

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

**TÜRKİYE HALK BANKASI
ANONİM ŞİRKETİ**

Consolidated Financial Statements

As of 31 March 2019

With Review Report Thereon

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

13 May 2019

*This report contains “Review Report” comprising 3
pages and; “Consolidated Interim Financial
Statements and Related Disclosures and Footnotes”
comprising 101 pages.*

REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Türkiye Halk Bankası A.Ş. (“the Bank”) and its consolidated subsidiaries (together will be referred as “the Group”) as at 31 March 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying consolidated interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

1. The accompanying consolidated interim financial statements as at 31 March 2019, subsequent to the reversal of TRY 66.500 thousand in the current period, include a general reserve amounting to TRY 384.500 thousand provided by the Group management for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions. If such general provision was not provided, as at 31 March 2019, other provisions would be less by TRY 384.500 thousand, prior periods’ income would be higher by TRY 451.000 and net profit would be lower by TRY 66.500 thousand.

2. The Group reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9. The government bonds reclassified into financial assets measured at amortised cost as at 31 March 2019 amounted to TRY 18.219.585 thousand. If such classification were not made, total assets and shareholders’ equity excluding tax effect would be lower by TRY 3.227.216 thousand as at 31 March 2019.

Qualified Conclusion

Based on our review, except for the effects of the matters described in the basis for qualified conclusion paragraphs, nothing has come to our attention that causes us to believe that accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. as at 31 March 2019, and of the results of its operations and its cash flows for the three-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

Emphasis of Matter

We draw attention to the following:

As detailed in Section 5 Note 7, one of the Bank’s 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 consolidated financial statements related to this matter. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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

Additional paragraph for English translation:

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

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

Hasan Kılıç
Partner

Istanbul, 13 May 2019

TÜRKİYE HALK BANKASI AŞ
THE CONSOLIDATED FINANCIAL REPORT
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

1. The Bank's Headquarter Address:
Barbaros Mahallesi Şebboy Sokak No: 4/1 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 consolidated three-month period ended financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

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

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

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

Unless otherwise indicated, these consolidated financial statements and explanatory footnotes and disclosures as of and for the year ended 31 March 2019 are prepared in **thousand Turkish Lira** and they have been audited and presented below in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Banking Regulation and Supervision Agency regulations, Turkish Accounting Standards, Turkish Financial Reporting Standards and related communiqués and interpretations including the Banks' records.

Istanbul, 13 May 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 : Turgay Ayık / Director

Tel : 0216 503 52 14

Fax No : 0212 340 09 90

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

SECTION I: GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

As of 31 March 2019 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	31 March 2019	%	31 December 2018	%
Türkiye Varlık Fonu ⁽¹⁾	638.276	51,06	638.276	51,06
Public shares ⁽¹⁾	611.641	48,93	611.641	48,93
Other shareholders ⁽²⁾	83	0,01	83	0,01
Total	1.250.000	100,00	1.250.000	100,00

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

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

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

Name	Title
Recep Süleyman ÖZDİL	Chairman of the Board of Directors
Himmet KARADAĞ	Vice Chairman of the Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Meltem TAYLAN AYDIN	Member of the Board of Directors
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
Sezai UÇARMAK	Member of the Board of Directors
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 Follow-up
Mustafa ÇÖDEK	Executive Vice President, Retail Banking
Ergin KAYA	Executive Vice President, Banking Operations and Information Technology
Erkan KİLİMCİ	Executive Vice President, Treasury Management and International Banking
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 TUNCAZ	Executive Vice President, Corporate and Commercial Marketing

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

- a) The Parent Bank’s top management members who have assigned to their position in 2019 are listed below with titles and dates of assignment.

Title	Name	Starting Date
Member of the Board of Directors	Sezai UÇARMAK	27 February 2019
Executive Vice President	Erkan KİLİMCİ	22 February 2019

- b) The Parent Bank’s top management members who have left their position in 2019 are listed below with titles and dates of leaving.

None.

