(11.207)
VI. Revaluation changes of intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares from investment and associates, subsidiaries and joint ventures (business partners).		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	67.886	-	-	-	-	-	-	-	67.886
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		-	-	-	-	-	-	-	(9.297)	-	-	-	-	-	-	-	(9.297)
XVII. Net profit or losses		-	-	-	-	-	-	-	-	3.725.462	-	-	-	-	-	-	3.725.462
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	(15.655)	3.725.462	-	1.025.529	1.273.315	8.711	-	-	25.376.739

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31
DECEMBER 2018

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

VI. STATEMENT OF CASH FLOWS

		Audited
		Current Period
		1 January-
	Note	31 December 2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	(7.315.716)
1.1.1	Interest received	30.747.266
1.1.2	Interest paid	(26.502.886)
1.1.3	Dividend received	233.086
1.1.4	Fees and commissions received	2.752.996
1.1.5	Other income	313.165
1.1.6	Collections from previously written off loans	1.144.167
1.1.7	Cash payments to personnel and service suppliers	(2.428.922)
1.1.8	Taxes paid	(596.308)
1.1.9	Other	(12.978.280)
	(1)	
1.2	Assets and Liabilities Subject to Banking Operations	8.484.868
1.2.1	Net Increase / decrease in financial assets at fair value through profit or loss	(35.210)
1.2.2	Net (increase) / decrease in due from banks and other financial institutions	(212)
1.2.3	Net (increase) / decrease in loans	(49.399.681)
1.2.4	Net (increase) / decrease in other assets	(1.332.466)
1.2.5	Net increase / (decrease) in bank deposits	11.876.374
1.2.6	Net increase / (decrease) in other deposits	42.146.993
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	(5.074.110)
1.2.9	Net increase / (decrease) in matured payables	-
1.2.10	Net increase / (decrease) in other liabilities	10.303.180
	(1)	
I.	Net cash provided from banking operations	1.169.152
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II.	Net cash provided from/ (used in) investing activities	(14.916.767)
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(310.473)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-
2.3	Fixed assets purchases	(925.381)
2.4	Fixed assets sales	367.994
2.5	Cash paid for purchase of financial assets at fair value through other comprehensive income	(10.680.798)
2.6	Cash obtained from sale of financial assets at fair value through other comprehensive income	5.765.227
2.7	Cash paid for purchase of investment securities	(12.918.165)
2.8	Cash obtained from sale of investment securities	3.785.416
2.9	Other	(587)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash used in financing activities	5.044.485
3.1	Cash obtained from loans borrowed and securities issued	7.993.795
3.2	Cash used for repayment of loans borrowed and securities issued	(2.763.036)
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	5.212.885
	(1)	
V.	Net increase / (decrease) in cash and cash equivalents	(3.490.245)
VI.	Cash and cash equivalents at beginning of the period	27.121.864
	(4)	
VII.	Cash and cash equivalents at end of the period	23.631.619
	(5)	

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31
DECEMBER 2017

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

VI. STATEMENT OF CASH FLOWS

		Audited
		Prior period
		1 January -
		31 December 2017
	Note	
A.	CASH FLOWS FROM BANKING OPERATIONS	
1.1	Operating profit before changes in operating assets and liabilities	5.020.676
1.1.1	Interest received	23.076.334
1.1.2	Interest paid	(14.287.590)
1.1.3	Dividend received	34.804
1.1.4	Fees and commissions received	2.490.248
1.1.5	Other income	294.785
1.1.6	Collections from previously written off loans	699.867
1.1.7	Cash payments to personnel and service suppliers	(2.022.875)
1.1.8	Taxes paid	(373.626)
1.1.9	Other	(4.891.271)
	(1)	
1.2	Assets and Liabilities Subject to Banking Operations	13.084.768
1.2.1	Net (increase) decrease in financial assets held for sale	(15.210)
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	12.245
1.2.4	Net (increase) decrease in loans	(45.125.763)
1.2.5	Net (increase) decrease in other assets	580.813
1.2.6	Net increase (decrease) in bank deposits	(3.637.720)
1.2.7	Net increase (decrease) in other deposits	45.584.908
1.2.8	Net increase (decrease) in loans borrowed	(1.947.164)
1.2.9	Net increase (decrease) in matured payables	-
1.2.10	Net increase (decrease) in other liabilities	17.632.659
	(1)	
I.	Net cash provided from banking operations	18.105.444
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES	
II.	Net cash provided from/ (used in) investing activities	(5.993.692)
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries	(14.994)
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries	-
2.3	Fixed assets purchases	(434.998)
2.4	Fixed assets sales	201.562
2.5	Cash paid for purchase of financial assets available for sale	(8.881.650)
2.6	Cash obtained from sale of financial assets available for sale	7.477.165
2.7	Cash paid for purchase of investment securities	(4.655.675)
2.8	Cash obtained from sale of investment securities	346.978
2.9	Other	(32.080)
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
III.	Net cash used in financing activities	(286.955)
3.1	Cash obtained from loans borrowed and securities issued	8.174.710
3.2	Cash used for repayment of loans borrowed and securities issued	(8.205.739)
3.3	Bonds issued	-
3.4	Dividends paid	(255.827)
3.5	Payments for finance leases	(99)
3.6	Other	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	908.274
	(1)	
V.	Net increase / (decrease) in cash and cash equivalents	12.733.071
VI.	Cash and cash equivalents at beginning of the period	14.388.793
	(4)	
VII.	Cash and cash equivalents at end of the period	27.121.864
	(5)	

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED
31 DECEMBER 2018

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

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited
	Current Period
	31 December 2018
I. DISTRIBUTION OF CURRENT YEAR PROFIT	
1.1. Current Period Profit	2.717.818
1.2. Taxes and Legal Duties Payables (-)	(196.023)
1.2.1. Corporate Tax (Income Tax)	(9.840)
1.2.2. Withholding Tax	-
1.2.3. Other Taxes and Duties	(186.183)
A. Net Profit For The Period (1.1-1.2)	2.521.795
1.3. Accumulated Losses (-)	-
1.4. First Legal Reserves (-)	-
1.5. Other Statutory Reserves (-)	-
B. Net Profit Available for Distribution [(A-(1.3+1.4+1.5)]	-
1.6. First Dividend to shareholders (-)	-
1.6.1. To Owners of Ordinary Shares	-
1.6.2. To Owners of Privileged Shares	-
1.6.3. To Owners of Redeemed Shares	-
1.6.4. To Profit Sharing Bonds	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-
1.7. Dividends to personnel (-)	-
1.8. Dividends to Board of Directors (-)	-
1.9. Second Dividend to Shareholders (-)	-
1.9.1. To Owners of Ordinary Shares	-
1.9.2. To Owners of Privileged Shares	-
1.9.3. To Owners of Redeemed Shares	-
1.9.4. To Profit Sharing Bonds	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-
1.10. Second Legal Reserves (-)	-
1.11. Status Reserves (-)	-
1.12. Extraordinary Reserves	-
1.13. Other Reserves	-
1.14. Special Funds	-
II. Distribution of Reserves	
2.1. Appropriated Reserves	-
2.2. Second Legal Reserves (-)	-
2.3. Dividends to Shareholders (-)	-
2.3.1. To Owners of Ordinary Shares	-
2.3.2. To Owners of Privileged Shares	-
2.3.3. To Owners of Redeemed Shares	-
2.3.4. To Profit Sharing Bonds	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-
2.4. Dividends to Personnel (-)	-
2.5. Dividends to Board of Directors (-)	-
III. Earnings per Share	
3.1. To Owners of Ordinary Shares	2,0174
3.2. To Owners of Ordinary Shares (%)	201,74%
3.3. To Owners of Privileged Shares	-
3.4. To Owners of Privileged Shares (%)	-
IV. Dividend per Share	
4.1. To Owners of Ordinary Shares	-
4.2. To Owners of Ordinary Shares (%)	-
4.3. To Owners of Privileged Shares	-
4.4. To Owners of Privileged Shares (%)	-

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

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED
31 DECEMBER 2018

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

VIII. STATEMENT OF PROFIT DISTRIBUTION

	Audited
	Prior Period
	31 December 2017⁽¹⁾
I. DISTRIBUTION OF CURRENT YEAR PROFIT	
1.1. Current Period Profit	4.709.582
1.2. Taxes and Legal Duties Payables (-)	(984.120)
1.2.1. Corporate Tax (Income Tax)	(749.669)
1.2.2. Withholding Tax	-
1.2.3. Other Taxes and Duties	(234.451)
A. Net Profit For The Period (1.1-1.2)	3.725.462
1.3. Accumulated Losses (-)	-
1.4. First Legal Reserves (-)	186.273
1.5. Other Statutory Reserves (-)	-
B. Net Profit Available for Distribution [(A-(1.3+1.4+1.5)]	3.539.189
1.6. First Dividend to shareholders (-)	62.500
1.6.1. To Owners of Ordinary Shares	62.500
1.6.2. To Owners of Privileged Shares	-
1.6.3. To Owners of Redeemed Shares	-
1.6.4. To Profit Sharing Bonds	-
1.6.5. To Holders of Profit and Loss Sharing Certificates	-
1.7. Dividends to personnel (-)	-
1.8. Dividends to Board of Directors (-)	-
1.9. Second Dividend to Shareholders (-)	123.774
1.9.1. To Owners of Ordinary Shares	123.774
1.9.2. To Owners of Privileged Shares	-
1.9.3. To Owners of Redeemed Shares	-
1.9.4. To Profit Sharing Bonds	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-
1.10. Second Legal Reserves (-)	32.344
1.11. Status Reserves (-)	-
1.12. Extraordinary Reserves	3.320.571
1.13. Other Reserves	-
1.14. Special Funds	-
II. Distribution of Reserves	
2.1. Appropriated Reserves	-
2.2. Second Legal Reserves (-)	-
2.3. Dividends to Shareholders (-)	186.274
2.3.1. To Owners of Ordinary Shares	186.274
2.3.2. To Owners of Privileged Shares	-
2.3.3. To Owners of Redeemed Shares	-
2.3.4. To Profit Sharing Bonds	-
2.3.5. To Holders of Profit and Loss Sharing Certificates	-
2.4. Dividends to Personnel (-)	199.665
2.5. Dividends to Board of Directors (-)	-
III. Earnings per Share	
3.1. To Owners of Ordinary Shares	2,9804
3.2. To Owners of Ordinary Shares (%)	298,04%
3.3. To Owners of Privileged Shares	-
3.4. To Owners of Privileged Shares (%)	-
IV. Dividend per Share	
4.1. To Owners of Ordinary Shares	-
4.2. To Owners of Ordinary Shares (%)	-
4.3. To Owners of Privileged Shares	-
4.4. To Owners of Privileged Shares (%)	-

⁽¹⁾Board of Directors meeting was not held as of 31 December 2017 financial reporting date.

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

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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 Financial Reporting 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.

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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. The Bank elected to apply the simplified transition approach for the first time adoption and will not restate comparative amounts for the prior year. The Bank does not expect a significant impact in its financials.

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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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

Explanations related to credit derivatives and its risk exposures:

The Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic's credit risk. As of 31 December 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.

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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.

Assessment 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.

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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
3. Financial assets measured at fair value through profit/loss.

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

1. Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Cash Equivalents and Banks

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

Loans and Receivables

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

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

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

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

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

Associates and subsidiaries:

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

Reclassification of Financial Assets in accordance with TFRS 9

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VI. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Effects on Equity with TFRS 9 Transition

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

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

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

Calculation of expected credit losses

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Probability of Default (PD):

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

Loss given Default (LGD):

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

Exposure at Default (EAD)

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

12 Month Probability of Default

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Lifetime 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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

Classification of Investment Properties:

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

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

XIII. EXPLANATIONS ON INVESTMENT PROPERTIES

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

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

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVI. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVII. EXPLANATIONS ON TAXATION

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

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

Calculated corporate tax as of 31 December 2017 has been paid in February 2018 thereby setting off calculated advanced taxes in previous periods. Moreover, accrued advance tax for 1 January-31 March 2018 period is paid in May 2018 and accrued advance tax for 1 January-30 June 2018 period and for 1 January-30 September 2018 period have not been paid since accumulated tax losses occurred. Furthermore, advance tax for 1 January-31 December 2018 period will also be accrued in February 2019.

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

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

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

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

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax.

The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains. Income tax is paid in June, and corporate tax payment is made in two installments, in May and in October.

On the other hand, withholding tax is paid in TRNC over interest income and similar gains of corporations. The relevant withholding tax payments are deducted from the corporate tax-payable. In the case the amount of the withholding tax collections is higher than the corporate tax payable, the difference is deducted from income tax payable.

Bahrain

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. ADDITIONAL EXPLANATIONS ON BORROWINGS

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

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

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

XIX. EXPLANATIONS ON SHARES ISSUED

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

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

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

XX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXII. EXPLANATIONS ON SEGMENT REPORTING

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1. Financial assets at fair value through profit and loss

1.1. Financial assets held for trading

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

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

1.2. Financial assets at fair value through profit and loss

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

2. Investments held to maturity

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

3. Financial assets available for sale

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

4. Loans and receivables

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

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

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

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

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

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

Explanations on Impairment of Financial Assets

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

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

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

XXIV. EXPLANATIONS ON OTHER MATTERS

None.

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

I. EXPLANATIONS ON CAPITAL

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 December 2018, the Bank's capital adequacy ratio in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy" is 13,80% (31 December 2017: 14,18%), The equity is calculated as TRY 37.119.404 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2017: TRY 28.481.912).

(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	20.476.807	
Other Comprehensive Income according to TAS	3.030.210	
Profit	3.226.329	
Current Period Profit	2.521.795	
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	29.212.508	
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 (-)	191.773	
Leasehold Improvements on Operational Leases (-)	67.145	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	140.250	140.250
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	399.168	
Total Common Equity Tier 1 Capital	28.813.340	

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I. EXPLANATIONS ON CAPITAL (continued)

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	-
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank 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)	28.813.340
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)	2.386.241
Tier II Capital Before Deductions	8.316.036
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	8.316.036
Total Equity (Total Tier I and Tier II Capital)	37.129.376
Deductions from Total Capital	
Total Deductions from Total Capital	37.119.404
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
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 (-)	9.972

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I. EXPLANATIONS ON CAPITAL (continued)

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The 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	37.119.404
Total Risk Weighted Assets	269.022.275
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	10,71
Tier I Capital Ratio (%)	10,71
Capital Adequacy Ratio (%)	13,80
BUFFERS	
Bank-specific total CET1 Capital Ratio (a+b+c)	1,894
a) Capital Conservation Buffer Ratio (%)	1,875
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,019
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	4,71
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	96.102
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	428.967
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.480.963
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)	2.386.241
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.386.241
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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

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I. EXPLANATIONS ON CAPITAL (continued)

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

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I. EXPLANATIONS ON CAPITAL (continued)

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

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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.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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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	3.07.2018	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	-	-	-

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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 CREDIT RISK

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Regional Lending Committees, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

In accordance with the risk management policies of the Bank, the limits are specified in respect of the main and sub-sectors. Those limits are monitored periodically.

The Bank, in the credit allocation process, restricts its risk exposure by working with highly credible banks and entities considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk is concentrated in Turkey. As per the loan procedures, limits are determined based on the type of loans and customers and risk and limit information is controlled periodically.

Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations concerning the off-balance sheet operations based on the customers and banks are monitored systematically.

Except for the restructured loan follow-up system determined in the related communiqué, such loans are incorporated into the new rating groups or risk weightings under the risk management systems of the banks, and new precautionary measures are taken for these processes. Since long-term commitments are more risky than the short-term commitments, risks are diversified in accordance with the Bank's risk management system.

As prescribed in the related Communiqué, the credit worthiness of the debtors of the loans and other receivables is monitored regularly and statements of accounts taken for the loans are audited in line with the related regulations. Guarantee factors are developed in accordance with the decision of the credit committee and updated according to the top management's initiatives and changes in the economic conditions. The Bank receives sufficient collaterals in consideration of the loans and other receivables granted. Guarantees obtained are surety ships, immovable mortgages, cash blockages and customer or real person cheques.

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

II. EXPLANATIONS ON CREDIT RISK (continued)

When the Bank is exposed to significant credit risks, it has the tendency to discontinue its forward or similar type of transactions by exercising rights, fulfilling the requirements of or disposing of the agreements entered into to mitigate the total risk.

The Bank's largest 100 and 200 cash loan customers compose 28,32% and 33,78% of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 44,49% and 56,02% of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 19,58% and 24,74% of the total "on and off balance sheet" assets, respectively.

Stage I and Stage II expected losses for credit risks of the Bank is TRY 2.364.052 (31 December 2017: TRY 2.288.701).

Exposure Categories:	Current Period Credit Risk Amount⁽¹⁾	Average Risk Amount	Prior Period Risk Amount⁽¹⁾	Average Risk Amount
Conditional and unconditional exposures to central governments or central banks	109.665.153	102.947.412	86.128.537	74.553.425
Conditional and unconditional exposures to regional governments or local authorities	3.887.468	3.644.851	3.067.537	2.472.655
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	3.222.987	3.019.967	1.660.743	1.314.454
Conditional and unconditional exposures to multilateral development banks	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	14.880.265	12.434.606	13.295.959	9.110.769
Conditional and unconditional exposures to corporates	138.320.043	114.674.725	94.973.265	88.195.684
Conditional and unconditional retail exposures	69.790.981	67.241.234	59.439.102	56.509.792
Conditional and unconditional exposures secured by real estate property	67.295.644	64.587.512	56.677.261	51.374.430
Past due items	2.209.042	1.447.185	1.358.160	1.372.749
Items in regulatory high-risk categories	139.449	98.848	57.408	123.794
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Other items	19.019.586	16.334.481	13.350.572	12.865.666

⁽¹⁾ Includes the risk amounts after credit conversions.

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

II. EXPLANATIONS ON CREDIT RISK (continued)

Profile of significant exposures in major regions:

	Risk Classifications ⁽¹⁾										Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Items in regulatory high-risk categories	Other	
Current Period											
1. Domestic	109.662.173	3.887.468	3.222.987	4.304.053	136.415.695	69.663.624	66.893.682	2.154.542	139.449	19.019.586	415.363.259
2. European Union (EU) Countries ⁽²⁾	-	-	-	5.159.833	244.996	123.524	339.812	37.804	-	-	5.905.969
3. OECD Countries	-	-	-	181.356	-	115	249	-	-	-	181.720
4. Off-Shore Banking Regions	-	-	-	1.035	-	16	-	-	-	-	1.051
5. USA, Canada	2.490	-	-	4.706.381	30.133	220	541	1	-	-	4.739.766
6. Other Countries	490	-	-	527.607	1.629.219	3.482	61.360	16.695	-	-	2.238.853
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-
Total	109.665.153	3.887.468	3.222.987	14.880.265	138.320.043	69.790.981	67.295.644	2.209.042	139.449	19.019.586	428.430.618
Prior Period											
1. Domestic	86.128.536	3.067.537	1.660.717	11.713.806	93.119.804	59.328.390	56.346.989	1.331.207	57.408	13.350.572	326.104.966
2. European Union (EU) Countries ⁽²⁾	-	-	26	873.503	453.621	107.758	268.877	26.953	-	-	1.730.738
3. OECD Countries	-	-	-	77.510	-	263	315	-	-	-	78.088
4. Off-Shore Banking Regions	-	-	-	509	-	13	-	-	-	-	522
5. USA, Canada	-	-	-	280.681	301.431	84	360	-	-	-	582.556
6. Other Countries	1	-	-	349.950	1.098.409	2.594	60.720	-	-	-	1.511.674
7. Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-
8. Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-
Total	86.128.537	3.067.537	1.660.743	13.295.959	94.973.265	59.439.102	56.677.261	1.358.160	57.408	13.350.572	330.008.544

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

⁽²⁾ OECD Countries other than the EU Countries, USA and Canada.