TÜRKİYE HALK BANKASI AŞ
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FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

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

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

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

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

a) General information about the Parent 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 Parent 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 Parent 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 Parent 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 Parent 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 Parent 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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

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

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

held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

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

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

As of 31 March 2019, the Parent Bank operates with a total of 998 branches consisting of 992 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 47 satellite branches. The Parent Bank has also 3 representative office in England, Singapore and Iran.

VI. EXPLANATION ABOUT COMPANIES WITHIN THE SCOPE OF CONSOLIDATION

The Parent Bank and its subsidiaries;

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

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

The Parent Bank’s associates;

- Demir-Halkbank NV
- Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ
- Türk P ve I Sigorta AŞ

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

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

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

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

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

Halk Banka A.D., Skopje, formerly Export and Credit Bank A.D., Skopje is a subsidiary of the Parent Bank as of 8 April 2011, operating in Macedonia. The Parent Bank's main activities include commercial lending, accepting deposits, and retail banking services in the country and abroad. In addition, the Company has been engaged in insurance activities through Halk Osiguruvanje purchased on 28 January 2019.

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

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

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

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

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

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

The Parent Bank's subsidiaries Halk Sigorta AŞ, Halk Hayat Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Banka A.D. Skopje and its subsidiary Halk Osiguruvanje 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. Partnership established inland or abroad which joined the capital of parent bank, have significant efficiency although it has no control on it.

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

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

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

Immediate transfer of the equity between the Parent 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 Parent Bank and its subsidiaries. The Parent Bank charge or pay cost of the services according to the service agreements entered into between the Parent Bank and its subsidiaries.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

SECTION II: CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet (Consolidated Statement of Financial Position)
- II. Consolidated Statement of Off-Balance Sheet Items
- III. Consolidated Statement of Profit or Loss
- IV. Consolidated Statement of Profit or Loss Other Comprehensive Income
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2019
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

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

	Note	Reviewed			Audited		
		Current Period			Prior Period		
		31 March 2019			31 December 2018		
ASSETS		TRY	FC	TOTAL	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		25.330.605	37.925.134	63.255.739	21.452.260	39.789.022	61.241.282
1.1 Cash and Cash Equivalents		4.357.517	33.715.425	38.072.942	4.215.704	36.559.750	40.775.454
1.1.1 Cash and Balances with Central Bank	(1)	3.430.458	31.196.498	34.626.956	3.983.094	31.596.630	35.579.724
1.1.2 Banks	(3)	133.435	2.520.549	2.653.984	181.392	4.964.779	5.146.171
1.1.3 Money Markets		812.880	-	812.880	65.318	-	65.318
1.1.4 Expected Loss Provision (-)		19.256	1.622	20.878	14.100	1.659	15.759
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	14.490.772	28.764	14.519.536	14.516.355	22.580	14.538.935
1.2.1 Government Debt Securities		14.421.380	21.176	14.442.556	14.415.482	21.455	14.436.937
1.2.2 Equity Instruments		-	7.588	7.588	74	1.125	1.199
1.2.3 Other Financial Assets		69.392	-	69.392	100.799	-	100.799
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	6.482.288	2.861.430	9.343.718	2.720.192	2.144.620	4.864.812
1.3.1 Government Debt Securities		6.340.185	2.756.248	9.096.433	2.579.303	2.058.759	4.638.062
1.3.2 Equity Instruments		27.854	105.182	133.036	24.793	85.861	110.654
1.3.3 Other Financial Assets		114.249	-	114.249	116.096	-	116.096
1.4 Derivative Financial Assets	(2)(11)	28	1.319.515	1.319.543	9	1.062.072	1.062.081
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		28	1.319.515	1.319.543	9	1.062.072	1.062.081
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		234.075.346	108.055.603	342.130.949	212.632.972	102.399.552	315.032.524
2.1 Loans	(5)	192.217.485	93.759.770	285.977.255	173.737.859	89.093.926	262.831.785
2.2 Lease Receivables	(10)	974.369	2.433.436	3.407.805	1.021.724	2.465.872	3.487.596
2.3 Factoring Receivables		1.141.614	114.995	1.256.609	1.277.726	139.535	1.417.261
2.4 Other Financial Assets Measured at Amortised Cost	(6)	48.975.600	12.238.251	61.213.851	45.172.546	11.158.799	56.331.345
2.4.1 Government Debt Securities		48.908.974	12.238.251	61.147.225	45.110.909	11.158.799	56.269.708
2.4.2 Other Financial Assets		66.626	-	66.626	61.637	-	61.637
2.5 Expected Credit Loss (-)		9.233.722	490.849	9.724.571	8.576.883	458.580	9.035.463
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(14)	2.693	-	2.693	9.593	-	9.593
3.1 Held for Sale Purpose		2.693	-	2.693	9.593	-	9.593
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		85.050	456.976	542.026	84.321	431.547	515.868
4.1 Investments in Associates (Net)	(7)	27.904	456.976	484.880	27.175	431.547	458.722
4.1.1 Associates Valued Based on Equity Method		18.552	456.976	475.528	17.823	431.547	449.370
4.1.2 Unconsolidated Associates		9.352	-	9.352	9.352	-	9.352
4.2 Subsidiaries (Net)	(8)	57.146	-	57.146	57.146	-	57.146
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non- Financial Subsidiaries		57.146	-	57.146	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)		5.178.586	199.460	5.378.046	4.514.930	124.956	4.639.886
VI. INTANGIBLE ASSETS (Net)		143.845	34.421	178.266	149.098	34.313	183.411
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		143.845	34.421	178.266	149.098	34.313	183.411
VII. INVESTMENT PROPERTIES (Net)	(12)	1.003.595	6.195	1.009.790	967.406	5.995	973.401
VIII. CURRENT TAX ASSET		14.238	1.248	15.486	19.860	6.183	26.043
IX. DEFERRED TAX ASSET	(13)	89.473	3.144	92.617	95.326	3.019	98.345
X. OTHER ASSETS	(15)	3.896.383	1.193.237	5.089.620	4.406.874	1.094.449	5.501.323
TOTAL ASSETS		269.819.814	147.875.418	417.695.232	244.332.640	143.889.036	388.221.676

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 MARCH 2019

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

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

		Reviewed			Audited		
		Current Period			Prior Period		
		31 March 2019			31 December 2018		
OFF-BALANCE SHEET	Note	TRY	FC	TOTAL	TRY	FC	TOTAL
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	91.363.247	113.487.482	204.850.729	70.479.149	89.431.738	159.910.887
I.	GUARANTEES AND WARRANTIES	38.396.859	49.968.929	88.365.788	36.985.278	46.684.697	83.669.975
1.1	Letters of guarantee	36.156.273	39.078.084	75.234.357	34.982.709	36.415.106	71.397.815
1.1.1	Guarantees subject to public procurement law	1.888.759	12.026.696	13.915.455	1.982.722	12.444.947	14.427.669
1.1.2	Guarantees given for foreign trade operations	-	85.712	85.712	-	64.120	64.120
1.1.3	Other letters of guarantee	34.267.514	26.965.676	61.233.190	32.999.987	23.906.039	56.906.026
1.2	Bank loans	9.194	7.575.079	7.584.273	11.845	7.038.415	7.050.260
1.2.1	Import acceptances	-	85.413	85.413	-	94.572	94.572
1.2.2	Other bank acceptances	9.194	7.489.666	7.498.860	11.845	6.943.843	6.955.688
1.3	Letters of credit	124.877	3.195.578	3.320.455	119.895	3.110.315	3.230.210
1.3.1	Documentary letters of credit	124.877	3.195.578	3.320.455	119.895	3.110.315	3.230.210
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	2.106.515	120.188	2.226.703	1.870.829	120.861	1.991.690
1.9	Other sureties	-	-	-	-	-	-
II.	COMMITMENTS	23.916.794	4.053.154	27.969.948	24.243.741	3.598.496	27.842.237
2.1	Irrevocable commitments	23.675.500	2.552.303	26.227.803	24.091.603	2.105.823	26.197.426
2.1.1	Forward asset purchase commitments	996.044	1.740.265	2.736.309	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	2.240.793	556.875	2.797.668	4.159.896	530.684	4.690.580
2.1.5	Securities underwriting commitments	-	-	-	-	-	-
2.1.6	Payment commitments for reserve deposits	-	-	-	-	-	-
2.1.7	Payment commitments for Cheques	3.287.913	-	3.287.913	2.661.413	-	2.661.413
2.1.8	Tax and fund liabilities from export commitments	65.210	-	65.210	65.280	-	65.280
2.1.9	Commitments for credit card expenditure limits	13.252.914	56.744	13.309.658	12.674.648	54.296	12.728.944
2.1.10	Commitments for credit cards and banking services promotions	31.582	-	31.582	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	3.801.044	198.419	3.999.463	3.691.220	291.911	3.983.131
2.2	Revocable commitments	241.294	1.500.851	1.742.145	152.138	1.492.673	1.644.811
2.2.1	Revocable loan granting commitments	-	1.094.543	1.094.543	-	1.137.584	1.137.584
2.2.2	Other revocable commitments	241.294	406.308	647.602	152.138	355.089	507.227
III.	DERIVATIVE FINANCIAL INSTRUMENTS	29.049.594	59.465.399	88.514.993	9.250.130	39.148.545	48.398.675
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	29.049.594	59.465.399	88.514.993	9.250.130	39.148.545	48.398.675