⁽³⁾ Assets and liabilities that are not consistently allocated.

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

II. EXPLANATIONS ON CREDIT RISK (continued)

Profile of significant exposures by sectors:

Current Period	Risk Classifications ⁽¹⁾											Total	
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables in regulatory high-risk categories	Other	TRY		FC
Agriculture	134.020	53	-	-	338.824	550.304	132.684	14.817	-	-	911.151	259.551	1.170.702
<i>Farming and Stockbreeding</i>	122.792	53	-	-	184.088	523.879	120.565	12.025	-	-	830.418	132.984	963.402
<i>Forestry</i>	252	-	-	-	-	6.184	1.219	-	-	-	7.655	-	7.655
<i>Fishery</i>	10.976	-	-	-	154.736	20.241	10.900	2.792	-	-	73.078	126.567	199.645
Manufacturing	8.884.851	234	1.272.633	-	53.731.376	10.014.758	20.010.482	694.345	-	-	44.064.471	50.544.208	94.608.679
<i>Mining and Quarrying</i>	109.537	-	805.542	-	1.770.984	157.367	182.730	6.249	-	-	558.439	2.473.970	3.032.409
<i>Production</i>	8.624.750	8	449.974	-	39.691.704	9.787.964	18.124.680	687.835	-	-	40.511.602	36.855.313	77.366.915
<i>Electricity, Gas and Water</i>	150.564	226	17.117	-	12.268.688	69.427	1.703.072	261	-	-	2.994.430	11.214.925	14.209.355
Construction	1.407.604	-	537	-	14.545.477	1.886.668	2.062.057	236.735	-	-	12.775.941	7.363.137	20.139.078
Services	8.203.650	10.654	1.242.486	14.880.265	38.233.309	31.918.120	19.482.630	1.008.379	-	19.019.586	80.635.211	53.363.868	133.999.079
<i>Wholesale and Retail Trade</i>	6.153.897	2.033	602.851	-	15.503.881	19.589.454	9.122.895	698.998	-	-	42.563.861	9.110.148	51.674.009
<i>Accommodation and Dining</i>	1.078.626	169	1.903	-	7.554.255	1.093.823	5.565.525	209.694	-	-	3.183.389	12.320.606	15.503.995
<i>Transportation and Telecom.</i>	351.622	8.448	284.352	-	4.568.147	9.465.398	863.509	24.282	-	-	11.035.464	4.530.294	15.565.758
<i>Financial Institutions</i>	17.801	-	328.209	14.880.265	3.907.693	42.816	859.627	8	-	19.019.586	18.599.352	20.456.653	39.056.005
<i>Real Estate and Rental</i>													
<i>Services</i>	117.843	-	1.066	-	4.380.943	533.121	1.838.687	47.049	-	-	1.639.639	5.279.070	6.918.709
<i>Professional Services</i>	7.186	-	-	-	128	860.036	126.002	3.173	-	-	996.178	347	996.525
<i>Educational Services</i>	181.628	-	753	-	1.542.807	157.533	335.122	10.224	-	-	1.345.053	883.014	2.228.067
<i>Health and Social Services</i>	295.047	4	23.352	-	775.455	175.939	771.263	14.951	-	-	1.272.275	783.736	2.056.011
Other	91.035.028	3.876.527	707.331	-	31.471.057	25.421.131	25.607.791	254.766	139.449	-	110.112.472	68.400.608	178.513.080
Total	109.665.153	3.887.468	3.222.987	14.880.265	138.320.043	69.790.981	67.295.644	2.209.042	139.449	19.019.586	248.499.246	179.931.372	428.430.618

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used.

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

II. EXPLANATIONS ON CREDIT RISK (continued)

Profile of significant exposures by sectors (continued):

Prior Period	Risk Classifications ⁽¹⁾										Other	TRY	FC	Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables in regulatory high-risk categories					
Agriculture	1	5	15	-	299.709	602.961	128.357	22.249	-	-	845.792	207.505	1.053.297	
<i>Farming and Stockbreeding</i>	1	3	15	-	193.381	568.785	117.087	20.722	-	-	802.395	97.599	899.994	
<i>Forestry</i>	-	2	-	-	1.495	3.631	382	9	-	-	5.519	-	5.519	
<i>Fishery</i>	-	-	-	-	104.833	30.545	10.888	1.518	-	-	37.878	109.906	147.784	
Manufacturing	764.116	64.451	1.268.425	-	39.437.582	12.467.925	15.999.010	864.565	-	-	36.517.012	34.349.062	70.866.074	
<i>Mining and Quarrying</i>	-	-	584.772	-	1.031.727	189.255	181.561	14.881	-	-	481.153	1.521.043	2.002.196	
<i>Production</i>	764.116	64.424	664.185	-	29.534.439	12.223.161	14.491.175	849.684	-	-	33.247.484	25.343.700	58.591.184	
<i>Electricity, Gas and Water</i>	-	27	19.468	-	8.871.416	55.509	1.326.274	-	-	-	2.788.375	7.484.319	10.272.694	
Construction	38	2	129	-	12.524.230	2.281.229	1.704.562	102.108	-	-	9.632.280	6.980.018	16.612.298	
Services	73.982	22.888	225.375	13.283.282	32.325.360	29.756.353	16.096.831	369.238	-	3.975.305	55.932.374	40.196.240	96.128.614	
<i>Wholesale and Retail Trade</i>	176	9.272	29.098	-	12.229.783	19.553.936	7.612.784	178.115	-	-	34.278.185	5.334.979	39.613.164	
<i>Accommodation and Dining</i>	3	128	1.667	-	5.919.529	966.905	4.383.485	66.611	-	-	2.221.762	9.116.566	11.338.328	
<i>Transportation and Telecom.</i>	-	13.300	140.168	-	5.950.765	7.606.182	788.214	19.810	-	-	8.555.325	5.963.114	14.518.439	
<i>Financial Institutions</i>	-	-	3.766	13.283.282	2.636.399	49.404	716.879	-	-	3.975.305	6.841.632	13.823.403	20.665.035	
<i>Real Estate and Rental Services</i>	5	-	-	-	3.069.247	431.195	1.567.184	77.616	-	-	1.314.830	3.830.417	5.145.247	
<i>Professional Services</i>	2	1	5	-	13	742.627	132.057	1.666	-	-	875.950	421	876.371	
<i>Educational Services</i>	194	176	23.692	-	1.109.839	166.992	289.869	3.132	-	-	880.827	713.067	1.593.894	
<i>Health and Social Services</i>	73.602	11	26.979	-	1.409.785	239.112	606.359	22.288	-	-	963.863	1.414.273	2.378.136	
Other	85.290.400	2.980.191	166.799	12.677	10.386.384	14.330.634	22.748.501	-	57.408	9.375.267	95.485.730	49.862.531	145.348.261	
Total	86.128.537	3.067.537	1.660.743	13.295.959	94.973.265	59.439.102	56.677.261	1.358.160	57.408	13.350.572	198.413.188	131.595.356	330.008.544	

⁽¹⁾ Risk classifications in the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" will be used

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

II. EXPLANATIONS ON CREDIT RISK (continued)

Analysis of maturity-bearing exposures according to remaining maturities ^(*) ^(**):

Current Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	735.725	1.065.719	1.879.945	5.026.597	100.957.167
2. Conditional and unconditional exposures to regional governments or local authorities	59.384	15.347	34.494	267.893	3.510.350
3 Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	550.016	38.004	16.752	248.893	2.369.322
4. Conditional and unconditional exposures to banks and brokerage houses	6.240.103	7.227	79.432	164.222	8.389.281
Conditional and unconditional exposures to corporates	17.743.083	7.105.012	13.588.772	26.562.156	96.557.734
6 Conditional and unconditional retail exposures	6.815.332	2.527.518	4.448.583	13.011.030	87.186.897
7. Past due items	2.209.042	-	-	-	-
8. Other Items	-	-	-	-	19.019.586
Total	34.352.685	10.758.827	20.047.978	45.280.791	317.990.337

^(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

^(**) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

Prior Period Exposure Categories	Term to Maturity				
	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1. Conditional and unconditional exposures to central governments or central banks	1.091.102	497.875	1.200.790	2.978.033	80.360.737
2. Conditional and unconditional exposures to regional governments or local authorities	49.076	17.414	74.007	165.432	2.761.608
3 Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	724.790	5.371	7.920	109.237	813.425
4. Conditional and unconditional exposures to banks and brokerage houses	13.170.404	40.541	23.680	55.776	5.558
5. Conditional and unconditional exposures to corporates	11.517.149	6.240.853	10.240.925	17.142.783	69.101.544
6 Conditional and unconditional retail exposures	4.852.353	2.037.050	3.767.932	10.710.005	75.536.442
7. Past due items	1.358.160	-	-	-	-
8. Other Items	-	-	-	-	13.350.572
Total	32.763.034	8.839.104	15.315.254	31.161.266	241.929.886

^(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

^(**) Claims secured by residential property and higher risk categories decided by the Board are disclosed in the claims on corporate and claims included in the regulatory retail portfolios.

Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks:

Islamic International Rating Agency (IIRA) country ratings are taken into account in calculating the Bank's capital adequacy. For other portfolios, the ratings given by the Fitch Ratings are used for the counterparties resident abroad.

Islamic International Rating Agency (IIRA) notes are used in the "Central Government or Receivables from Central Banks" portfolio. Fitch Ratings' rating grades are used for the risk classes listed below, provided that they are resident abroad.

- Receivables on banks and intermediary institutions
- Receivables on regional governments or local authorities
- Receivables on administrative bodies and other non-commercial undertakings

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II. EXPLANATIONS ON CREDIT RISK (continued)

Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (continued):

- Receivables on multilateral development banks
- Corporate receivables

The relevant risk classification is used in determining the risk weights on a receivable that is classified as per the second section, Article 8 of the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks. In the absence of a specific rating, the provisions of paragraph a,b and c of Article 9 of the regulation mentioned should be used.

In the 26th Article of the Regulation on the Principles Regarding the Authorization and Activities of Rating Agencies, IIRA grades are used in the below table of maturity in determining the credit quality level of the country grades, central government and central banks receivables. In the case of other risk classes included in the table, Fitch Ratings notes are taken into account if the rated party is a foreign resident, the supervisor of the relevant country has equivalent regulation and supervision structure, authorized in the country notes.

Implementation of the risk weights to receivables from Regional Governments or local authorities are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weights to receivables from multilateral development banks except those listed in the Additional Regulation 1 on Measurement and Assessment of Capital Adequacy Ratios of Banks, are subject to the same conditions as receivables from banks and intermediary institutions but this implementation exemption cannot be applied for the receivables from banks and intermediary institutions which have less than 90 days to maturity.

The implementation of the risk weight for unrated receivables from banks and intermediary institutions can not be lower than the risk weight of receivables from sovereigns which they are settled in.

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II. EXPLANATIONS ON CREDIT RISK (continued)

Information on the risk classifications as per the Article 6 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (continued):

Credit Quality Grade and Rating Matching Table							
Credit Quality Grade	IIIRA		Fitch				
	Rating	Exposures to Central Governments or Central Banks	Rating	Exposures to administrative bodies and other non-commercial undertakings	Exposures to Banks and Brokerage Houses		Exposures to Corporates
					Exposures with Original Maturities Less Than 90 Days	Exposures with Original Maturities More Than 90 Days	
1	AAA	0%	AAA	20%	20%	20%	20%
	AA+		AA+				
	AA		AA				
	AA-		AA-				
2	A+	20%	A+	50%	20%	50%	50%
	A		A				
	A-		A-				
3	BBB+	50%	BBB+	100%	20%	50%	100%
	BBB		BBB				
	BBB-		BBB-				
4	BB+	100%	BB+	100%	50%	100%	100%
	BB		BB				
	BB-		BB-				
5	B+	100%	B+	100%	50%	100%	150%
	B		B				
	B-		B-				
6	CCC+	150%	CCC+	150%	150%	150%	150%

Receivables from consolidated private sector:

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
TURKEY	222.700.422	-	222.700.422
VIRGIN ISLAND(US)	1.417.305	-	1.417.305
CYPRUS	453.652	-	453.652
IRAN	124.303	-	124.303
SWEDEN	104.397	-	104.397
MACEDONIA	6.396	80.553	86.949
OTHERS ^(*)	15.892	-	15.892

* Risk-Weighted Assets TRY 6 Million (Full TRY) are grouped under OTHER headings.

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MANAGEMENT OF THE BANK (continued)

II. EXPLANATIONS ON CREDIT RISK (continued)

Exposures by risk weights:

Current Period

Risk Weights											Deductions from Equity
	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	
1. Exposures before Credit Risk Mitigation	73.508.423	-	9.642.887	-	32.965.075	126.177.701	185.568.116	139.449	-	428.967	217.367
2. Exposures after Credit Risk Mitigation	94.611.740	844.508	11.256.495	39.424.628	63.770.557	69.339.342	148.614.932	139.449	-	428.967	217.367

Prior Period

Risk Weights											Deductions from Equity
	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	
1. Exposures before Credit Risk Mitigation	59.160.032	-	6.658.515	-	22.403.963	106.189.360	135.212.794	57.408	-	326.472	183.528
2. Exposures after Credit Risk Mitigation	78.862.370	19	7.780.790	34.321.095	47.898.809	57.378.496	103.383.085	57.408	-	326.472	183.528

Information by major sectors and type of counterparties:

Current Period	Credits		
	Significant Increase in Credit Risk (Stage II) *	Credit – Impaired Losses (Stage III) **	Expected Credit Loss (IFRS 9)
Major Sectors /Counterparties			
Agriculture	61.571	94.426	83.701
<i>Farming and Stockbreeding</i>	43.700	81.747	73.186
<i>Forestry</i>	75	459	458
<i>Fishery</i>	17.796	12.220	10.057
Manufacturing	3.416.604	3.084.864	2.917.906
<i>Mining and Quarrying</i>	77.570	132.735	137.373
<i>Production</i>	2.849.228	2.950.818	2.770.526
<i>Electricity, Gas and Water</i>	489.806	1.311	10.007
Construction	3.455.401	1.001.285	1.020.615
Services	7.670.019	3.074.423	2.729.579
<i>Wholesale and Retail Trade</i>	2.980.358	2.041.457	1.693.754
<i>Accommodation and Dining</i>	697.975	529.816	393.511
<i>Transportation and</i>			
<i>Telecommunication</i>	402.501	75.085	81.280
<i>Financial Institutions</i>	848.267	11.384	70.776
<i>Real Estate and Rental Services</i>	2.519.288	304.117	379.895
<i>Professional Services</i>	43.507	10.065	8.609
<i>Educational Services</i>	83.983	21.452	22.513
<i>Health and Social Services</i>	94.140	81.047	79.241
Other	1.381.168	904.371	713.971
Total	15.984.763	8.159.369	7.465.772

*Income accruals amounting to TRY 722.649 are not included in the table.

**Income accruals amounting to TRY 368.479 are not included in the table.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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II. EXPLANATIONS ON CREDIT RISK (continued)

Prior Period	Credits			Value Adjustments	Provisions
	Impaired Credits ⁽¹⁾	Past Due Credits ⁽²⁾			
Major Sectors /Counterparties					
Agriculture	92.544	11.286		226	75.414
<i>Farming and Stockbreeding</i>	83.166	10.576		212	67.562
<i>Forestry</i>	8.904	-		-	7.387
<i>Fishery</i>	474	710		14	465
Manufacturing	2.667.533	767.383		15.348	1.964.567
<i>Mining and Quarrying</i>	130.187	11.944		239	115.307
<i>Production</i>	2.536.388	376.176		7.524	1.848.302
<i>Electricity, Gas and Water</i>	958	379.263		7.585	958
Construction	1.132.829	101.161		2.023	986.511
Services	2.166.082	1.147.079		22.942	1.720.493
<i>Wholesale and Retail Trade</i>	1.305.353	700.327		14.007	933.779
<i>Accommodation and Dining</i>	144.007	69.559		1.391	118.590
<i>Transportation and Telecommunication</i>	91.226	169.100		3.382	58.400
<i>Financial Institutions</i>	11.834	941		19	10.740
<i>Real Estate and Rental Services</i>	537.563	163.078		3.262	532.337
<i>Professional Services</i>	-	26.058		521	-
<i>Educational Services</i>	6.885	6.614		132	3.752
<i>Health and Social Services</i>	69.214	11.402		228	62.895
Other	47.609	301.044		6.021	32.287
Total	6.106.597	2.327.953		46.560	4.779.272

⁽¹⁾ Non-performing loans; are the loans that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such loans, "specific provisions" are allocated as per the Provisioning Regulation.

⁽²⁾ Overdue Loans; are the loans that overdue up to 90 days but not non-performing loans. For such loans, "general loan provisions" are allocated as per the Provisioning Regulation. Accruals are not included in the table above.

Movements in value adjustments and provisions:

Current Period	Provision				Closing Balance
	Opening Balance	for Period	Provision Reversals	Other Adjustments*	
1. Stage III expected credit loss	4.779.272	1.696.341	(311.309)	118.988	6.283.292
2. Stage I and Stage II expected credit loss	2.134.958	471.301	(140)	(438.898)	2.167.221

*Includes ECL amounts arising from the TFRS 9 transition effect.

Prior Period	Provision				Closing Balance
	Opening Balance	for Period	Provision Reversals	Other Adjustments	
1. Specific Provisions	3.964.045	1.120.888	305.661	-	4.779.272
2. General Provisions	2.027.964	260.737	-	-	2.288.701

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II. EXPLANATIONS ON CREDIT RISK (continued)

The table below shows the maximum risk exposure to credit risk for the components of the financial statements.