3.2.1	Forward foreign currency buy/sell transactions	2.804.767	6.868.413	9.673.180	1.805.572	5.242.539	7.048.111
3.2.1.1	Forward foreign currency transactions-buy	2.195.191	3.608.217	5.803.408	1.553.375	3.067.752	4.621.127
3.2.1.2	Forward foreign currency transactions-sell	609.576	3.260.196	3.869.772	252.197	2.174.787	2.426.984
3.2.2	Currency and interest rate swaps	17.541.079	40.072.890	57.613.969	5.146.767	28.105.082	33.251.849
3.2.2.1	Currency swap-buy	1.069.141	18.820.463	19.889.604	1.012.983	7.070.935	8.083.919
3.2.2.2	Currency swap-sell	16.471.938	2.930.495	19.402.433	4.133.784	3.641.263	7.775.047
3.2.2.3	Interest rate swap-buy	-	9.160.966	9.160.966	-	8.696.442	8.696.442
3.2.2.4	Interest Rate swap-sell	-	9.160.966	9.160.966	-	8.696.442	8.696.442
3.2.3	Currency, interest rate and marketable securities options	5.093.565	6.596.236	11.689.801	2.297.791	3.561.455	5.859.246
3.2.3.1	Currency call options	1.208.351	4.662.933	5.871.284	1.148.905	1.780.728	2.929.633
3.2.3.2	Currency put options	3.885.214	1.933.303	5.818.517	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	3.610.183	3.381.647	6.991.830	-	-	-
3.2.4.1	Currency futures-buy	682.693	2.746.667	3.429.360	-	-	-
3.2.4.2	Currency futures-sell	2.927.490	634.980	3.562.470	-	-	-
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	-	2.546.213	2.546.213	-	2.239.469	2.239.469
B.	CUSTODY AND PLEDGED ASSETS (IV+V+VI)	1.010.697.731	329.456.227	1.340.153.958	957.578.147	312.632.590	1.270.210.737
IV.	CUSTODIES	501.444.796	49.217.954	550.662.750	435.748.450	42.655.486	478.403.936
4.1	Assets under management	-	-	-	-	-	-
4.2	Custody marketable securities	186.546.748	1.212.304	187.759.052	164.714.542	1.017.194	165.731.736
4.3	Cheques in collection process	16.555.469	28.446.133	45.001.602	15.459.699	26.465.087	41.924.786
4.4	Commercial notes in collection process	257.044.060	6.548.436	263.592.496	239.248.814	5.578.699	244.827.513
4.5	Other assets in collection process	-	-	-	-	-	-
4.6	Underwritten securities	-	-	-	-	-	-
4.7	Other custodies	1.754.540	338.768	2.093.308	4.281.053	486.438	4.767.491
4.8	Custodians	39.543.979	12.672.313	52.216.292	12.044.342	9.108.668	21.152.410
V.	PLEDGED ASSETS	509.252.935	280.238.273	789.491.208	521.829.697	269.977.104	791.806.801
5.1	Marketable securities	6.264.835	821.706	7.086.541	5.910.919	772.952	6.683.871
5.2	Collateral notes	7.941.993	1.314.444	9.256.437	7.602.929	1.172.031	8.774.960
5.3	Commodity	25.812	-	25.812	25.812	-	25.812
5.4	Warranty	-	-	-	-	-	-
5.5	Land and buildings	400.253.698	237.095.086	637.348.784	384.296.983	225.968.770	610.265.753
5.6	Other pledged assets	77.221.877	40.297.676	117.519.553	76.479.920	39.614.525	116.094.445
5.7	Pledges	17.544.720	709.361	18.254.081	47.513.134	2.448.826	49.961.960
VI.	ACCEPTED BILL GUARANTEES AND SURETIES	-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1.102.060.978	442.943.709	1.545.004.687	1.028.057.296	402.064.328	1.430.121.624

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 31 MARCH
2019

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

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

			Reviewed Current Period	Reviewed Prior Period
			1 January- 31 March 2019	1 January- 31 March 2018
INCOME AND EXPENSES		Note		
I.	INTEREST INCOME	(1)	10.983.378	7.110.766
1.1	Interest on Loans		8.476.533	5.764.492
1.2	Interest on Reserve Requirements		26.149	36.493
1.3	Interest on Banks		145.402	100.207
1.4	Interest on Money Market Transactions		453	11.388
1.5	Interest on Marketable Securities Portfolio		2.152.821	1.075.146
1.5.1	Fair Value Through Profit or Loss		5.886	2.623
1.5.2	Fair Value Through Other Comprehensive Income		277.840	434.792
1.5.3	Measured at Amortized Cost		1.869.095	637.731
1.6	Financial Lease Interest Income		78.554	57.339
1.7	Other Interest Income		103.466	65.701
II.	INTEREST EXPENSE (-)	(2)	9.010.382	4.966.637
2.1	Interest on Deposits		6.133.728	3.704.123
2.2	Interest on Funds Borrowed		124.195	161.105
2.3	Interest Expense on Money Market Transactions		2.106.148	787.569
2.4	Interest on Securities Issued		547.357	250.617
2.5	Interest on Leases		26.178	-
2.6	Other Interest Expenses		72.776	63.223
III.	NET INTEREST INCOME (I - II)		1.972.996	2.144.129
IV.	NET FEES AND COMMISSIONS INCOME		591.413	395.941
4.1	Fees and Commissions Received		886.264	553.290
4.1.1	Non – cash Loans		219.404	118.669
4.1.2	Other	(11)	666.860	434.621
4.2	Fees and Commissions Paid (-)		294.851	157.349
4.2.1	Non – cash Loans		1.343	840
4.2.2	Other	(11)	293.508	156.509
V.	DIVIDEND INCOME		9.993	85
VI.	TRADING INCOME / LOSS (Net)	(3)	(407.191)	37.061
6.1	Trading Gains / (Losses) on Securities		18.132	11.025
6.2	Gains / (Losses) on Derivate Financial Transactions		475.797	61.152
6.3	Foreign Exchange Gains / (Losses)		(901.120)	(35.116)
VII.	OTHER OPERATING INCOME	(4)	916.988	583.284
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII)		3.084.199	3.160.500
IX.	EXPECTED LOSS PROVISIONS (-)	(5)	1.108.465	402.769
X.	OTHER PROVISION EXPENSES (-)	(5)	34.554	71.170
XI.	PERSONNEL EXPENSE (-)		774.972	599.376
XII.	OTHER OPERATING EXPENSES (-)	(6)	1.139.319	915.324
XIII.	NET OPERATING INCOME /LOSS (VIII-IX-X-XI-XII)		26.889	1.171.861
XIV.	INCOME AFTER MERGER		-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		9.361	6.522
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-
XVII.	PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVD)	(7)	36.250	1.178.383
XVIII.	TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(8)	141.450	(233.586)
18.1	Current Tax Provision		45.106	101.988
18.2	Deferred Tax Income Effect (+)		694.614	198.177
18.3	Deferred Tax Expense Effect (-)		881.170	66.579
XIX.	CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	(9)	177.700	944.797
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from non- Current Assets Held for Sale		-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3	Income from Other Discontinued Operations		-	-
XXI.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses for Non-current Assets Held for Sale		-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3	Expenses for Other Discontinued Operations		-	-
XXII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Current Tax Provision		-	-
23.2	Deferred Tax Expense Effect (+)		-	-
23.3	Deferred Tax Income Effect (-)		-	-
XXIV.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)		-	-
XXV.	NET PROFIT/(LOSS) (XVIII+XXIV)	(10)	177.700	944.797
25.1	Profit / (Loss) of Group		172.761	941.903
25.2	Profit / (Loss) of Minority Shares (-)		4.939	2.894
	Profit / (Loss) Per Share		0,1382088	0,7535224