Gross Maximum Exposure	Current Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	34.957.050
Due from Banks	5.140.743
Money Market Receivables	-
Financial Assets at Fair Value through Profit or Loss ⁽¹⁾	122.319
Financial Assets at Fair Value through Other Comprehensive Income	3.845.854
Financial Assets Measured at Amortised Cost	56.073.053
Loans	250.623.713
Total	350.762.732
Contingent Liabilities	83.039.825
Commitments	25.772.606
Total	108.812.431

Total Credit Risk Exposure **459.575.163**

⁽¹⁾ As of 31 December 2018, TRY 14.374.380 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Gross Maximum Exposure	Prior Period
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	36.373.039
Due from banks	6.093.940
Money Market Receivables	1.258.647
Financial Assets at Fair Value through profit or loss ⁽¹⁾	447.477
Financial Assets Available for Sale	16.965.743
Held to maturity Investments	21.727.169
Loans	203.464.477
Total	286.330.492
Contingent Liabilities	58.534.648
Commitments	23.995.694
Total	82.530.342

Total Credit Risk Exposure **368.860.834**

⁽¹⁾ As of 31 December 2017, TRY 10.000.429 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Overdue and individually impaired assets are not available in due from banks, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

The net value and type of collaterals of the loans amounting TRY 15.984.763 followed under loans and other receivables under close monitoring section is below (31 December 2017: TRY 5.029.505)

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II. EXPLANATIONS ON CREDIT RISK (continued)

Collateral Types^{(1),(2)}	Net Value of Collateral Current Period
Real estate mortgage	8.858.842
Salary pledge, vehicle pledge and pledge of commercial undertaking	346.283
Financial collaterals (cash, securities pledge, etc.)	20
Cheque / bills	71.310
Sureties	2.902.069
Other	3.806.239
Total	15.984.763

⁽¹⁾ The collaterals are considered through comparison of the net value of collateral on appraisal reports less the third party receivables having priority with the collateral. Lower of the collateral amount or the loan amount is considered on the table above.

⁽²⁾ Income accruals amounting to TRY 722.649 (31 December 2017: TRY 37.208) are not included in the table.

Collateral Types^{(1),(2)}	Net Value of Collateral Prior Period
Real estate mortgage	3.067.736
Salary pledge, vehicle pledge and pledge of commercial undertaking	120.324
Financial collaterals (cash, securities pledge, etc.)	-
Cheque / bills	11.068
Sureties	808.030
Other	1.022.347
Total	5.029.505

The net value and type of collaterals belongs to loans amounted TRY 8.527.848 followed under non-performing loans section is below (31 December 2017: TRY 6.106.597):

Collateral Types⁽²⁾	Net Value of Collateral Current Period
Cash	4.638
Mortgage	2.013.867
Pledge	365.992
Cheque / bills	3.142
Sureties	4.203.026
Other ⁽¹⁾	1.568.704
Total	8.159.369

⁽¹⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

⁽²⁾ Income accruals amounting to TRY 368.479 are not included in the table.

Collateral Types	Net Value of Collateral Prior Period
Cash	271
Mortgage	1.582.949
Pledge	222.408
Cheque / bills	1.954
Sureties	1.662.084
Other ⁽¹⁾	2.636.931
Total	6.106.597

⁽¹⁾ Comprised of share certificates, blockage on receivables and salaries, uncollateralized, etc.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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III. EXPLANATIONS ON CURRENCY RISK

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

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

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

	24.12.2018	25.12.2018	26.12.2018	27.12.2018	28.12.2018	31.12.2018
USD	5,2700000	5,2700000	5,2500000	5,2600000	5,2400000	5,2700000
CHF	5,3190000	5,3349000	5,2809000	5,3113000	5,3430000	5,3330000
GBP	6,6944000	6,6718000	6,6481000	6,6339000	6,6417000	6,7352000
JPY	0,0476143	0,0477547	0,0473864	0,0473653	0,0474549	0,0478372
EUR	6,0207000	5,9941000	5,9792000	5,9938000	6,0082000	6,0265000

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

	Buying rate of exchange
USD	5,2942857
CHF	5,3310667
GBP	6,7011476
JPY	0,0471538
EUR	6,0263810

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

III. 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	15.542.910	9.638.013	5.793.251	30.974.174
Banks	996.574	3.599.837	363.417	4.959.828
Financial assets at fair value through profit and loss ⁽³⁾	-	21.455	-	21.455
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income	814.044	608.569	-	1.422.613
Loans ⁽²⁾	43.545.645	41.380.543	812.351	85.738.539
Subsidiaries, associates and entities under common control ⁽⁵⁾	415.828	-	987.369	1.403.197
Financial assets measured at amortised cost	-	10.962.386	-	10.962.386
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	100	100
Intangible assets	-	-	-	-
Other assets ⁽³⁾	234.097	1.718.911	9.145	1.962.153
Total assets	61.549.098	67.929.714	7.965.633	137.444.445
Liabilities				
Bank deposits	8.692.494	5.558.218	714.885	14.965.597
Foreign currency deposits	45.318.529	44.216.578	4.336.111	93.871.218
Money market balances	-	5.402.273	-	5.402.273
Funds provided from other financial institutions	6.761.282	4.774.083	8.264	11.543.629
Bonds issued	-	12.024.839	-	12.024.839
Sundry creditors	135.133	151.566	46	286.745
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	359.014	587.613	68.167	1.014.794
Total liabilities	61.266.452	72.715.170	5.127.473	139.109.095
Net balance sheet position	282.646	(4.785.456)	2.838.160	(1.664.650)
Net off-balance sheet position				
Financial derivative assets ⁽⁴⁾	1.429.164	10.031.927	941.418	12.402.509
Financial derivative liabilities ⁽⁴⁾	1.739.810	5.789.839	2.805.238	10.334.887
Non-cash loans ⁽¹⁾	22.836.419	21.002.596	2.032.875	45.871.890
Prior period				
Total assets	40.389.094	57.961.241	6.047.695	104.398.030
Total liabilities	41.069.948	60.744.843	3.540.566	105.355.357
Net balance sheet position	(680.854)	(2.783.602)	2.507.129	(957.327)
Net off-balance sheet position				
Financial derivative assets	1.071.425	5.978.381	1.242.307	8.292.113
Financial derivative liabilities	822.402	3.432.296	3.244.237	7.498.935
Non-cash loans ⁽¹⁾	12.468.340	16.381.903	1.462.430	30.312.673

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

⁽²⁾ Includes TRY 764.208 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 341) in assets; and shareholders' equity (TRY 124.299) 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 89.699. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.149.770. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

⁽⁵⁾ Other foreign currency subsidiaries Halkbank A.D. Beograd (TRY 406.512) and Halk Banka AD Skopje (TRY 580.857), and Euro foreign currency associate Demir-Halk Bank NV (TRY 415.828) are included.

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

IV. EXPLANATIONS ON INTEREST RATE RISK

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

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

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

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

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IV. 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	16.093.521	-	-	-	-	18.863.529	34.957.050
Banks and financial institutions	3.497.158	-	4.000	-	-	1.639.585	5.140.743
Financial assets at fair value through profit and loss	50.564	-	50.092	185	21.478	14.374.380	14.496.699
Money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	653.968	1.019.806	1.892.010	280.070	141.340	3.987.194
Loans	37.534.966	33.990.655	98.206.961	61.221.795	14.092.705	5.576.631	250.623.713
Financial assets measured at amortised cost	326.618	16.991.193	7.893.787	10.657.616	20.203.839	-	56.073.053
Other assets ⁽⁴⁾	830.862	2.840	7.760	26.791	1.328	12.274.022	13.143.603
Total assets	58.333.689	51.638.656	107.182.406	73.798.397	34.599.420	52.869.487	378.422.055
Liabilities							
Bank deposits	8.615.098	1.529.114	10.000	-	-	20.787.230	30.941.442
Other deposits	119.237.546	47.476.465	17.240.991	388.921	1.752	33.568.137	217.913.812
Money market balances	37.129.670	842.273	-	-	-	190.118	38.162.061
Sundry creditors	2.390.541	-	-	-	-	2.189.240	4.579.781
Bonds issued	673.665	1.338.032	2.634.853	10.208.711	-	192.717	15.047.978
Funds provided from other financial institutions ⁽³⁾	254.331	5.159.773	2.934.349	2.425.903	1.043.018	98.653	11.916.027
Other liabilities ^{(1),(2)}	1.150.250	7	26.889	14.529.699	6.870.185	37.283.924	59.860.954
Total liabilities	169.451.101	56.345.664	22.847.082	27.553.234	7.914.955	94.310.019	378.422.055
Balance sheet long position	-	-	84.335.324	46.245.163	26.684.465	-	157.264.952
Balance sheet short position	(111.117.412)	(4.707.008)	-	-	-	(41.440.532)	(157.264.952)
Off-balance sheet long position	1.032.864	1.415.000	4.506.341	1.139.324	3.208.897	13.021.620	24.324.046
Off-balance sheet short position	(646.460)	(1.054.000)	(4.084.721)	(1.983.234)	(3.208.897)	(12.906.156)	(23.883.468)
Total position	(110.731.008)	(4.346.008)	84.756.944	45.401.253	26.684.465	(41.325.068)	440.578

⁽¹⁾ TRY 452.769 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⁾ Net of follow-up loans amounting TRY 2.244.556 is disclosed under the non-bearing interest column in other assets.

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IV. 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.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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IV. 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⁾	-	2,00	-	13,00
Due from other banks and financial institutions ⁽¹⁾	0,19	2,22	-	19,58
Financial assets at fair value through profit and loss	-	6,62	-	18,62
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	4,05	5,83	-	24,36
Loans ⁽²⁾	5,28	7,48	1,54	16,53
Financial assets measured at amortised cost	-	5,61	-	21,94
Liabilities				
Bank deposits	2,98	5,30	-	24,33
Other deposits ⁽⁴⁾	2,53	4,65	0,25	20,63
Money market borrowings	-	4,55	-	23,35
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	16,46
Funds provided from other financial institutions	0,85	2,80	1,40	12,07

⁽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 2018.

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

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

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

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

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

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

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

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

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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IV. EXPLANATIONS ON INTEREST RATE RISK (continued)

3. The interest rate risk of the banking book items:

Standard interest rate shock methods are being used in respect of measuring the risk arising from re-pricing mismatch of asset and liability items. The duration within the limits are determined by BRSA that obtained from the calculation intended for demand deposits by using core deposit and duration analysis is taken into account.

The interest rate risk of the banking book items is calculated by taking into account the worst ratio for the Bank among the calculated ratios by dividing the total of the differences in terms of maturities and currencies with the shareholders' equity. The mentioned difference is the difference between the net position amounts which are derived from the cash flows of the on-balance and off-balance sheet positions included in the interest sensitive banking book items discounted by the ratios derived from the application of positive and negative shocks, and the net position amounts which are discounted by the ratios without applying the shocks. The maximum limit regarding the economic value change is 20% of shareholders' equity.

While maturity distribution of the related cash flows, remaining maturities are taken into account for fixed rate instruments and re-pricing dates are taken into account for flexible interest instruments. Non-performing loans are placed to relevant maturity periods except demand time interval that are not than not be less than six months by taking into account receiving durations are receivables ratios under other receivables and estimated receiving durations. Foreign currency indexed asset and liabilities are placed to related forms by taking into accounts their indexed currency types.

In defining the maturity of demand deposits, average durations which are calculated by statistical analysis are being used.

Current Period			
Currency	Applied Shock (+/- x basis point)	Gains/Losses	Gains/Shareholders' Equity –Losses/ Shareholders' Equities
1 TRY	500	(4.147.592)	(11,17%)
	(400)	3.990.457	10,75%
2 EUR	200	610.795	1,64%
	(200)	(654.359)	(1,76%)
3 USD	200	(1.027.985)	(2,77%)
	(200)	1.493.270	4,02%
Total (For negative shocks)		4.829.368	13,01%
Total (For positive shocks)		(4.564.782)	(12,30%)
Prior Period			
Currency	Applied Shock (+/- x basis point)	Gains/Losses	Gains/Shareholders' Equity –Losses/ Shareholders' Equities
1 TRY	500	(4.233.277)	(14,86%)
	(400)	4.242.774	14,89%
2 EUR	200	508.529	1,78%
	(200)	(410.052)	(1,44%)
3 USD	200	(652.368)	(2,29%)
	(200)	1.060.994	3,72%
Total (For negative shocks)		4.893.716	17,17%
Total (For positive shocks)		(4.377.116)	(15,37%)

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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V. EXPLANATIONS ON POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Carrying Value	Comparison		Capital Requirements
		Fair Value Change	Market Value	
Investment in Shares-Grade A	432.290	432.290	432.290	34.583
Quoted Securities ⁽¹⁾	432.290	432.290	432.290	34.583
Investment in Shares-Grade B	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares-Grade C	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares- Grade D ⁽²⁾	492.895	492.895	-	39.432
Other	3.862.170	3.845.614	-	360.450

⁽¹⁾ The Bank's 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	Revaluated appreciation in the fair value		Unrealized gains and losses	
		Total	Included To Supplementary Capital	Total	Included To total Core Capital
1. Private equity investments	-	-	-	-	-
2. Share certificates quoted on a stock exchange ^{(1) (2)}	-	246.567	246.567	-	-
3. Other share certificates	-	1.449.298	1.449.298	-	-
Total	-	1.695.865	1.695.865	-	-

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

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

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

VI. 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.

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

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

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

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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VI. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO
(continued)

According to “Regulation for Banks’ Liquidity Coverage Ratio Calculations” (the Regulation), Liquidity Coverage Ratio (LCR), aiming banks having the ability to cover net cash outflows with high quality liquid assets, is calculated by using high quality liquid assets divided by net cash outflows to be realized within 30 days. In both unconsolidated and consolidated basis, the legal minimum limits of the LCR ratio for the total and foreign currency should be 90% and 70% for 2018 respectively, and 100% and 80% in 2019 respectively.

In 2018, foreign currency and total liquidity coverage ratios did not fall below the legal limits. The Bank’s cash inflows did not exceed 75% of cash outflows and high quality liquid assets are composed of 7,08% cash, 46,02% central banks, 46,41% securities considered as high quality liquid assets.

Main funding source composition is composed of 72,89% deposits, 4,33% funds borrowed, 11,18% money market borrowings, 4,41% securities issued and 1,82% subordinated debt instruments. As in the previous period, derivative transactions did not generate a net cash outflow that would negatively affect the liquidity position.

The cash outflows from derivative financial instruments and other liabilities are calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, is TRY 1.470.488.

The Bank does not have any operational or legal restrictions on liquidity transfer to subsidiaries or foreign branches. Each of the consolidated subsidiaries manage their own liquidity risk and liquidity adequacy is ensured on a consolidated basis.

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	24.12.2018	175,29	24.12.2018	138,05
	30.12.2018		30.12.2018	
Minimum	01.10.2018	132,64	01.10.2018	90,29
	07.10.2018		07.10.2018	

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

VI. 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			53.548.927	26.490.737
Cash Outflows				
Retail and Small Business Customers, of which;	117.269.443	44.798.169	10.455.442	4.479.817
Stable Deposits	25.430.055	-	1.271.503	-
Less Stable Deposits	91.839.388	44.798.169	9.183.939	4.479.817
Unsecured wholesale funding , of which;	103.093.631	45.323.571	42.320.022	19.834.657
Operational Deposits	35.321.677	10.662.628	8.830.419	2.665.657
Non-operational Deposits	62.172.418	31.656.223	28.650.071	14.640.113
Other Unsecured Funding	5.599.536	3.004.720	4.839.532	2.528.887
Secured Funding			-	-
Other cash outflows, of which;	7.984.120	4.929.059	3.826.946	2.655.849
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	347.969	778.628	347.969	778.628
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	7.636.151	4.150.431	3.478.977	1.877.221
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	99.664.172	42.704.070	7.991.349	3.477.943
Total Cash Outflows			64.593.759	30.448.266
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	25.940.951	11.734.050	18.347.893	9.836.691
Other Cash Inflows	188.791	2.008.440	188.791	2.008.440
Total Cash Inflows	26.129.742	13.742.490	18.536.684	11.845.131
			Total Adjusted Value	
Total HQLA Stock			53.548.927	26.490.737
Total Net Cash Outflows			46.057.075	18.603.135
Liquidity Coverage Ratio (%)			116,32%	143,36%

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

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

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

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

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VI. 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	4.418.038	30.539.012	-	-	-	-	-	34.957.050
Banks	1.911.278	3.225.155	-	4.310	-	-	-	5.140.743
Financial assets at fair value through profit and loss	-	50.564	-	14.424.472	185	21.478	-	14.496.699
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	50.757	909.581	2.557.538	327.978	141.340	3.987.194
Loans ⁽²⁾	2.912.739	13.700.685	14.791.709	76.110.176	110.594.402	32.514.002	-	250.623.713
Financial assets measured at amortised cost	-	1.846	734.261	3.273.371	23.573.791	28.489.784	-	56.073.053
Other assets ⁽²⁾	2.780	477.795	469.454	353.454	577.339	30.996	11.231.785	13.143.603
Total assets	9.244.835	47.995.057	16.046.181	95.075.364	137.303.255	61.384.238	11.373.125	378.422.055
Liabilities								
Bank deposits	20.729.135	8.667.082	1.534.825	10.400	-	-	-	30.941.442
Other deposits	31.793.746	120.251.973	47.963.354	17.509.166	393.821	1.752	-	217.913.812
Funds provided from other financial institutions ⁽³⁾	36	213.793	1.395.524	2.857.126	4.670.856	2.778.692	-	11.916.027
Money market balances	-	35.183.566	328.017	-	2.123.478	527.000	-	38.162.061
Bonds issued	-	735.098	1.460.023	2.644.147	10.208.710	-	-	15.047.978
Sundry creditors	15.882	1.998.041	126.664	537.788	1.630.004	5.414	265.988	4.579.781
Other liabilities ⁽¹⁾	178.187	4.991.332	307.037	14.941.572	311.297	8.190.626	30.940.903	59.860.954
Total liabilities	52.716.986	172.040.885	53.115.444	38.500.199	19.338.166	11.503.484	31.206.891	378.422.055
Liquidity gap	(43.472.151)	(124.045.828)	(37.069.263)	56.575.165	117.965.089	49.880.754	(19.833.766)	-
Net off balance sheet position	-	44.220	(121.257)	(8.676)	526.291	-	-	440.578
Derivative financial assets	-	8.365.005	1.275.142	4.617.257	3.648.848	6.417.794	-	24.324.046
Derivative financial liabilities	-	(8.320.785)	(1.396.399)	(4.625.933)	(3.122.557)	(6.417.794)	-	(23.883.468)
Non-cash loans	2.567.374	3.295.072	5.997.297	29.566.343	16.377.306	25.236.433	-	83.039.825
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.