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS
ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2019
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed	Reviewed
	Current Period	Prior Period
	1 January - 31 March 2019	1 January - 31 March 2018
STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I. CURRENT PERIOD INCOME/LOSS	177.700	944.797
II. OTHER COMPREHENSIVE INCOME	(175.588)	(343.951)
2.1 Not Reclassified Through Profit or Loss	-	(4.486)
2.1.1 Property and Equipment Revaluation Increase/Decrease	-	(4.984)
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	498
2.2 Reclassified Through Profit or Loss	(175.588)	(339.465)
2.2.1 Foreign Currency Translation Differences	1.855	23.790
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(240.323)	(330.789)
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 Losses	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	62.880	(32.466)
III. TOTAL COMPREHENSIVE INCOME (I+II)	2.112	600.846

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2019
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss							Accumulated Other Comprehensive Income or Expense Reclassified through 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 Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)						
Reviewed (1 January– 31 March 2018)																		
I. Prior Period End Balance	1.250.000	39.737	-	1.173.214	2.253.646	(10.744)	-	52.631	(660.392)	-	17.081.403	4.139.070	-	25.318.565	210.124	25.528.689		
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	670.851	-	670.851	4	670.855		
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	670.851	-	670.851	4	670.855		
III. Adjusted Beginning Balance (I-II)	1.250.000	39.737	-	1.173.214	2.253.646	(10.744)	-	52.631	(660.392)	-	17.081.403	4.809.921	-	25.989.416	210.128	26.199.544		
IV. Total Comprehensive Income	-	-	-	-	(4.486)	-	-	23.790	(363.266)	-	-	-	941.903	597.941	2.905	600.846		
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X. Increase / Decrease by Other Changes	-	-	-	(112.578)	-	-	-	-	-	-	20.024	270	-	(92.284)	9	(92.275)		
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Period End Balance (III+IV+.....+X+XI)	1.250.000	39.737	-	1.060.636	2.249.160	(10.744)	-	76.421	(1.023.658)	-	17.101.427	4.810.191	941.903	26.495.073	213.042	26.708.115		
Reviewed (1 January – 31 March 2019)																		
I. Prior Period End Balance	1.250.000	39.740	-	1.228.055	2.459.595	8.624	-	(1.454)	(174.506)	-	20.820.054	1.007.844	2.656.647	29.294.599	246.641	29.541.240		
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
III. Adjusted Beginning Balance (I-II)	1.250.000	39.740	-	1.228.055	2.459.595	8.624	-	(1.454)	(174.506)	-	20.820.054	1.007.844	2.656.647	29.294.599	246.641	29.541.240		
IV. Total Comprehensive Income	-	-	-	-	-	-	-	1.855	(177.443)	-	-	-	172.761	(2.827)	4.939	2.112		
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	-	-	-	850	3.972	-	-	-	-	-	13.042	2.625.502	(2.656.647)	(13.281)	(155)	(13.436)		
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	54.053	(54.053)	-	-	-	-		
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	54.053	(54.053)	-	-	-	-		
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Period End Balance (III+IV+.....+X+XI)	1.250.000	39.740	-	1.228.905	2.463.567	8.624	-	401	(351.949)	-	20.887.149	3.579.293	172.761	29.278.491	251.425	29.529.916		

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

TÜRKİYE HALK BANKASI AŞ
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31
MARCH 2019