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VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY
COVERAGE RATIO (continued)

Analysis of non-derivative financial liabilities by remaining contractual maturities:

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	181.681.653	50.297.860	18.640.620	511.690	2.180	(2.278.749)	248.855.254
Funds provided from other financial intuitions	214.523	1.420.946	2.989.372	5.081.929	3.156.489	(947.232)	11.916.027
Money market borrowings	35.262.078	336.034	108.059	2.292.146	703.800	(540.056)	38.162.061
Securities issued	747.875	1.563.635	3.030.039	11.429.907	-	(1.723.478)	15.047.978
Funds	178.780	4.497	118.765	311.297	2.260.831	(49)	2.874.121
Total	218.084.909	53.622.972	24.886.855	19.626.969	6.123.300	(5.489.564)	316.855.441

Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments	Total
Liabilities							
Deposits	138.702.472	40.785.201	14.501.959	393.024	2.583	(1.158.170)	193.227.069
Funds provided from other financial intuitions	766.065	2.601.592	7.225.376	4.385.424	2.734.008	(694.347)	17.018.118
Money market borrowings	33.572.546	1.054.913	-	-	-	(19.475)	34.607.984
Securities issued	725.875	2.079.645	342.467	9.247.008	-	(1.040.331)	11.354.664
Funds	92.303	13.766	127.641	274.391	2.246.745	(30.212)	2.724.634
Total	173.859.261	46.535.117	22.197.443	14.299.847	4.983.336	(2.942.535)	258.932.469

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

Analysis of Bank's derivative financial instruments according to their remaining maturities:

Current Period:⁽¹⁾	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	3.605.673	871.411	952.254	-	-	5.429.338
Forward Contracts – Sell	1.731.132	653.285	850.428	-	-	3.234.845
Swaps – Buy	5.398.995	425.234	1.003.129	1.370.200	-	8.197.558
Swaps – Sell	5.394.184	539.119	1.113.630	843.910	-	7.890.843
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	89.699	-	-	-	-	89.699
Forward Precious Metal - Sell	1.925.522	224.248	-	-	-	2.149.770
Money Buy Options	218.558	49.200	2.661.875	-	-	2.929.633
Money Sell Options	218.538	49.200	2.661.875	-	-	2.929.613
Swaps Interest – Buy	-	-	-	2.278.648	6.417.794	8.696.442
Swaps Interest – Sell	-	-	-	2.278.648	6.417.794	8.696.442
Total	18.582.301	2.811.697	9.243.191	6.771.406	12.835.588	50.244.183

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 2.036.669.

Prior Period:⁽¹⁾	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	3.341.667	1.451.710	1.521.700	-	-	6.315.077
Forward Contracts – Sell	1.501.366	663.002	1.518.340	-	-	3.682.708
Swaps – Buy	2.063.721	-	387.590	758.000	-	3.209.311
Swaps – Sell	2.061.605	-	379.000	605.440	-	3.046.045
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	24.982	-	-	-	-	24.982
Forward Precious Metal - Sell	1.896.450	808.986	-	-	-	2.705.436
Money Buy Options	239.927	2.822	697.462	-	-	940.211
Money Sell Options	239.926	2.822	697.462	-	-	940.210
Swaps Interest – Buy	-	-	-	1.638.724	3.804.657	5.443.381
Swaps Interest – Sell	-	-	-	1.638.724	3.804.657	5.443.381
Total	11.369.644	2.929.342	5.201.554	4.640.888	7.609.314	31.750.742

⁽¹⁾Forward asset purchase and sale commitments have been included in the table amounts of TRY 910.451.

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VII. 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)	373.308.958	299.192.752
2.Assets that are deducted from core capital	(198.802)	(157.786)
3.Total on balance sheet exposures	373.110.156	299.034.966
Derivative exposures and credit derivatives		
4.Replacement cost associated with derivative financial instruments and credit derivatives	1.060.813	445.528
5.The potential amount of credit risk with derivative financial instruments and credit derivatives	301.456	228.995
6.The total amount of risk on derivative financial instruments and credit derivatives	1.362.269	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)	1.524.846	1.100.207
8.Risk amount of exchange brokerage operations	-	-
9.Total risks related with securities or commodity financing transactions	1.524.846	1.100.207
Off -Balance Sheet Items		
10.Gross notional amount of off-balance sheet items	107.657.161	85.128.086
11.Adjustments for conversion to credit equivalent amounts	-	-
12.The total risk of off-balance sheet items	107.657.161	85.128.086
Capital and Total Exposures		
13.Tier 1 Capital	28.323.502	24.481.121
14.Total Exposures	483.654.432	385.937.782
Leverage Ratio		
15.Leverage Ratio	5,86%	6,34%

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

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VIII. EXPLANATIONS ON BUSINESS SEGMENTATION

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

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

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

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

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

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

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

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

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VIII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)

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

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

Current Period (1 January - 31 December 2018)	Corporate	Commercial	SME/ Integrated	Treasury / Investment	Total
OPERATING INCOME / EXPENSES					
Interest income	3.740.209	5.295.797	20.166.245	7.468.587	36.670.838
<i>Interest on loans</i>	3.739.527	5.295.359	19.700.018	76.923	28.811.827
<i>Interest income on marketable securities</i>	-	-	441.185	6.603.469	7.044.654
<i>Interest received from banks</i>	-	-	6	630.169	630.175
<i>Other interest income</i>	682	438	25.036	158.026	184.182
Interest expense	2.493.195	1.384.517	15.455.276	9.258.272	28.591.260
<i>Interest on deposits</i>	2.489.426	1.347.387	15.110.679	1.772.085	20.719.577
<i>Interest on borrowings</i>	669	8.863	41.519	411.068	462.119
<i>Interest on money market borrowings</i>	-	-	184.063	5.511.919	5.695.982
<i>Interest on marketable bonds issued</i>	-	-	-	1.463.544	1.463.544
<i>Other interest expense</i>	3.100	28.267	119.015	99.656	250.038
Net interest income / (loss)	1.247.014	3.911.280	4.710.969	(1.789.685)	8.079.578
Net fees and commissions income	361.880	330.610	979.116	278.051	1.949.657
Net trading profit / (loss)	3.364	11.664	1.024.491	(890.264)	149.255
Dividend income	-	-	-	510.357	510.357
Other income	38.566	113.606	318.097	154.205	624.474
Expected credit loss	455.554	606.701	1.119.258	953.560	3.135.073
Other expenses	37.572	83.292	2.119.558	3.220.008	5.460.430
Income before taxes	1.157.698	3.677.167	3.793.857	(5.910.904)	2.717.818
Income tax provision	-	-	-	(196.023)	(196.023)
Net profit for the period	1.157.698	3.677.167	3.793.857	(6.106.927)	2.521.795
SEGMENT ASSETS (31 December 2018)					
Marketable securities	-	-	8.756.221	65.800.725	74.556.946
Derivative financial assets	-	-	102.003	959.477	1.061.480
Banks and money market receivables	-	-	2.088	5.138.655	5.140.743
Associates and subsidiaries (net)	-	-	-	4.770.799	4.770.799
Loans	44.013.011	51.605.358	152.062.318	2.943.026	250.623.713
Other assets ⁽¹⁾	87.096	659.517	2.793.595	38.728.166	42.268.374
TOTAL ASSETS	44.100.107	52.264.875	163.716.225	118.340.848	378.422.055
SEGMENT LIABILITIES (31 December 2018)					
Deposits	57.968.918	26.420.864	141.103.733	23.361.739	248.855.254
Derivative financial liabilities	-	-	53.332	357.106	410.438
Money market balances	-	-	5.402.273	32.759.788	38.162.061
Borrowing funding loans	18.183	375.649	1.114.372	10.407.823	11.916.027
Bonds issued	-	-	-	15.047.978	15.047.978
Other liabilities	702.546	481.589	7.070.252	23.778.483	32.032.870
Provisions and tax payable	114.122	131.949	288.821	2.441.800	2.976.692
Shareholders' equity	1.298.084	3.650.485	3.392.443	20.679.723	29.020.735
TOTAL LIABILITIES	60.101.853	31.060.536	158.425.226	128.834.440	378.422.055
OFF BALANCE SHEET ITEMS (31 December 2018)					
Guarantees and sureties	23.734.433	22.867.737	23.260.633	13.177.022	83.039.825
Commitments	77.333	888.889	9.648.799	15.482.619	26.097.640
Derivative financial instruments	-	-	12.025.139	36.182.375	48.207.514

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VIII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)

Prior Period (1 January-31 December 2017)	Corporate	Commercial	SME/ Integrated	Treasury / Investment⁽¹⁾	Total
OPERATING INCOME / EXPENSES					
Interest income	2.189.358	3.272.456	13.414.498	4.217.682	23.093.994
Interest on loans	2.187.601	3.271.343	13.148.169	352.388	18.959.501
Interest income on marketable securities	-	-	254.258	3.448.714	3.702.972
Interest received from banks	-	-	1	227.092	227.093
Other interest income	1.757	1.113	12.070	189.488	204.428
Interest expense	1.728.261	726.547	8.274.963	4.563.622	15.293.393
Interest on deposits	1.727.462	695.437	8.085.971	830.927	11.339.797
Interest on borrowings	661	6.907	27.289	345.946	380.803
Interest on money market borrowings	-	-	77.608	2.590.195	2.667.803
Interest on marketable bonds issued	-	-	-	789.909	789.909
Other interest expense ⁽²⁾	138	24.203	84.095	6.645	115.081
Net interest income	461.097	2.545.909	5.139.535	(345.940)	7.800.601
Net fees and commissions income	245.201	431.532	1.089.806	260.769	2.027.308
Net trading profit / (loss)	710	5.172	244.722	(214.735)	35.869
Dividend income	-	-	-	267.214	267.214
Other income	42.811	74.615	358.812	124.397	600.635
Impairment losses on loans and other receivables	17.973	443.525	581.533	426.296	1.469.327
Other expenses	30.307	69.703	1.822.805	2.629.903	4.552.718
Income before taxes	701.539	2.544.000	4.428.537	(2.964.494)	4.709.582
Income tax provision	-	-	-	(984.120)	(984.120)
Net profit for the period	701.539	2.544.000	4.428.537	(3.948.614)	3.725.462
SEGMENT ASSETS					
(31 December 2017)					
Marketable securities	-	-	5.489.437	43.413.266	48.902.703
Derivative financial assets held for trading	-	-	79.852	282.069	361.921
Banks and money market receivables	-	-	289	7.352.298	7.352.587
Associates and subsidiaries (net)	-	-	-	3.959.500	3.959.500
Loans	30.705.417	41.267.495	127.277.838	4.213.727	203.464.477
Other assets	90.690	264.257	1.885.260	39.069.253	41.309.460
TOTAL ASSETS	30.796.107	41.531.752	134.732.676	98.290.113	305.350.648
SEGMENT LIABILITIES					
(31 December 2017)					
Deposits	30.068.341	16.011.238	136.068.623	11.078.867	193.227.069
Derivative financial liabilities held for trading	-	-	46.160	104.362	150.522
Money market balances	-	-	4.140.748	30.467.236	34.607.984
Borrowing funding loans	9.973	233.252	954.275	15.820.618	17.018.118
Bonds issued	-	-	-	11.354.664	11.354.664
Other liabilities	286.437	379.543	6.336.644	11.964.753	18.967.377
Provisions and tax payable	57.741	88.335	252.213	4.249.886	4.648.175
Shareholders' equity	767.670	2.565.774	4.065.401	17.977.894	25.376.739
TOTAL LIABILITIES	31.190.162	19.278.142	151.864.064	103.018.280	305.350.648
OFF BALANCE SHEET ITEMS					
(31 December 2017)					
Guarantees and sureties	15.680.596	13.990.756	17.241.640	11.621.656	58.534.648
Commitments	63.996	878.037	10.134.667	12.918.994	23.995.694
Derivative financial instruments	-	-	6.914.990	23.925.301	30.840.291

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value	Fair Value
	Current Period	Current Period
Financial Assets	350.743.976	334.011.632
Cash and Balances with the Central Bank of Turkey	34.957.050	34.957.050
Financial assets at fair value through P&L ^{(3) (4)}	56.114	56.114
Banks	5.140.743	5.139.615
Money Market Placements	-	-
Financial Assets at Fair Value through Other Comprehensive Income ⁽¹⁾	3.970.638	3.970.638
Financial Assets Measured at Amortised Cost	56.073.053	50.114.605
Loans ⁽²⁾	250.546.378	239.773.610
Financial Liabilities	318.971.539	325.986.447
Deposits	248.855.254	250.559.277
Derivative financial liabilities held for trading	410.438	410.438
Funds provided from other financial institutions	11.916.027	12.263.014
Money market borrowings	38.162.061	38.328.639
Securities issued	15.047.978	19.845.298
Miscellaneous payables	4.579.781	4.579.781
Leasing payables	-	-

⁽¹⁾ As of 31 December 2018, TRY 16.556 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2017: TRY 15.805).

⁽²⁾ Net of follow-up loans has not been included in the table above.

⁽³⁾ As of 31 December 2018, marketable securities amounting to TRY 66.205 that are valued by internal rate of return, are not included in financial assets held for trading purpose.(31 December 2017: TRY 81.145)

⁽⁴⁾ Securities lending transactions amounting to TRY 14.374.380 is not included in the financial assets at fair value through P&L.

	Book Value	Fair Value
	Prior Period	Prior Period
Financial Assets	285.030.023	295.794.773
Cash and Balances with the Central Bank of Turkey	36.373.039	36.373.039
Financial assets at fair value through P&L ^{(3) (4)}	366.332	366.332
Banks	6.093.940	6.093.887
Money Market Placements	1.258.647	1.258.746
Financial Assets Available for Sale ⁽¹⁾	17.073.744	17.073.744
Held to Maturity Investments	21.727.169	21.138.237
Loans ⁽²⁾	202.137.152	213.490.788
Financial Liabilities	259.915.703	258.778.754
Deposits	193.227.069	193.098.837
Derivative financial liabilities held for trading	150.522	150.522
Funds provided from other financial institutions	17.018.118	17.169.308
Money market borrowings	34.607.984	34.611.352
Securities issued	11.354.664	10.191.389
Miscellaneous payables	3.557.346	3.557.346
Leasing payables	-	-

⁽¹⁾ As of 31 December 2017, TRY 15.805 of equity investments followed in available for sale financial assets which are measured at cost less any impairment losses have not been included in the table above (31 December 2016: TRY 15.818).

⁽²⁾ Net of follow-up loans has not been included in the table above.

⁽³⁾ As of 31 December 2017, marketable securities amounting to TRY 81.145 that are valued by internal rate of return, are not included in financial assets held for trading purpose.(31 December 2016: TRY 67.141)

⁽⁴⁾ Securities lending transactions amounting to TRY 10.000.429 is not included in the financial assets at fair value through P&L.

As of 31 December 2017, fair values of Associates and Subsidiaries are shown at section 4 footnote 5. The methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

- i- The fair value of the held to maturity assets is determined at fair value, when the market prices are not available, quoted market prices of other marketable securities which are amortised with the same terms of interest maturity and other similar conditions are used.

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IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued)

- ii- The prevailing interest rates as of balance sheet date are used in the calculation of fair value of money market placements, banks, loans, deposits, funds provided from other financial intuitions and sundry creditors.

Classification of Fair Value Measurement

IFRS 7 – Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Bank. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

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IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT
FAIR VALUE (continued)

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value:				
Financial Assets Measured at Fair Value through Profit/Loss ^{(2) (4)} :	56.114	-	-	56.114
Derivative financial assets	-	1.061.480	-	1.061.480
Financial Assets at Fair Value through Other Comprehensive Income ⁽¹⁾ :	3.970.638	-	-	3.970.638
Subsidiaries	432.290	492.895	3.407.296	4.332.481
Association ⁽³⁾	-	-	415.828	415.828
Total Financial Assets	4.459.042	1.554.375	3.823.124	9.836.541
Financial Liabilities Measured at Fair Value:				
Derivative financial liabilities	-	410.438	-	410.438
Total Financial Liabilities	-	410.438	-	410.438

⁽¹⁾ As of 31 December 2018, share certificates amounting to TRY 16.556 of “securities not quoted on the stock exchange” in financial assets at fair value through other comprehensive income are not included in the above table.

⁽²⁾ As of 31 December 2018, marketable securities amounting to TRY 66.205 that are not valued at fair value, are not included in financial assets at fair value through profit or loss.

⁽³⁾ Bank’s associates which are shown with their cost values in the accompanying financial statements as no fair values are available, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. (TRY 11.518), Bankalararası Kart Merkezi AŞ. (TRY 6.836), Kredi Kayıt Bürosu AŞ. (TRY 2.516) and Türk P&I Sigorta AŞ. (TRY 1.620) are not included in the table.

⁽⁴⁾ As of 31 December 2018, TRY 14.374.380 of securities lending transaction is not included in Financial Assets at Fair Value through profit or loss.

Prior Period	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss:				
Financial assets held for trading purpose ⁽²⁾ :	74.978	361.921	-	436.899
<i>Debt securities⁽⁴⁾</i>	74.978	-	-	74.978
<i>Derivative financial assets held for trading purpose</i>	-	361.921	-	361.921
Available-for-sale financial assets ⁽¹⁾ :	17.073.744	-	-	17.073.744
<i>Debt securities</i>	17.073.744	-	-	17.073.744
Subsidiaries	566.571	426.657	2.633.480	3.626.708
Association ⁽³⁾	-	-	313.709	313.709
Total Financial Assets	17.715.293	788.578	2.947.189	21.451.060
Financial liabilities at fair value through profit/loss:				
Derivative financial liabilities held for trading purpose	-	150.522	-	150.522
Total Financial Liabilities	-	150.522	-	150.522

⁽¹⁾As of 31 December 2017, share certificates amounting to TRY 15.805 of “securities not quoted on the stock exchange” in available for sale financial assets are not included in the above table.

⁽²⁾ As of 31 December 2017, marketable securities amounting to TRY 81.145 that are not valued at fair value, are not included in financial assets held for trading purpose.

⁽³⁾ Bank’s associates which are shown with their cost values in the accompanying financial statements as no fair values are available, Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ. (TRY 11.518), Bankalararası Kart Merkezi AŞ. (TRY 3.804), Kredi Kayıt Bürosu AŞ. (TRY 2.516) and Türk P&I Sigorta AŞ. (TRY 1.245) are not included in the table.

⁽⁴⁾ As of 31 December 2017, TRY 10.000.429 of securities lending transaction is not included in Trading Financial Assets at Fair Value through profit or loss.

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IX. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE (continued):

The movement of financial assets in the third level are as follows:

	Current Period
Balance at the beginning of the period	2.947.189
Purchases during the year	481.573
Non-paid up shares	180.829
Valuation Difference	213.533
Transfers	-
Period End Balance	3.823.124
	Prior Period
Balance at the beginning of the period	2.241.888
Purchases during the year	-
Non-paid up shares	156.887
Valuation Difference	418.156
Transfers	130.258
Period End Balance	2.947.189

X. EXPLANATIONS RELATED TO TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST

The Bank performs buying transactions on behalf of customers, and gives custody, administration and consultancy services.

The Bank does not engage in fiduciary transactions.

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XI. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS

Explanations Related To Risk Management

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

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

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

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

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

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

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

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

Overview of Risk Weighted Amounts^(*):

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	245.251.114	182.074.573	19.620.089
2	Standardized approach (SA)	245.251.114	182.074.573	19.620.089
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	3.597.146	1.946.444	287.772
5	Standardized approach for counterparty credit risk (SA-CCR)	3.597.146	1.946.444	287.772
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	2.933.787	3.230.950	234.703
17	Standardized approach (SA)	2.933.787	3.230.950	234.703
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)	1.072.418	816.180	85.793
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	269.022.275	200.865.817	21.521.782

* Amounts below the thresholds for deductions from capital are excluded from credit risk standard approach of RWA amount.

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

Differences and matching between asset and liabilities' carrying values in financial statements and in capital adequacy calculation:

Assets	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				Not subject to capital requirements or subject to deduction from capital
		Credit Risk	Counterparty credit risk	Securitization positions	Market Risk	
Cash and Balances with the Central Bank	34.952.967	34.952.967	-	-	-	-
Derivative Financial Assets	1.061.480	-	1.061.480	-	1.061.480	-
Financial assets at fair value through profit and loss	14.496.699	66.205	-	-	56.114	14.374.380
Banks	5.140.715	5.140.715	-	-	-	-
Receivables from Money markets	-	-	-	-	-	-
Financial assets at fair value through OCI (net)	3.986.676	-	-	-	3.986.676	-
Loans	250.623.713	250.613.741	-	-	-	9.972
Receivables from factoring	-	-	-	-	-	-
Financial assets measured at amortised cost (net)	56.065.482	56.065.482	-	-	-	-
Subsidiaries (net)	438.318	438.318	-	-	-	-
Associates (net)	4.332.481	4.332.481	-	-	-	-
Jointly controlled entities (joint ventures) (net)	-	-	-	-	-	-
Finance lease receivables	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Tangible Assets (net)	3.147.914	3.080.769	-	-	-	67.145
Intangible Assets (net)	140.250	-	-	-	-	140.250
Real estate for investment purpose (net)	356.848	356.848	-	-	-	-
Tax asset	6.042	6.042	-	-	-	-
Assets Held For Sale and Discontinued Operations (net)	39.377	39.377	-	-	-	-
Other assets	3.633.093	3.621.903	-	-	1.201	-
Total Assets	378.422.055	358.714.848	1.061.480	-	5.105.471	14.591.747
Liabilities						
Deposits	248.855.254	-	-	-	-	248.855.254
Derivative financial liabilities	410.438	-	-	-	410.438	-
Loans	11.916.027	-	-	-	-	11.916.027
Money market borrowings	38.162.061	-	7.571.439	-	320.999	30.269.623
Securities issued	15.047.978	-	-	-	-	15.047.978
Funds	2.874.121	-	-	-	-	2.874.121
Miscellaneous payables	-	-	-	-	-	-
Other liabilities	22.976.665	-	-	-	885	22.975.780
Factoring payables	-	-	-	-	-	-
Finance lease payables	-	-	-	-	-	-
Derivative financial liabilities held for risk management	-	-	-	-	-	-
Provisions	1.853.914	-	-	-	-	1.853.914
Tax Liability	1.122.778	-	-	-	-	1.122.778
Liabilities regarding assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Subordinated Loans	6.182.084	-	-	-	-	6.182.084
Shareholders' equity	29.020.735	-	-	-	-	29.020.735
Total liabilities	378.422.055	-	7.571.439	-	732.322	370.118.294

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

Main Sources of Differences between Regulatory Exposure Amounts and Carrying Values in Financial Statements:

	Total	Credit risk	Securitization positions	Counterparty credit risk	Market Risk
1 Asset carrying value amount under scope of regulatory consolidation	378.422.055	358.714.848	-	1.061.480	5.105.471
2 Liabilities carrying value amount under regulatory scope of consolidation	378.422.055	-	-	7.571.439	732.322
3 Total net amount under regulatory scope of consolidation	-	358.714.848	-	8.632.919	5.838.313
4 Off-balance Sheet Amounts	110.717.832	56.968.407	-	309.058	50.244.514
5 Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to prudential filters	-	-	-	-	-
9 Differences due to risk reduction	-	415.683.255	-	8.941.977	56.082.827

*Shows total potential credit risk amounts caused by derivative transactions.

Explanations of differences between accounting and regulatory exposure amounts:

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

Explanations Related to Counterparty Credit Risk

The Bank provides the necessary definitions and classifications for the CCR that take into account the clearing and pre-clearing risk in relation to the management policies and procedures of the CCR, thereby managing these risks on a counterparty basis and across the bank.

The impact of the new products and activities on the Bank's CCR level is assessed and these evaluations are included in the product / activity approval process.

The market, liquidity, compliance risk and operational risk that may be associated with the CCR are taken into account and the general / specific limit levels of the Bank's transactions to the CCR are determined. These limits established within the framework of the CCR are regularly monitored. The Bank uses risk mitigation techniques to the extent that it is appropriate, through applications such as margin taking and margin fulfillment.

The Bank uses methods and models in accordance with international standards for the identification, measurement, monitoring, control and reporting of the CCR. Independent scrutiny and supervision is carried out on the integrity, correctness and effectiveness of the CCR management systems. These activities are carried out by the Bank's internal audit units and independent audit institutions.

Agreements entered into with counterparty financial institutions resulting in credit risk according to the attributes of the transaction are evaluated by taking into account ISDA framework and CSA framework for derivative transactions, GMRA framework for repurchase agreements. The risk is mitigated by receiving cash or other forms of collaterals as per the counterparty limits designated by the Board of Directors. In secured lending and repo transactions, the haircut amounts are reduced from the counterparty limits. In cases whereby possible decreases or increases in ratings affects the current replacement cost, margin call agreements are used as a risk mitigator.

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

Counterparty Credit Risk (CCR) Approach Analysis:

	Replacement cost	Potential Future exposure	EEPE(Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
Standardised Approach - CCR (for derivatives)	1.061.481	309.058		1,4	1.576.346	1.210.820
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					9.012.489	2.380.174
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					320.999	6.152
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	2.386.326
Total					10.909.834	3.597.146

*Expected effective positive risk amount

Capital requirement for credit valuation adjustment (CVA):

	EAD post-CRM	Risk weight amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3*multiplier)	-	-
(ii) Stressed VaR component (including the 3*multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	1.576.346	1.210.820
Total subject to the CVA capital obligation	1.576.346	1.210.820

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

Standardised Approach - Counterparty Risk Per Risk Classification And Risk Weighted Amounts:

Risk weight / Risk Classifications	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk
Claims on sovereigns and Central Banks	1.295.050	539	-	9.896	-	-	-	-	1.305.485
Claims on regional governments or local authorities	-	192.475	-	2.777	-	-	-	-	195.252
Claims on administrative bodies and other non-commercial undertakings	16.771	515.939	-	-	-	241	-	-	532.951
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	298.076	-	5.820.592	494.078	-	1.478.476	-	-	8.091.222
Claims on corporates	31.141	2.520	-	-	-	611.253	-	-	644.914
Claims included in the regulatory retail portfolios	-	133.035	-	-	6.975	-	-	-	140.010
Claims secured by residential property	-	-	-	-	-	-	-	-	-
Overdue loans	-	-	-	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-
Total	1.641.038	844.508	5.820.592	506.751	6.975	2.089.970	-	-	10.909.834

Collaterals for Counterparty Credit Risk:

	Collateral for derivative transactions				Collateral for other transactions	
	Received Collaterals		Given Collaterals		Received Collaterals	Given Collaterals
	Segregated	Nonsegregated	Segregated	Nonsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	47.523	-	50.922	-	13.710
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	47.523	-	50.922	-	13.710

Counterparty Credit Risk-Credit Derivatives:

None.

Exposures to Central Counterparties (CCP):

None.

Explanations on Securitisations:

None.

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(continued)

Qualitative Disclosure on Credit Risk:

Credit risk, which is the most important risk profile of the Bank's business model, refers to risks and losses arising from counterparty's failure to meet its obligations under contracts that the Bank is a party to. Credit limits are set according to the risk appetite and capacity of the Bank. Credit limits are assigned according to the customer's financial condition and credit need by the branches, regional credit committee, head of credit department, executive vice president in charge of loans, general manager, credit committee and board of directors and revised whenever required. As part of its risk policies, the Bank monitors limits designated by sectors and sub sectors.

Within the scope of internal systems, internal audit activities are carried out by the Board of Inspectors and the Internal Audit Department in order to ensure that the activities of the Bank are carried out in accordance with the Bank's policies determined in compliance with the legal regulations. The Risk Management Department, which is the risk unit within the internal systems, performs the functions of measuring, monitoring, controlling and reporting on the credit risk to which the Bank is exposed to. These units are regularly reporting the risks exposed to the Bank's Senior Management.

The Bank, in the credit allocation process, restricts its risk exposure by working with highly creditworthy banks and institutions considering the credit ratings for the purpose of managing its risks. Under the scope of credit risk management, the Bank rates all of its borrowers' credit and requires additional collaterals from whose risk is higher. The Bank has the policy of not granting loans/credits and/or limiting the amount of such loans/credits. The Bank's risk is concentrated in Turkey.

Limits are determined based on the type of loans and customers and risk and limit information is controlled periodically. Loans granted to other banks and risk limits set for the correspondent bank transactions are controlled on a daily basis. Risk concentrations are monitored systematically, concerning the off-balance sheet operations based on the customers and banks.

Credit Quality of Assets

		Gross carrying value as per TAS		Allowances/amortisation and impairments	Net values
		Defaulted	Non-defaulted		
1	Loans	8.527.848	250.546.378	8.450.513	250.623.713
2	Debt Securities*	-	60.231.845	49.279	60.182.566
3	Off-balance sheet exposures	-	109.137.465	366.194	108.771.271
4	Total	8.527.848	419.915.688	8.865.986	419.577.550

* As of 31 December 2018, 14.374.380 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

Changes in Stock of Default Loans and Debt Securities

1	Defaulted loans and debt securities at end of the previous reporting period	6.106.597
2	Loans and debt securities defaulted since the last reporting period	3.269.197
3	Receivables back to performing status	(66.386)
4	Amounts written off	(72.258)
5	Other changes	(709.302)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	8.527.848

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

Additional Disclosure Related To The Credit Quality Of Assets:

Breakdown According to Maturity:

31 December 2018	Demands Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and Over	Total	
Loans and Advances	2.912.739	13.700.685	14.791.709	76.110.176	110.594.402	32.514.002	250.623.713

Exposures Provisioned Against By Major Regions:

31 December 2018	Non-Performing Loans	ECL (Stage 3)
Domestic	8.410.882	6.220.454
European Union (EU) Countries	56	52
OECD Countries	-	-
Off-Shore Banking Regions	-	-
USA, Canada	9	8
Other Countries	116.901	62.778
Total	8.527.848	6.283.292

Exposures Provisioned Against By Sectors:

Explained in Section 4-II Information according to sectors and counterparties

Aging analysis of overdue but not impaired financial assets:

31 December 2018

30-60 days overdue	1.671.917
60-90 days overdue	1.159.831
Total	2.831.748

Breakdown of restructured receivables based on whether or not provisions are allocated:

31 December 2018

Loans Structured from Standard Loans and Other	1.267.526
Loans Composed of Follow-up Loans and Other	6.313.925
Loans Restructured from Non-Performing Loans	1.388.056

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

Qualitative Disclosure on Credit Risk Mitigation Techniques

The risk mitigating factors used in the lending activities of the Bank are listed below.

- Financial warranties (Treasury Bills, Government Bonds, Cash, Pledged Deposits, Gold, Pledged Securities)
- Guarantees
- Mortgage (Although mortgage lending in Basel II has been considered as a risk class, it has also been included in this section in terms of valuation methods and concentrations).

The financial guarantees in the Bank are subject to valuation on a daily basis. The creditworthinesses of guarantors are monitored and assessed within the framework of credit revision schedules.

As long as the mortgage that constitutes the collateral of the credits continues to be related to the loan, the risk-guarantee balances are monitored and revalued each year. Action plans are developed for the possibility of diminution in value of collaterals.

As per the BRSA regulations, guarantees given by the Treasury and banks are regarded as risk reduction elements and the creditworthiness of banks is regularly monitored.

The volatility in the real estate market is closely monitored by the Bank and fluctuations that may occur depending on the market movements related to the mentioned risk class, are taken into account according to the principles stated in the related regulation.

In the portfolios where the comprehensive financial guarantee method is used, the risk mitigating effects of collateral are determined through standard volatility adjustments.

Concentration checks are conducted on guarantors and collateral providers.

There is no on-balance sheet or off-balance sheet offsetting.

Credit Risk Mitigation Techniques- Overview

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans ⁽²⁾	151.048.270	99.575.443	82.469.553	18.091.356	18.091.356	-	-
2 Debt Instruments ⁽¹⁾	60.182.566	-	-	-	-	-	-
3 Total	211.230.836	99.575.443	82.469.553	18.091.356	18.091.356	-	-
4 Of which defaulted	503.092	1.741.464	1.623.801	493.279	493.279	-	-

(1) As of 31 December 2018, TRY 14.374.380 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

(2) As collateral, within the scope of the Standard Approach, collaterals to be used to mitigate credit risk, are taken into consideration.

Information about the Banks' Use of Ratings in Calculating Credit Risk by Using Standard Approach

Explained in risk classifications related to Article 6 of Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks in 4-II Credit risk section.

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

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

Standardised Approach- Credit Risk Exposure and Credit Risk Mitigation Techniques

Risk Classification	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns and Central Banks	90.507.093	311.441	108.340.473	1.324.680	14.371.390	13,10%
Claims on regional governments or local authorities	3.829.315	116.305	3.829.315	58.153	1.859.588	47,84%
Claims on administrative bodies and other non-commercial undertakings	2.310.123	1.859.241	2.293.268	929.719	2.735.068	84,86%
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	12.559.603	3.426.811	12.574.863	2.305.402	6.132.266	41,21%
Claims on corporates	100.106.551	69.966.398	93.425.663	44.894.380	134.603.014	97,31%
Claims included in the regulatory retail portfolios	75.296.053	28.444.617	64.145.156	5.645.825	49.886.822	71,48%
Claims secured by residential property	40.502.623	1.595.292	40.502.623	914.433	15.261.892	36,85%
Claims secured by commercial property	23.876.469	2.638.212	23.876.469	2.002.119	12.939.293	50,00%
Overdue loans	2.206.388	5.059	2.206.388	2.654	1.617.357	73,22%
Higher risk categories decided by the Board	37.587	150.747	37.587	101.862	209.174	150,00%
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	14.232.232	-	14.232.232	-	4.874.009	34,25%
Equity share investments	4.787.354	-	4.787.354	-	5.430.805	113,44%
Total	370.251.391	108.514.123	370.251.391	58.179.227	249.920.678	58,33%

Standardised Approach- Claims By Risk Classification And Risk Weights

Risk Classification/Risk weight amount	0%	10%	20%	35%*	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
Claims on sovereigns and Central Banks	80.988.147	539	-	-	28.610.262	-	66.205	-	-	-	109.665.153
Claims on regional governments or local authorities	14.313	192.475	-	-	3.680.680	-	-	-	-	-	3.887.468
Claims on administrative bodies and other non-commercial undertakings	23.479	515.939	118	-	-	-	2.683.451	-	-	-	3.222.987
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	348.590	-	8.207.729	-	3.666.452	-	2.657.494	-	-	-	14.880.265
Claims on corporates	2.291.645	2.520	1.243.260	-	857.015	-	133.925.603	-	-	-	138.320.043
Claims included in the regulatory retail portfolios	2.896.483	133.035	359.235	-	-	66.402.228	-	-	-	-	69.790.981
Claims secured by residential property	33.337	-	10.993	39.424.628	-	1.948.098	-	-	-	-	41.417.056
Claims secured by commercial property	-	-	-	-	25.878.588	-	-	-	-	-	25.878.588
Overdue loans	373.206	-	-	-	436.959	-	1.398.877	-	-	-	2.209.042
Higher risk categories decided by the Board	-	-	-	-	-	-	-	139.449	-	-	139.449
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	4.358.387	-	-	428.967	4.787.354
Other receivables	7.642.540	-	1.435.160	-	640.601	989.016	3.524.915	-	-	-	14.232.232
Total	94.611.740	844.508	11.256.495	39.424.628	63.770.557	69.339.342	148.614.932	139.449	-	428.967	428.430.618

*Secured with real estate mortgage.

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

Publicly Announced Qualitative Disclosure on Market Risk

In accordance with the Bank' risk management policy framework to avoid the effect of market risk, the Bank has determined the management activities and has taken necessary precautions within the framework of "Regulation On Measurement and Evaluation Of Capital Adequacy Of Banks" published in Official Journal No 29511 by 23 October 2015.

It is the ultimate responsibility of the Board of Directors to apply and improve risk management strategies, policies and procedures that are approved by the board of directors, inform the board of directors about the important risks the Bank is exposed to, assess internal control, internal audit and risk reports with regard to the Banks' departments and to eliminate the risks, deficiencies or defects identified in these departments or to take the necessary precautionary actions to prevent those risks, deficiencies and defects and participate in the determination of risk limits. As part of this responsibility, the Board of Directors of the Bank designated VAR limits and the interest risk that the Bank can bear is limited to a ratio of the equity.

In accordance with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks", the Bank's possibility of loss that may cause due to the general market risk, currency risk, specific risk, commodity risk, clearing risk and counterparty credit risk is calculated by using the standard method. The following table discloses the amounts that are calculated using the standard method.

The market risk value calculated by using the internal model except standard method is supported by using scenario analysis and stress tests, historical simulation and risk exposure figures calculated by using parametric method are reported daily to the top management.

Market Risk: Standardised approach

	RWA
Outright products	
Interest rate risk (general and specific)	1.140.675
Equity risk (general and specific)	249.575
Foreign exchange risk	1.223.174
Commodity risk	-
Options	
Simplified approach	-
Delta-plus method	320.363
Scenario approach	-
Securitization	-
Total	2.933.787

Information related to Operational Risk

The value at operational risk is calculated according to the basic indicator approach and once a year with year-end datas.

	2 PP Amount	1 PP Amount	CP Amount	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	6.838.343	8.819.345	10.210.808	8.622.832	15	1.293.425
Amount at Operational Risk (Total * 12.5)						16.167.810

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XII. EXPLANATIONS ON REMUNERATION POLICIES

Qualitative Disclosures on Remuneration Policies

1. Disclosures related with Remuneration Committee

The Bank's Remuneration Committee is comprised of two non-executive directors. The committee has convened for once during the year. The duties and responsibilities of the Committee include the following:

- The scope and structure of the Bank's operations and strategies ensure the effectiveness of a wage policy and wage policy that is consistent with its long-term goals and risk management structures, prevents excessive risk taking and contributes to effective risk management.
- Controls and follows the remuneration practices on behalf of the Board of Directors
- Ensures accordance of ethical values, strategical targets and internal balance of the Bank with the wage policy.
- Evaluates the remuneration policy and its practices in the context of risk management and submits proposals to the Board of Directors.
- Fulfills the other duties specified in the related regulations

The Bank has received consultancy service from a company within the framework of the activities for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Bank's board members, senior management and the Bank personnel deemed to perform the functions having material impact on the Bank's risk profile are considered as critical key personnel; and by the end of 2018, the number of critical key personnel is 22.

2. Information on the design and structure of remuneration process

The Bank relies on the following values while managing its Remuneration Policy.

- Based on fair and balanced performance targets
- Balance within the Bank in terms of wage application to ensure competitiveness within the sector,
- To increase the efficiency of rewards by emphasizing the concepts of job size, performance and contribution to work,

Remuneration Committee at its meeting in December 2018 has revised the remuneration policy and practices. It has been observed that, total benefits paid to the members of the Bank's Board of Directors, senior management and other staff are in line with the Bank's ethical values, internal balances and strategic objectives in 2018. Regardless of the performance of the units that are audited by internal audit, the benefits of are determined on the basis of the general wage increase rate set by the Bank.

According to the growing and evolving organizational structure of the Bank, the Bank is working with a consulting firm on a project about review of its human resources applications and comparing with other banks in the industry.

3. Evaluation about how the bank's remuneration processes take the current and future risks into account

The Bank follows the Risk Management Principles while implementing the remuneration processes.

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XII. EXPLANATIONS ON REMUNERATION POLICIES (continued)

4. Evaluation about how the Bank associates variable remunerations with performance

The Bank's variable payments as performance bonuses are mostly made to the personnel working at the branches and Regional Directorships. The paid amounts are not exceed a certain percentage of the monthly fixed fees. No performance premium payments are made to other members of the bank that are considered to have performed a function that has a significant effect on the risk profile of the Bank and the members of the board of directors and senior managers who are designated as critical key personnel but only a dividend payment is made up to twice of the gross monthly salary of all personnel with the decision of the General Assembly of the Bank.

5. Evaluation about the bank's methods to adjust remunerations according to long-term performance

There are no variable remunerations (performance premium, gesture, etc.) to be deferred due to long-term performance for the critical key personnel.

6. Evaluation about the instruments used by the bank for variable remunerations and the purposes of use of such instruments

Cash and non-cash instruments are not used for the payment, wherefore no variable remunerations (performance premium, gesture, etc.) to be deferred due to long-term performance for the critical key personnel.

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

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

	Current period	
	TRY	FC
Cash and foreign currency	1.259.602	3.158.262
CBRT	2.723.274	27.815.892
Other	-	20
Total	3.982.876	30.974.174

	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⁾	2.470.993	9.347.358
Time unrestricted amount	-	-
Time restricted amount	-	2.259.938
Other ⁽²⁾	252.281	16.208.596
Total	2.723.274	27.815.892

⁽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, FC and/or standard gold and/or scrap gold 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%-20% 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 USD 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.

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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 daily 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	14.374.380	-
Total	14.374.380	-

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

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

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

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

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar securities	-	15.763
Total	-	15.763

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

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

	Current Period	
	TRY	FC
Forward transactions	-	204.002
Swap transactions	-	857.384
Futures transactions	-	-
Options	9	85
Other	-	-
Total	9	1.061.471

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

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

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

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period	
	TRY	FC
Banks		
Domestic banks	6.200	2.642.001
Foreign banks	174.715	2.317.827
Branches and offices abroad	-	-
Total	180.915	4.959.828
	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

b) Information on foreign banks:

	Unrestricted Balance	Restricted Balance
	Current Period	Current Period
EU Countries	651.847	-
USA and Canada	730.596	-
OECD Countries ⁽¹⁾	180.540	-
Offshore Banking Regions	522	-
Other	929.037	-
Total	2.492.542	-

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.

	Unrestricted Balance	Restricted Balance
	Prior Period	Prior Period
EU Countries	657.810	-
USA and Canada	279.816	-
OECD Countries ⁽¹⁾	67.379	-
Offshore Banking Regions	111	-
Other	457.647	-
Total	1.462.763	-

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

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

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	432.417	168.246
Total	432.417	168.246
	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	45.539	392.500
Total	45.539	392.500

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

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

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

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

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

	Current Period
Debt securities	3.850.625
<i>Quoted on a stock exchange</i>	3.850.625
<i>Not quoted</i>	-
Share certificates	184.939
<i>Quoted on a stock exchange</i>	151.103
<i>Not quoted</i>	33.836
Impairment provision(-)	48.370
Total	3.987.194

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

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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	319.725	-
Total	319.725	-
	Prior period	
	Cash loans	Cash loans
Direct loans granted to shareholders	-	-
<i>Corporate shareholders</i>	-	-
<i>Real person shareholders</i>	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	252.835	-
Total	252.835	-

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

Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring ⁽³⁾		
		Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non-specialized loans	188.322.452	8.570.711	91.618	6.222.122
<i>Corporation loans</i>	110.873.948	5.396.650	-	5.945.976
<i>Export loans</i>	11.141.163	361.117	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	2.415.062	1.317.500	-	-
<i>Consumer loans⁽¹⁾</i>	40.015.058	767.041	27.853	16.963
<i>Credit cards⁽²⁾</i>	5.074.849	258.615	63.765	-
<i>Other</i>	18.802.372	469.788	-	259.183
Specialized lending	42.139.864	1.100.127	-	185
Other receivables	-	-	-	-
Accruals	3.376.650	409.702	536	312.411
Total	233.838.966	10.080.540	92.154	6.534.718

⁽¹⁾ Includes TRY 230.476 personnel loans.

⁽²⁾ Includes TRY 89.249 personnel credit cards.

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

(5) Information on loans (continued):

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

	Standard Loans	Loans and Other Receivables Under Close Monitoring
12 Months Expected Loss Provision	984.741	-
Significant Increase in Credit Risk	-	1.182.480

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 31 December 2018 are as follows.

ECL ratio for stage 1 loans at transition phase and at 31 December 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	1.240.578	6.133.782
Extended by 3,4 or 5 times	26.101	118.252
Extended by more than 5 times	847	61.891

⁽¹⁾Accruals amounting to TRY 11.736 are not included in the table above.

⁽²⁾Accruals amounting to TRY 312.947 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	129.379	672.486
6 Months - 12 Months	66.947	243.245
1-2 Years	141.584	605.328
2-5 Years	485.175	2.304.786
5 Years and over	444.441	2.488.080

⁽¹⁾Accruals amounting to TRY 11.736 are not included in the table above.

⁽²⁾Accruals amounting to TRY 312.947 are not included in the table above.

- c) Maturity analysis of cash loans:

Current Period	Standard Loans	Loans under close monitoring	
		Loans with Revised Contract Terms	Refinance
Short-term Loans	47.774.278	1.964.504	459.140
Medium and Long-term Loans	186.064.688	8.116.036	6.167.732
Prior Period			
Short-term Loans	38.421.163	521.117	276.045
Medium and Long-term Loans	158.612.853	4.582.019	2.302.702

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

(5) Information on loans (continued):

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

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	414.777	38.974.313	39.389.090
<i>Real estate loans</i>	6.689	24.164.588	24.171.277
<i>Automobile loans</i>	2.259	206.044	208.303
<i>Consumer loans</i>	405.829	14.603.681	15.009.510
<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	3.472.907	1.457	3.474.364
<i>Installment</i>	1.229.512	1.457	1.230.969
<i>Non-installment</i>	2.243.395	-	2.243.395
Individual credit cards-FC	299	-	299
<i>Installment</i>	-	-	-
<i>Non-installment</i>	299	-	299
Personnel loans-TRY	13.206	217.270	230.476
<i>Real estate loans</i>	-	402	402
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	13.206	216.868	230.074
<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	89.185	-	89.185
<i>Installment</i>	30.146	-	30.146
<i>Non-installment</i>	59.039	-	59.039
Personnel credit cards-FC	64	-	64
<i>Installment</i>	-	-	-
<i>Non-installment</i>	64	-	64
Overdraft accounts-TRY (Retail customers)	1.207.349	-	1.207.349
Overdraft accounts-FC (Retail customers)	-	-	-
Total	5.197.787	39.193.040	44.390.827

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

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

(5) Information on loans (continued):

d) Information on 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 and rediscounts are not included in the table above.

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

(5) Information on loans (continued):

e) Information on commercial installments loans and corporate credit cards*:

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.018.975	26.808.673	27.827.648
<i>Business premises loans</i>	-	601.301	601.301
<i>Automobile loans</i>	13.787	412.266	426.053
<i>Consumer loans</i>	1.005.188	25.795.106	26.800.294
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Commercial installment loans - FC	166.857	16.554.597	16.721.454
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	166.857	16.554.597	16.721.454
<i>Other</i>	-	-	-
Corporate credit cards-TRY	1.833.272	-	1.833.272
<i>Installment</i>	598.184	-	598.184
<i>Non-installment</i>	1.235.088	-	1.235.088
Corporate credit cards-FC	45	-	45
<i>Installment</i>	-	-	-
<i>Non-installment</i>	45	-	45
Overdraft accounts-TRY (Commercial customers)	2.572.296	-	2.572.296
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	5.591.445	43.363.270	48.954.715

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

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

(5) Information on loans (continued):

e) 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 and rediscounts are not included in table above.

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

(5) Information on loans (continued):

e) Loans by customers:

	Current Period
Public	7.277.485
Private	243.268.893
Total	250.546.378

	Prior Period
Public	5.326.304
Private	196.810.848
Total	202.137.152

f) Domestic and foreign loans:

	Current Period
Domestic loans	248.491.859
Foreign loans	2.054.519
Total	250.546.378

	Prior Period
Domestic loans	200.506.312
Foreign loans	1.630.840
Total	202.137.152

g) Loans granted to subsidiaries and associates:

	Current Period
Direct loans granted to subsidiaries and associates	1.377.511
Indirect loans granted to subsidiaries and associates	-
Total	1.377.511

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

h) Credit-impaired losses (Stage III):

	Current Period
Loans and receivables with limited collectability	689.818
Loans and receivables with doubtful collectability	585.798
Uncollectible loans and receivables	5.007.676
Total	6.283.292

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

(5) Information on loans (continued):

h) Credit-impaired losses (Stage III) (continued):

	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.

i) Information on non-performing loans:

i.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	61.786	67.344	1.258.926
Rescheduled loans and other receivables	61.786	67.344	1.258.926
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

i.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 (+)	3.100.698	49.970	118.529
Transfers from other categories of loans under follow-up (+)	-	1.903.093	1.519.906
Transfers to other categories of loans under follow-up (-)	1.946.251	1.476.748	-
Collections (-)	345.930	228.886	569.351
Write-offs (-)	-	-	-
Sold (-)	-	-	72.258
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other*	112.391	184.908	71.180
Current period end balance	1.533.724	1.165.570	5.828.554
Provision (-)	689.818	585.798	5.007.676
Net balance on balance sheet	843.906	579.772	820.878

*Other includes income accruals amounts for follow-up loans.

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

(5) Information on loans (continued):

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

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables	receivables with	loans and
	with limited	doubtful	receivables
	collectability	collectability	
Current period			
Balance at the end of the period	415.553	199.312	2.004.432
Provisions(-)	212.465	133.080	1.829.189
Net balance in the balance sheet	203.088	66.232	175.243

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables	receivables with	loans and
	with limited	doubtful	receivables
	collectability	collectability	
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

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

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables with	receivables with	loans and
	limited	doubtful	receivables
	collectability	collectability	
Current period (Net)	843.906	579.772	820.878
Loans to granted real persons and legal entities (Gross)	1.533.724	1.165.570	5.828.554
Provisions (-)	689.818	585.798	5.007.676
Loans to granted real persons and legal entities (Net)	843.906	579.772	820.878
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables with	receivables with	loans and
	limited	doubtful	receivables
	collectability	collectability	
Current 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)	-	-	-

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

(5) Information on loans (continued):

j) Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	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)	59.079	83.006	26.980
Interest Accruals and Valuation Differences	112.391	184.908	71.180
Provision (-)	53.312	101.902	44.200

k) 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.

l) Explanations on write-off policy:

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

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

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

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

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

	Current Period	
	TRY	FC
Bond	-	-
Government bonds and similar securities	37.195.684	2.464.985
Total	37.195.684	2.464.985

	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 measured at amortised cost investments subject to repurchase agreements:

	Current Period	
	TRY	FC
Treasury bills, government bonds and similar	2.194.216	8.214.062
Total	2.194.216	8.214.062

	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 measured at amortised cost:

	Current Period
Government bonds	56.006.929
Treasury bills	-
Other public sector debt securities	15.610
Total	56.022.539

Information on public sector debt investments:

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

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

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

c) Information on financial assets measured at amortised cost:

	Current Period
Debt securities	56.073.053
<i>Quoted on a stock exchange</i>	56.073.053
<i>Not quoted</i>	-
Impairment provision (-)	-
Total	56.073.053

	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 measured at amortised cost within the year:

	Current Period
Beginning balance	21.727.169
Foreign currency differences on monetary assets	1.974.143
Purchases during the year ⁽¹⁾⁽²⁾	36.157.157
Disposals through sales and redemptions	(3.785.416)
Impairment provision (-) / provision reversal (+)	-
Balance at the end of the period	56.073.053

⁽¹⁾ Interest income accrual differences between 31 December 2018 amounting to TRY 7.458.585 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.

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

(7) Information on associates (Net):

a) Information on associates:

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

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

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽³⁾
1.	9.681.102	1.438.489	9.715	362.583	3.011	84.803	71.048	415.829
2.	50.811	50.059	83	4.697	-	1.659	1.208	-
3.	342.784	211.006	206.138	9.294	-	41.206	37.880	-
4.	117.093	64.965	56.060	4.658	-	15.953	11.164	-
5.	41.554	12.414	467	1.563	-	3.891	1.684	-

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

⁽²⁾ Financial information of Kredi Kayıt Bürosu AŞ. is obtained from un audited financial statements and financial information of Bankalararası Kart Merkezi AŞ. is obtained from audited financial statements as of 31 December 2018.

⁽³⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 December 2018.

c) Movement of associates:

	Current Period
Balance at the beginning of the period	332.792
Movements during the period	105.526
<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>	102.119
<i>Impairment Provisions (-) / Reversals</i>	-
Balance at the end of the period	438.318
Capital commitments	-
Share percentage at the end of the period (%)	-

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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	415.828
Insurance companies	1.620
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	9.352
	Prior Period
Banks	313.709
Insurance companies	1.245
Factoring companies	-
Leasing companies	-
Financing companies	-
Other financial investments	11.518
Other non- financial investments	6.320

e) Associates quoted on a stock exchange:

None.

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

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

(8) Information on subsidiaries (Net):

a) Information on subsidiaries⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Portföy Yönetimi AŞ	Halk Banka A.D., Skopje	Halk Faktoring 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	233.674	10.095	196.454	-
Other Comprehensive Income according to TAS	5.310	-	-	2.467	-	-	5.445	10	13.007	-
Profit / Loss	57.733	7.689	327.843	83.202	(99.668)	10.559	74.086	58.226	17.977	846
<i>Net Profit</i>	57.733	145.122	305.840	83.202	(112.634)	10.130	54.688	67.679	15.697	837
<i>Prior Period Profit/Loss</i>	-	(137.433)	22.003	-	12.966	429	19.398	(9.453)	2.280	9
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	750	-	-	-	-	-	-	-	-	-
Leasehold Improvements (-)	-	1.465	19.904	-	95	35	104	-	-	-
Intangible Assets (-)	1.131	3.702	1.792	347	1.277	-	5.881	599	13.251	-
Total Core Capital	182.620	305.671	809.501	1.065.385	235.875	38.676	611.165	163.546	520.825	946
SUPPLEMENTARY CAPITAL	-	-	-	-	30.623	-	18.709	20.628	7.639	-
CAPITAL	182.620	305.671	809.501	1.065.385	266.498	38.676	629.874	184.174	528.464	946
NET AVAILABLE CAPITAL	182.620	305.671	809.501	1.065.385	266.498	38.676	629.874	184.174	528.464	946

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

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

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

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

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

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

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

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

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

b) Information on subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	Istanbul	99,96	99,96
2. Halk Sigorta AŞ	Istanbul	89,18	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 A.D., Skopje	Macedonia	99,16	99,16
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	100,00	100,00
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 ⁽⁴⁾
1.	309.844	183.751	3.142	118.785	3.241	57.733	29.035	227.603
2.	2.346.676	309.373	5.704	241.162	37.762	145.122	66.061	492.895
3.	1.383.320	811.556	3.781	228.028	41.857	305.840	224.197	1.525.529
4.	1.393.185	1.041.543	654.284	5.235	-	83.202	40.638	432.290
5.	3.403.045	237.152	1.814	272.282	-	(112.634)	55.443	469.553
6.	40.773	38.676	417	6.305	203	10.130	55.443	39.828
7.	4.435.108	626.656	83.242	167.301	14.458	54.688	34.363	580.857
8.	1.419.707	164.331	1.427	328.215	-	67.679	32.041	138.296
9.	63.794	45.333	8.062	5.157	752	11.542	7.287	57.146
10.	2.762.352	539.837	54.404	93.764	12.086	15.697	6.244	406.512
11.	941.061	946	-	-	-	837	9	1.800

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

⁽²⁾ Halk Gayrimenkul Yatırım Ortaklığı AŞ 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 İstanbul AŞ.

⁽⁴⁾ Fair values of subsidiaries have been obtained from valuation reports of the subsidiaries as of 31 December 2018.

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

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

(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	705.773
<i>Purchase⁽¹⁾⁽²⁾⁽³⁾</i>	310.098
<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⁽⁴⁾</i>	(39.375)
<i>Revaluation Increase/Decrease</i>	330.466
<i>Impairment Provisions (-)/ Reversals</i>	(161.627)
Balance at the end of the period	4.332.481
Capital commitments	-
Share percentage at the end of the period (%)	-

⁽¹⁾ Between 1 January – 31 December 2018, The Bank paid TRY 202.726 for 0,11% shares of Halkbank A.D. Beograd, and increased its shares to 100%.

⁽²⁾ Between 1 January – 31 December 2018, The Bank paid TRY 53.864 for 0,13% shares of Halkbank A.D., Skopje, which is located in Macedonia and increased its shares to 99,16%.

⁽³⁾ In the period of 31 December 2018, The Bank paid TRY 53.508 for shares of Halk Sigorta A.Ş.

⁽⁴⁾ The Bank reclassified its shares of Halk Portföy Yönetimi A.Ş., which was classified as subsidiary in prior period, under the assets held for sale and discontinued operations in the balance sheet.

	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.

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

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

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

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

	Current Period
Banks	987.369
Insurance companies	2.018.425
Factoring companies	138.296
Leasing companies	469.551
Financing companies	-
Other financial subsidiaries	661.694
Other non-financial subsidiaries	57.146
	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)}	925.185
Quoted foreign stock exchange	-

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

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

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

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

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

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

None.

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

None.

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

None.

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

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

(12) Information on tangible assets:

The fair value of tangible assets are determined by its equivalence value method. Fair value measurement of investment properties which fair values are determined by equivalence value method, are classified as Level 2.

Current Period	Balance at the end of the prior period	Current Year Additions	Revaluation Increase	Current Year Disposals	Transfer, Net	Balance at the end of the period
Cost:						
Immovable	1.594.694	21.763	80.959	11.250	-	1.686.166
Tangible assets purchased through financial lease	26.581	94	-	1.373	-	25.302
Office machines	556.055	171.341	-	79.226	-	648.170
Fixed assets obtained due to non-performing loans	743.604	674.608	-	181.237	4.753	1.232.222
Lease hold improvements costs	128.769	34.828	-	290	-	163.307
Other	292.011	22.747	-	22.532	-	292.226
Total Cost	3.341.714	925.381	80.959	295.908	4.753	4.047.393
Accumulated depreciation (-)						
Immovable	131.778	6.810	12.463	465	-	150.586
Tangible assets purchased through financial lease	25.893	228	-	1.390	-	24.731
Office machines	308.118	81.282	-	22.283	-	367.117
Fixed assets obtained due to non-performing loans	16.224	8.141	-	5.259	-	19.106
Lease hold improvements costs	72.983	24.855	-	1.676	-	96.162
Other	237.074	15.117	-	22.411	-	229.780
Total Accumulated Depreciation	792.070	136.433	12.463	53.484	-	887.482
Provision for impairment (-)						
Immovable	4.248	-	387	-	-	4.635
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	9.617	-	-	2.255	-	7.362
Total provision for impairment (-)	13.865	-	387	2.255	-	11.997
Net Book Value	2.535.779	788.948	68.109	240.169	4.753	3.147.914

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED
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I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(12) Information on tangible assets (continued):

Prior Period	Balance at the end of the prior period	Current Year Additions	Revaluation Increase	Current Year Disposals	Transfer, Net	Balance at the end of the period
Cost:						
Immovable	1.532.563	10.629	105.518	54.016	-	1.594.694
Tangible assets purchased through financial lease	26.796	4	-	219	-	26.581
Office machines	433.790	148.297	-	26.032	-	556.055
Fixed assets obtained due to non-performing loans	647.011	239.184	-	142.591	-	743.604
Lease hold improvements costs	135.462	19.439	-	26.132	-	128.769
Other	282.806	17.445	-	8.240	-	292.011
Total Cost	3.058.428	434.998	105.518	257.230	-	3.341.714
Accumulated depreciation (-)						
Immovable	130.293	6.499	6.392	11.406	-	131.778
Tangible assets purchased through financial lease	25.896	87	-	90	-	25.893
Office machines	255.783	55.922	-	3.587	-	308.118
Fixed assets obtained due to non-performing loans	17.155	6.180	-	7.111	-	16.224
Lease hold improvements costs	68.791	25.838	-	21.646	-	72.983
Other	229.661	14.879	-	7.466	-	237.074
Total accumulated depreciation	727.579	109.405	6.392	51.306	-	792.070
Provision for impairment (-)						
Immovable	5.817	397	-	1.966	-	4.248
Tangible assets purchased through financial lease	-	-	-	-	-	-
Office machines	-	-	-	-	-	-
Fixed assets obtained due to non-performing loans	11.025	988	-	2.396	-	9.617
Total provision for impairment (-)	16.842	1.385	-	4.362	-	13.865
Net Book Value	2.314.007	324.208	99.126	201.562	-	2.535.779

(13) Information on other intangible assets:

Current Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	217.375	48.665	1.329	-	264.711
Total Cost	217.375	48.665	1.329	-	264.711
Accumulated Depreciation (-)					
Other intangible assets	103.690	48.078	27.307	-	124.461
Total Accumulated Depreciation	103.690	48.078	27.307	-	124.461
Net Book Value	113.685	587	(25.978)	-	140.250

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

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

(13) Information on other intangible assets (continued):

Prior Period	Balance at the end of the prior period	Current Year Additions	Current Year Disposals	Transfers	Balance at the end of the period
Cost:					
Other intangible assets	151.465	73.012	7.102	-	217.375
Total Cost	151.465	73.012	7.102	-	217.375
Accumulated Depreciation (-) :					
Other intangible assets	62.872	40.932	113	-	103.690
Total Accumulated Depreciation	62.872	40.932	113	-	103.690
Net Book Value	88.593	32.080	6.989	-	113.685

(14) Information on investment property:

	Current Period	Prior Period
Cost:		
Opening Balance	430.845	430.059
Acquisitions	1.502	786
Transfer	-	-
Disposals	-	-
Impairment Charge/Cancellation	-	-
Ending Balance	432.347	430.845
Accumulated Depreciation (-)		
Opening Balance	72.271	66.738
Amortization Charge	3.228	5.533
Transfer	-	-
Disposals	-	-
Impairment Provisions	-	-
Total Accumulated Depreciation (-)	75.499	72.271
Net Book Value	356.848	358.574

(15) Information on tax assets:

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

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

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

	Current Period
Cost	39.377
Accumulated Depreciation (-)	-
Net book value	39.377
Transfer (net)	39.377
Disposals (net)	-
Additions	-
Impairment	-
Depreciation	-
Closing net book value	39.377

Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital 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 Turkish Republic, and owned by directly or indirectly all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic owned by directly or indirectly all creditors. In this regard, the Bank owned 3,6562% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

Bank's subsidiary Halk Portföy Yönetimi A.Ş. is going to be merged with Ziraat Portföy Yönetimi A.Ş. by acquisition. The merger value of Halk Portföy Yönetimi A.Ş. has been determined as TRY 52,500 in the "Valuation Report" for the shares held by the Bank and its subsidiaries. The Bank's carrying value of the shares are TRY 39.375.

(17) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 3.643.082 and does not exceed 10% of the balance sheet total (31 December 2017: TRY 1.928.383).

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

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

a) For deposit / funds collected:

Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	6.742.100	-	1.948.028	45.655.985	4.207.981	2.061.570	792.495	101.935	61.510.094
Foreign currency deposits	13.245.040	-	7.574.582	53.656.357	7.229.616	2.473.782	6.122.732	11.268	90.313.377
<i>Residents in Turkey</i>	<i>11.173.107</i>	-	<i>6.767.449</i>	<i>50.285.363</i>	<i>6.849.844</i>	<i>1.790.411</i>	<i>3.681.216</i>	<i>10.784</i>	<i>80.558.174</i>
<i>Residents abroad</i>	<i>2.071.933</i>	-	<i>807.133</i>	<i>3.370.994</i>	<i>379.772</i>	<i>683.371</i>	<i>2.441.516</i>	<i>484</i>	<i>9.755.203</i>
Public sector deposits	2.920.272	-	2.293.652	3.890.644	1.257.655	1.186.540	16.715	-	11.565.478
Commercial inst. deposits	5.017.840	-	10.189.875	19.475.304	2.147.885	2.213.406	277.424	-	39.321.734
Other inst. deposits	736.010	-	344.876	5.478.120	2.459.517	2.055.496	571.269	-	11.645.288
Precious metals	3.132.484	-	1.446	353.335	16.328	22.150	32.098	-	3.557.841
Interbank deposits	20.729.135	-	877.735	9.019.200	177.010	4.116	134.246	-	30.941.442
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	<i>116.071</i>	-	<i>370.153</i>	<i>6.526.936</i>	<i>17.765</i>	<i>4.116</i>	<i>6.247</i>	-	<i>7.041.288</i>
<i>Foreign banks</i>	<i>20.120.093</i>	-	<i>32.606</i>	<i>2.173.434</i>	-	-	<i>127.999</i>	-	<i>22.454.132</i>
<i>Participation banks</i>	<i>492.971</i>	-	<i>474.976</i>	<i>318.830</i>	<i>159.245</i>	-	-	-	<i>1.446.022</i>
Total	52.522.881	-	23.230.194	137.528.945	17.495.992	10.017.060	7.946.979	113.203	248.855.254

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee	
	insurance	Exceeding the insurance limit
	Current Period	Current Period
Saving deposits	29.259.703	32.011.973
Foreign currency saving deposits	10.687.058	32.319.474
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	349.453	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-

Saving deposits	Under the guarantee	
	insurance	Exceeding the insurance limit
	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	215.452
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	3.066
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-

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

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

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

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

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

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

	Current Period	
	TRY	FC
Forward transactions	-	98.286
Swap transactions	-	302.162
Future transactions	-	-
Options	16	9.974
Other	-	-
Total	16	410.422

	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	372.398	1.456.532
Foreign banks, institutions and funds	-	10.087.097
Total	372.398	11.543.629

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

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

(3) Information on funds borrowed:

b) Maturity structure of funds borrowed:

	Current Period	
	TRY	FC
Short-term	372.030	1.802.519
Medium and long-term	368	9.741.110
Total	372.398	11.543.629

	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 24,72% of saving deposits and 36,29% 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 48,37% of bank deposits and 43,08% of other deposits consist of foreign currency deposits.

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

(3) Information on funds borrowed (continued):

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

Funds provided through repurchase transactions:

	Current Period	
	TRY	FC
Domestic Transactions	2.163.668	-
<i>Financial Institutions and Organisations</i>	1.284.000	-
<i>Other Institutions and Organisations</i>	843.543	-
<i>Individuals</i>	36.125	-
Foreign Transactions	281	5.301.576
<i>Financial Institutions and Organisations</i>	-	5.301.576
<i>Other Institutions and Organisations</i>	-	-
<i>Individuals</i>	281	-
Discounts	5.217	100.697
TOTAL	2.169.166	5.402.273

	Prior Period	
	TRY	FC
Domestic Transactions	188.679	-
<i>Financial Institutions and Organisations</i>	35.000	-
<i>Other Institutions and Organisations</i>	119.913	-
<i>Individuals</i>	33.766	-
Foreign Transactions	520	4.127.464
<i>Financial Institutions and Organisations</i>	-	4.127.464
<i>Other Institutions and Organisations</i>	-	-
<i>Individuals</i>	520	-
Discounts	210	13.284
TOTAL	189.409	4.140.748

(4) Marketable securities issued:

	Current Period	
	TRY	FC
Bonds	2.011.697	-
Treasury Bills	-	12.024.839
Assets Backed Securities	1.011.442	-
Total	3.023.139	12.024.839

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

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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
1.080	2.873.041

Prior Period	
Short Term	Long Term
1.213	2.723.421

(6) Information on other liabilities:

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

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

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

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

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

- b) Explanation on finance lease payables:

None.

- c) Explanations regarding operational leases:

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

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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 31 December 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 31 December 2018, the Bank's specific provision for unindemnified non-cash loans balance is TRY 169.363 (31 December 2017: TRY 122.876).

d) Information on other provisions:

Total other provision balance amounting to TRY 966.686 (31 December 2017: TRY 324.167) consists of TRY 169.363 (31 December 2017: TRY 122.876) for specific provisions of unindemnified and unfunded non cash loans, TRY 196.831 for expected loss amount of non-cash loans, TRY 115.020 (31 December 2017: TRY 107.231) for legal cases filed against the Bank, TRY 414.000 (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 71.472 (31 December 2017: TRY 94.060) of other provisions.

e) Movement of employee termination benefits:

Severance indemnity provision as of 31 December 2018 is calculated by an independent company by using the actuarial conjectures. The amount calculated for the employee termination benefits as a result of the actuarial valuation according to TAS 19, is as follows;

	Current Period	Prior Period
Inflation Rate	12,00%	8,90%
Discount Rate	16,30%	12,30%
Estimated Real Wage Growth Rate	12,20%	9,10%

Calculated amounts as a result of actuarial conjectures are as follows:

	Current Period	Prior Period
As of January 1	461.909	399.423
Charge for the year	45.877	38.718
Interest Expense	56.068	44.030
Actuarial gain/loss	(24.758)	11.330
Prior period service cost composed current period	-	52
Payment/The limitation of benefits/ Loss (Gain) therefore discharge	3.288	8.229
Benefits paid within the period (-)	(34.499)	(39.873)
Total	507.885	461.909

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

(9) Explanations on provisions (continued):

f) Liabilities for employee benefits:

As of 31 December 2018, unused vacation accruals are TRY 103.077, personnel dividend provision is TRY 256.105, severance indemnity provision for Bank personnel is TRY 507.885 and severance indemnity provision for outsourcing firms is TRY 20.161 (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.

g) Liabilities arising from retirement benefits:

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

None.

g.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 2018, 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.

The above mentioned actuarial review, which was made in accordance with the principles of the related law, measures the present value of the liability as of 31 December 2018, in other words; it measures the amount to be paid to the Social Security Institution by the Bank. Actuarial assumptions used in the calculation are given below.

Assumptions	Current Period	Prior Period
Discount Rate	9,8%	9,8%
Mortality Rate	CSO 1980 women/men	CSO 1980 women/men

Some of the Bank's personnel are the members of T. Halk Bankası Çalışanları Emekli Sandığı Vakfı, ("Fund") which was established by 20th provisional article of Social Security Law numbered 506. As of 31 December 2018, the number of personnel who benefit from the Fund is 36.012 (31 December 2017: 34.631).

Below table shows the present values of premiums and salary payments as of 31 December 2018, by taking into account the health expenses within the Social Security Institution limits.

	Current Period	Prior Period
Transferable Pension and Medical Benefits:		
Net Present Value of Total Liabilities Other Than Health	(2.561.914)	(1.938.100)
Net Present Value of Long Term Insurance Line Premiums	2.944.078	2.167.717
Net Present Value of Total Liabilities Other Than Health	382.164	229.617
Net Present Value of Health Liabilities	(538.003)	(435.970)
Net Present Value of Health Premiums	1.839.474	1.354.206
Net Present Value of Health Liabilities	1.301.471	918.236
Pension Fund Assets	2.469.532	1.911.745
General Administration Expenses (1%)	(30.999)	(23.741)
Amount of Actuarial and Technical Deficit	4.122.168	3.035.857

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

(9) Explanations on provisions (continued):

g) Liabilities arising from retirement benefits (continued):

Plan assets are comprised as follows:

Total Assets	Current Period	Prior Period
Banks	1.386.529	1.104.186
Marketable Securities	908.197	644.310
Property and Equipment	112.560	126.403
Other	62.246	36.846
Total	2.469.532	1.911.745

On the other hand, after the transfer, the currently paid health benefits will be revised within the framework of the Social Security Institution legislation and related regulations.

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follows:

Change in Assumptions (%)

Assumptions	Pension Benefits	Death Benefits	Medical Benefits	Total
Discount rate+1%	<(0,1%)	(18,0%)	(18,2%)	(18,2%)
Discount rate -1%	<0,1%	24,2%	24,6%	24,6%
Inflation rate +1%	<0,1%	24,5%	30,8%	30,7%
Inflation rate -1%	<(0,1%)	(18,3%)	(21,7%)	(21,6%)

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

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 December 2018, the Bank's current tax asset is amounting to TRY 6.042.

(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	419.083
Property income tax	1.879
Banking and insurance transactions tax (BITT)	172.999
Foreign exchange transactions tax	13
Value added tax payable	-
Other	42.750
Total	636.724

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

a) Information on current tax liability (continued):

a.2. Information on taxes payable (continued):

	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	20
Social insurance premiums-employer	25
Bank social aid pension fund premium-employee	12.674
Bank social aid pension fund premium-employer	17.609
Pension fund membership fees-employee and provisions-employee	-
Pension fund membership fees-employer and provisions-employer	-
Unemployment insurance-employee	922
Unemployment insurance-employer	1.805
Other	230
Total	33.285

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

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

a.3. Information on premiums (continued):

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

b) Information deferred tax liability:

	Current Period
Deferred Tax (Asset) /Liability	
Provisions ⁽¹⁾	753.154
Revaluation of Financial Assets	(1.634.098)
Other	428.175
Deferred Tax (Asset) /Liability:	(452.769)
Deferred tax accounted in shareholders' equity	(158.766)
Fair value through other comprehensive income arising from securities	(9.180)
Actuarial gains and losses	(2.386)
Valuation of subsidiaries	-
Property revaluation	(147.200)

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

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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	6.182.084	-
Subordinated loans	-	-
Subordinated debt instruments	6.182.084	-
Total	6.182.084	-

* 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	-	-

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

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

- b) Application of registered capital system and registered capital ceiling amount:
There is an application of registered capital system and registered capital ceiling amount is TRY 7.500.000.
- c) Information on share capital increases and their sources; other information on increased capital shares in the current period:
None.
- d) Information on additions from capital reserves to capital in the current period:
None.
- e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:
None.
- f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:
The Bank has sustainable profitability and equity structure. There are no uncertainties that would impact the current position.
- g) Information on preferred shares:
None.
- h) Information on marketable securities revaluation fund:

	Current Period	
	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.404.394	291.471
Valuation differences	1.404.394	291.471
Exchange rate difference	-	-
Financial assets at fair value through other comprehensive income	(24.601)	(167.172)
Valuation differences	(24.601)	(167.172)
Exchange rate difference	-	-
Total	1.379.793	124.299

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

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED
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II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

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

i) Legal Reserves

	Current Period	Prior Period
I. Legal Reserve	1.270.414	1.085.930
II. Legal Reserve	585.488	553.144
Special Reserves	8.364	6.575
Total	1.864.266	1.645.649

j) Extraordinary Reserves:

	Current Period	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	18.563.848	15.243.277
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital (-)	-	-
Total	18.563.848	15.243.277

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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	12.674.648
Payment commitments for cheques	2.661.413
Loan granting commitments	4.611.884
Two days forward foreign exchange buy/sell transactions	2.036.669
Commitments for credit cards and banking services promotions	31.409
Tax and fund liabilities from export commitments	65.280
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.691.303
Total	25.772.606

Types of irrevocable commitments	Prior Period
Commitments for credit card expenditure limits	11.562.109
Payment commitments for cheques	3.269.281
Loan granting commitments	4.646.052
Two days forward foreign exchange buy/sell transactions	910.451
Commitments for credit cards and banking services promotions	32.736
Tax and fund liabilities from export commitments	38.072
Share capital commitments to associates and subsidiaries	-
Other irrevocable commitments	3.536.993
Total	23.995.694

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

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

	Current Period
Letters of credit	3.136.394
Bank acceptances	7.050.260
Other guarantees	2.000.953
Total	12.187.607

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

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

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

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

	Current Period
Letters of certain guarantees	17.065.885
Letters of advance guarantees	6.037.362
Letters of tentative guarantees	804.609
Letters of guarantee given to customs offices	1.742.025
Other letters of guarantee	45.202.337
Total	70.852.218

	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	6.481.383
<i>Within one year or less original maturity</i>	1.974.877
<i>Within more than one year maturity</i>	4.506.506
Other non-cash loans	76.558.442
Total	83.039.825

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

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

d.1. Sectoral risk concentration of non-cash loans

	Current Period				Prior Period			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agriculture	87.601	0,23	104.638	0,23	37.475	0,13	56.930	0,19
<i>Farming and Stockbreeding</i>	64.687	0,17	14.324	0,03	30.793	0,11	10.470	0,04
<i>Forestry</i>	520	0,00	-	0,00	183	-	-	-
<i>Fishery</i>	22.394	0,06	90.314	0,20	6.499	0,02	46.460	0,15
Manufacturing	7.894.909	21,24	23.935.831	52,19	7.184.357	25,46	13.971.045	46,09
<i>Mining and Quarrying</i>	156.756	0,42	406.557	0,89	113.424	0,40	39.814	0,13
<i>Production</i>	5.271.059	14,18	22.746.036	49,59	4.043.858	14,33	13.611.441	44,91
<i>Electricity, Gas and Water</i>	2.467.094	6,64	783.238	1,71	3.027.075	10,73	319.790	1,05
Construction	11.899.549	32,02	9.972.683	21,74	8.039.874	28,49	8.595.348	28,36
Services	16.504.232	44,41	11.730.714	25,56	12.641.942	44,79	7.539.584	24,87
<i>Wholesale and Retail Trade</i>	8.616.472	23,18	5.179.942	11,27	6.465.350	22,90	2.798.868	9,23
<i>Accommodation and Dining</i>	165.427	0,45	1.604.699	3,50	82.979	0,29	813.784	2,68
<i>Transportation and Telecom.</i>	499.807	1,34	2.842.128	6,20	306.795	1,09	1.693.266	5,59
<i>Financial Institutions</i>	4.213.553	11,35	257.450	0,56	3.340.475	11,84	356.521	1,18
<i>Real Estate and Rental Services</i>	2.605.931	7,01	1.732.404	3,78	2.155.546	7,64	1.789.761	5,90
<i>Professional Services</i>	22.065	0,06	694	0,00	20.133	0,07	839	-
<i>Educational Services</i>	74.897	0,20	60.487	0,13	89.042	0,32	48.158	0,16
<i>Health and Social Services</i>	306.080	0,82	52.910	0,12	181.622	0,64	38.387	0,13
Other	781.644	2,10	128.024	0,28	318.327	1,13	149.766	0,49
Total	37.167.935	100,00	45.871.890	100,00	28.221.975	100,00	30.312.673	100,00

d.2. Non-cash loans classified under I. and II. Group

	Group I		Group II	
	TRY	FC	TRY	FC
Non-Cash Loans	36.494.262	45.054.137	673.673	817.753
Letters of Guarantee	34.491.693	34.928.899	673.673	757.953
Bills of Exchange and Bank Acceptances	11.845	7.009.375	-	29.040
Letters of Credit	119.895	2.985.739	-	30.760
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	1.870.829	130.124	-	-

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

e) Information on derivative financial instruments:

	Derivative transactions according to purposes			
	Trading Derivatives		Derivative Financial Instruments held for Risk Management	
	Current Period	Prior Period	Current Period	Prior Period
Types of trading transactions				
Foreign Currency related Derivative Transactions (I):	28.575.161	17.223.111	-	-
Currency Forwards-Purchases/Sales	7.049.313	9.087.334	-	-
Currency Swaps-Purchases/Sales	15.666.602	6.255.356	-	-
Currency Futures-Purchases/Sales	-	-	-	-
Currency Options-Purchases/Sales	5.859.246	1.880.421	-	-
Interest Rate related Derivative Transactions (II)	17.392.884	10.886.762	-	-
Interest Rate Contracts	-	-	-	-
Interest Rate Swaps-Purchases/Sales	17.392.884	10.886.762	-	-
Interest Rate Options-Purchases/Sales	-	-	-	-
Interest Rate Futures-Purchases/Sales	-	-	-	-
Other Trading Derivatives (III) ⁽¹⁾	2.239.469	2.730.418	-	-
A. Total Trading Derivatives (I+II+III)	48.207.514	30.840.291	-	-
Derivative Financial Instruments held for Risk Management	-	-	-	-
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	-	-	-	-
FC investment in associates risk hedge	-	-	-	-
B. Total Derivative Financial Instruments held for Risk Management	-	-	-	-
Total Derivative Transactions (A+B)	48.207.514	30.840.291	-	-

⁽¹⁾ Other trading derivatives consist of forward buying and selling precious contracts amounting to TRY 89.699 and TRY 2.149.770, respectively.

f) Information on contingent liabilities and assets:

Bank's commitments for the cheques given to customers are TRY 2.661.413 (31 December 2017: TRY 3.269.281).

g) Services provided on behalf of others:

None.

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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	8.194.112	333.178
Medium and long term loans	15.471.162	4.551.930
Interest on non-performing loans	261.445	-
Premiums from resource utilization support fund	-	-
Total	23.926.719	4.885.108

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

	Prior Period	
	TRY	FC
Interest on loans⁽¹⁾		
Short term loans	4.464.719	195.196
Medium and long term loans	11.058.972	3.107.562
Interest on non-performing loans	133.052	-
Premiums from resource utilization support fund	-	-
Total	15.656.743	3.302.758

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

b) Interest received from banks:

	Current Period	
	TRY	FC
CBRT	427.986	80.777
Domestic banks	70.616	31.103
Overseas banks	10.272	9.421
Head office and branches	-	-
Total	508.874	121.301

	Prior Period	
	TRY	FC
CBRT	99.640	83.263
Domestic banks	10.423	12.557
Overseas banks	8.409	12.801
Head office and branches	-	-
Total	118.472	108.621

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

(1) Information on interest income (continued):

c) Interest income on marketable securities:

	Current Period	
	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	13.891	1.414
Financial Assets at Fair Value through Other Comprehensive Income	221.731	66.375
Financial Assets Measured at Amortized Cost	6.192.891	548.352
Total	6.428.513	616.141

	Prior Period	
	TRY	FC
Financial assets held for trading	1.085	29
Financial assets at fair value through profit or loss	-	-
Available-for-sale financial assets	1.258.256	283.684
Held-to-maturity investments	2.024.544	135.374
Total	3.283.885	419.087

d) Interest income from subsidiaries and associates:

	Current period
Interest income from subsidiaries and associates	49.280

	Prior period
Interest income from subsidiaries and associates	48.427

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

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period	
	TRY	FC
Banks	34.858	407.116
<i>CBRT</i>	<i>1</i>	-
<i>Domestic banks</i>	<i>24.835</i>	<i>29.156</i>
<i>Overseas banks</i>	<i>10.022</i>	<i>377.960</i>
<i>Overseas head office and branches</i>	-	-
Other institutions	11	20.134
Total	34.869	427.250

	Prior Period	
	TRY	FC
Banks	31.533	334.911
<i>CBRT</i>	-	279
<i>Domestic banks</i>	<i>18.905</i>	<i>25.475</i>
<i>Overseas banks</i>	<i>12.628</i>	<i>309.157</i>
<i>Overseas head office and branches</i>	-	-
Other institutions	12	14.347
Total	31.545	349.258

b) Interest expenses to subsidiaries and associates:

	Current Period
Interest expenses to subsidiaries and associates	481.229

	Prior Period
Interest expenses to subsidiaries and associates	283.664

c) Information on interest expenses to marketable securities issued:

	Current Period	
	TRY	FC
Interest on securities issued	919.824	543.720
Total	919.824	543.720

	Prior Period	
	TRY	FC
Interest on securities issued	323.500	466.409
Total	323.500	466.409

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

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

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	1.504	405.773	525.324	48.880	691	-	-	982.172	
Saving deposits	5	317.695	7.368.649	310.727	119.538	59.977	9.931	8.186.522	
Public deposits	106	268.493	544.146	101.996	271.430	3.570	-	1.189.741	
Commercial deposits	19	1.256.483	3.807.186	413.078	254.973	38.034	-	5.769.773	
Other deposits	-	122.682	1.346.118	193.824	396.049	5.747	-	2.064.420	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	1.634	2.371.126	13.591.423	1.068.505	1.042.681	107.328	9.931	18.192.628	
Foreign currency									
Deposits	1.052	135.150	1.737.375	122.754	97.333	124.184	-	2.217.848	
Bank deposits	9	305.125	-	-	-	-	-	305.134	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	-	29	2.808	266	319	545	-	3.967	
Total	1.061	440.304	1.740.183	123.020	97.652	124.729	-	2.526.949	
Grand total	2.695	2.811.430	15.331.606	1.191.525	1.140.333	232.057	9.931	20.719.577	

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	318	336.521	309.222	914	558	-	-	647.533	
Saving deposits	6	74.481	3.997.373	150.964	45.425	45.682	8.751	4.322.682	
Public deposits	47	178.874	298.891	66.829	392.510	4.394	-	941.545	
Commercial deposits	25	421.898	2.110.101	289.797	254.904	15.738	-	3.092.463	
Other deposits	-	62.220	371.336	78.037	52.286	8.526	-	572.405	
7 days call accounts	-	-	-	-	-	-	-	-	
Total	396	1.073.994	7.086.923	586.541	745.683	74.340	8.751	9.576.628	
Foreign currency									
Deposits	35	76.364	1.168.847	212.135	51.765	64.247	-	1.573.393	
Bank deposits	-	189.623	-	-	-	-	-	189.623	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal	153	-	-	-	-	-	-	153	
Total	188	265.987	1.168.847	212.135	51.765	64.247	-	1.763.169	
Grand total	584	1.339.981	8.255.770	798.676	797.448	138.587	8.751	11.339.797	

(3) Information on dividend income:

	Current Period
Financial Assets at Fair Value Through Profit or Loss	-
Financial Assets at Fair Value Through other Comprehensive Income	3.547
Other	506.810
Total	510.357

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

(3) Information on dividend income (continued):

	Prior Period
Financial Assets Held for Trading	-
Financial Assets Valued at Fair Value through Profit or Loss	-
Financial Assets Available-for-Sale	3.823
Other	263.391
Total	267.214

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

	Current Period
Profit	52.746.145
Profit from the capital market operations	47.492
Profit on derivative financial instruments	5.865.670
Foreign exchange gains	46.832.983
Loss (-)	52.596.890
Loss from the capital market operations	17.622
Loss on derivative financial instruments	3.930.907
Foreign exchange losses	48.648.361

	Prior Period
Profit	44.119.579
Profit from the capital market operations	46.601
Profit on derivative financial instruments	1.809.805
Foreign exchange gains	42.263.173
Loss (-)	44.083.710
Loss from the capital market operations	13.481
Loss on derivative financial instruments	2.008.527
Foreign exchange losses	42.061.702

b) Information on derivative financial instruments:

	Current period	Prior period
Profit on derivative financial instruments	5.865.670	1.809.805
Effect of the change in foreign exchange on profit	5.703.044	1.753.710
Effect of the change in interest rate on profit	162.626	56.095
Loss on derivative financial instruments (-)	3.930.907	2.008.527
Effect of the change in foreign exchange on loss	3.798.071	1.959.558
Effect of the change in interest rate on loss	132.836	48.969
Profit/loss on derivative financial instruments	1.934.763	(198.722)

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

(5) Information on other operating income:

	Current Period
Adjustments for prior period expenses	419.069
Income from the asset sale	123.169
Rent income	42.143
Other income	40.093
Total	624.474

	Prior Period
Adjustments for prior period expenses	416.559
Receivable from the asset sale	104.526
Rent income	34.678
Other income	44.872
Total	600.635

(6) Impairment losses on loans and other receivables:

	Current Period
Expected Credit Loss	2.354.618
<i>12 Month Expected Credit Loss (Stage 1)</i>	60.111
<i>Significant Increase in Credit Risk (Stage 2)</i>	449.482
<i>Non – Performing Loans (Stage 3)</i>	1.845.025
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	780.455
Total	3.135.073

	Prior Period
Specific provisions on loans and receivables	1.120.888
<i>Group - III loans and receivables</i>	367.422
<i>Group - IV loans and receivables</i>	528.320
<i>Group - V loans and receivables</i>	225.146
General loan provision expenses	260.737
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	87.702
Total	1.469.327

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

(7) Information on other operating expenses:

	Current Period
Personnel expenses	2.393.536
Reserve for employee termination benefits	73.412
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	387
Depreciation expenses of fixed assets	129.151
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	35.508
Impairment expense for equity shares subject to the equity method accounting	-
Impairment expense of assets that will be disposed of	-
Amortization expenses of assets that will be disposed of	7.846
Impairment expense for property and equipment held for sale	-
Other operating expenses	1.894.299
<i>Operational leasing expenses</i>	286.746
<i>Maintenance expenses</i>	47.059
<i>Advertisement expenses</i>	195.096
<i>Other expenses</i>	1.365.398
Loss on sales of assets	99
Other	926.192
Total	5.460.430

	Prior Period
Personnel expenses	1.982.248
Reserve for employee termination benefits	95.011
Bank social aid provision fund deficit provision	-
Fixed assets impairment expense	410
Depreciation expenses of fixed assets	101.501
Intangible assets impairment expense	-
Goodwill impairment expense	-
Amortization expenses of intangible assets	40.932
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	13.437
Impairment expense for property and equipment held for sale	-
Other operating expenses	1.686.544
<i>Operational leasing expenses</i>	236.894
<i>Maintenance expenses</i>	40.534
<i>Advertisement expenses</i>	219.991
<i>Other expenses</i>	1.189.125
Loss on sales of assets	363
Other	632.272
Total	4.552.718

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED
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IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT
(continued)

- (8) Information on profit/loss from continuing and discontinued operations before taxes:
The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 8.079.578 of net interest income and TRY 1.949.657 of net fees and commissions. The profit from continuing operations before tax of the Bank is amounting to TRY 2.717.818.
- (9) Information on tax provisions for continuing and discontinued operations:
For the period then ended 31 December 2018, the Bank's tax provision amounting to TRY 196.023 consists of TRY 9.840 of current tax charge and TRY 1.144.825 of deferred tax charge, TRY 958.642 of deferred tax income.
- (10) Information on net operating income/expense from continuing and discontinued operations after tax:
As of 31 December 2018, the Bank's net operating income after tax is amounting to TRY 2.521.795.
- (11) Information on operating results needed for better understanding of the Bank's performance:
- a) Income and expenses from ordinary banking operations:
None.
- b) Effects of changes in accounting estimates on the current and future periods' profit/loss:
There is no issue to be disclosed.
- c) "Other" item under "Fees and Commissions Received" in the Income Statement are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.
- (12) Other items in income statements:
Other items do not exceed 10% of the income statement.

V. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY

Explanations on inflation adjustments for equity items:

As per the BRSA circular announced on 28 April 2005, inflation accounting applied in the banking system has been ceased as of 1 January 2005 in accordance with the BRSA decree numbered 1623 and dated 21 April 2005.

According to this circular, TRY 1.220.451 of inflation adjustment related to paid in capital was transferred to the "Other Capital Reserves" account, which was previously recognized in "Paid-in Capital Inflation Adjustment" account before 31 December 2005. However, inflation adjustments related to other equity items are presented under the related equity item.

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SECTION V: EXPLANATION AND NOTES RELATED TO THE UNCONSOLIDATED
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VI. EXPLANATIONS AND NOTES RELATED TO THE CASH FLOW STATEMENT

- (1) Disclosures for the “other” and “the effect of foreign exchange differences on cash and cash equivalents” items of cash flow statement:

The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TRY 10.303.180 increase for the year 2018 (31 December 2017: TRY 17.632.659). "Other" item in operating profit is composed of other operating expenses excluding fees and commissions expense, foreign exchange gain, other operating income and personnel expenses and decrease by TRY 12.978.280 for the year 2018 (31 December 2017: TRY 4.891.271 decrease).

For the year ended 31 December 2018, the effect of change in foreign exchange rate on cash and cash equivalents is TRY 5.212.885 increase (31 December 2017: TRY 908.274 increase). The average exchange rates of last five weekdays were taken into consideration as of the balance sheet date when calculating the effect of change in the exchange rates.

- (2) Items used in determination of cash and cash equivalents: Cash in TRY and cash in foreign currency, Central Bank and bank deposits having maturity less than three months are defined as cash and cash equivalents.
- (3) The effect of any change in accounting policies: None.
- (4) Cash and cash equivalents balance at the beginning of the period:

	Current period	Prior period
Cash	36.373.039	29.999.160
<i>Cash in TRY and foreign currency</i>	2.119.116	1.476.798
<i>Central Bank and others⁽¹⁾</i>	34.253.923	28.522.362
Cash equivalents	7.348.489	1.644.687
<i>Demand and Time Deposits Up to 3 Months</i>	6.089.842	1.644.687
<i>Money Market Placements</i>	1.258.647	-
Cash and Banks	43.721.528	31.643.847
Reserve deposits in Central Bank of Turkey	(16.506.119)	(17.217.278)
Accruals on reserve deposits in Central Bank of Turkey	(89.784)	(36.875)
Accruals on banks	(1.092)	(901)
Accruals on the money market placements	(2.669)	-
Total Cash and Cash Equivalents	27.121.864	14.388.793

⁽¹⁾Others items include cheques received.

- (5) Cash and cash equivalents balance at the end of the period:

	Current Period	Prior Period
Cash	34.957.050	36.373.039
<i>Cash in TRY and foreign currency</i>	4.417.864	2.119.116
<i>Central Bank and others⁽¹⁾</i>	30.539.186	34.253.923
Cash Equivalents	5.136.433	7.348.489
<i>Demand and Time Deposits Up to 3 Months</i>	5.136.433	6.089.842
<i>Money Market Placements</i>	-	1.258.647
Cash and Banks	40.093.483	43.721.528
Reserve deposits in Central Bank of Turkey	(16.237.014)	(16.506.119)
Accruals on reserve deposits in Central Bank of Turkey	(223.863)	(89.784)
Accruals on banks	(987)	(1.092)
Accruals on the money market placements	-	(2.669)
Total Cash and Cash Equivalents	23.631.619	27.121.864

⁽¹⁾Others items include cheques received.

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

VII. 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) Information on the Loans of 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	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Beginning balance	967.161	234.553	-	-	-	-
Closing balance	1.377.511	224.571	-	-	-	-
Interest and commissions income	49.280	1.151	-	-	-	-

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	48.427	631	-	-	-	-

- 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	
Deposits						
Beginning balance	2.857.226		-		-	
Closing Balance	2.889.487		-		-	
Interest expense on deposits	469.702		-		-	

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	
Deposits						
Beginning balance	1.733.533		-		-	
Closing Balance	2.857.226		-		-	
Interest expense on deposits	280.677		-		-	

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VII. 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	109.322	-	-
Total Profit/Loss	(318)	-	-

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	107	-	-

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED
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VII. 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	1.377.511	0,55
Non-cash loans	224.571	0,27
Deposits	2.889.487	1,16
Forward and option contracts	109.322	0,23

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

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

Explained in b).

- d) Transactions accounted under the equity method:

None.

- (3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 10.717 as of 31 December 2018 (31 December 2017: TRY 8.894).

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

VIII. EXPLANATIONS ON THE BANK'S DOMESTIC BRANCHES, AGENCIES/BRANCHES ABROAD AND OFF-SHORE BRANCHES

- (1) Explanations on the Bank's domestic branches, agencies/branches abroad and off-shore branches

	Quantity	Number of Employees	Countries	Total Assets	Capital Legal
Domestic Branches	988	18.713			
Abroad Agencies	3	4	Teheran/IRAN London/ENGLAND		
Overseas Branches	5	61	Singapore/SINGAPORE Kyrenia/ TRNC	1.328.014	-
Off-shore Branches	1	3	Manama/BAHRAIN	23.374.933	-

- (2) Explanations on branch and agency openings or closings of the Bank:
The Bank opened 28 branches during the year 2018.

IX. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

The Bank's shares in the capital of Halk Portföy Yönetimi A.Ş., as classified under Assets Held For Sale, has been transferred to Ziraat Portföy Yönetimi A.Ş. as of January 02, 2019.

In January 2019, the Bank's subsidiary Halk Banka A.D., Skopje acquired an insurance company named Nova Osiguruvanje established in Macedonia.

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SECTION VI: OTHER EXPLANATIONS

I. OTHER EXPLANATIONS

One of the Bank’s former directors has been convicted and imprisoned for some of the charges by the court in the United States of America (“USA”) of the violation of the USA sanctions involving Iran as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former director of the Bank such as appeal and other legal rights following the first phase of the trial.

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

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

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

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

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SECTION VII: AUDITORS' REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REPORT

The Bank's publicly available unconsolidated interim financial statements and footnotes as of 31 December 2018 have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 14 February 2019 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.