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

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed	Reviewed
	Current Period	Prior Period
Note	1 January- 31 March 2019	1 January- 31 March 2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	(3.667.642)	(3.327.976)
1.1.1 Interest received	9.897.986	6.303.014
1.1.2 Interest paid	(9.170.579)	(4.726.733)
1.1.3 Dividend received	9.993	85
1.1.4 Fees and commissions received	886.264	558.624
1.1.5 Other income	735.000	405.770
1.1.6 Collections from previously written off loans	371.215	387.646
1.1.7 Cash payments to personnel and service suppliers	(787.037)	(606.242)
1.1.8 Taxes paid	(566.009)	(367.272)
1.1.9 Other	(5.044.475)	(5.282.868)
1.2 Assets and Liabilities Subject to Banking Operations	287.992	1.916.192
1.2.1 Net Increase / decrease in Financial assets at fair value through profit or loss	18.433	(108.779)
1.2.2 Net (increase) / decrease in due from banks	(10.681)	(1.631)
1.2.3 Net (increase) / decrease in loans	(21.137.594)	(14.066.516)
1.2.4 Net (increase) / decrease in other assets	(6.470.111)	(2.059.060)
1.2.5 Net increase / (decrease) in bank deposits	3.747.188	322.750
1.2.6 Net increase / (decrease) in other deposits	17.248.730	6.605.429
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	(651.802)	(1.422.552)
1.2.9 Net increase / (decrease) in matured payables	-	-
1.2.10 Net increase / (decrease) in other liabilities	7.543.829	12.646.551
I. Net cash provided from banking operations	(3.379.650)	(1.411.784)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/ (used in) investing activities	(8.223.511)	(992.323)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	(109.320)	(88.788)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	39.375	-
2.3 Fixed assets purchases	(292.695)	(570.785)
2.4 Fixed assets sales	106.637	69.309
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income	(9.732.076)	(2.005.756)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income	5.732.398	1.333.185
2.7 Cash paid for purchase of investment securities	(5.131.911)	(595.057)
2.8 Cash obtained from sale of investment securities	1.159.445	858.117
2.9 Other	4.636	7.452
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash used in financing activities	454.005	820.484
3.1 Cash obtained from loans borrowed and securities issued	2.737.485	3.166.169
3.2 Cash used for repayment of loans borrowed and securities issued	(2.233.851)	(2.345.685)
3.3 Bonds issued	-	-
3.4 Dividends paid	-	-
3.5 Payments for finance leases	(49.629)	-
3.6 Other	-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	819.626	497.996
V. Net increase / (decrease) in cash and cash equivalents	(10.329.530)	(1.085.627)
VI. Cash and cash equivalents at beginning of the period	23.448.586	27.122.191
VII. Cash and cash equivalents at end of the period	13.119.056	26.036.564

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities carried at fair value. Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.

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 POA 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 Parent Bank.

In accordance with the “Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 with No. 30673, the accompanying previous period financial statements were presented in compliance with the new financial statement formats.

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.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1. The Group's strategy on financial instruments:

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

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

2. The Group's explanations on foreign currency transactions:

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

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

Assets and liabilities of the foreign branches of the Parent 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 Group 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 statement of profit or loss in the current period.

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

III. INFORMATION ABOUT THE CONSOLIDATED ASSOCIATES AND SUBSIDIARIES

1. Basis of consolidation:

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

a. Basis of consolidation of subsidiaries:

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

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

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

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

b. Basis of consolidation of associates:

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation (continued):

c. Basis of consolidation of joint ventures:

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

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

Accounting for business combinations

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

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

Acquisitions on or after 1 January 2010

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

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

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

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

1. Basis of consolidation (continued):

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

Associates and subsidiaries are accounted in accordance with the “Turkish Accounting Standard on Consolidated and Separate Financial Statements Standard” (“TAS 27”), “Turkish Accounting Standard for Investments in Associates and Joint Ventures” (“TAS 28”) and TFRS 9 “Financial instruments: Turkish Financial Reporting Standards” in consolidated financial statements.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

Derivative transactions of the Group consist of foreign currency and interest rate swaps, cross currency swaps, options and forwards. The 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 statement of profit or loss. Fair values of derivatives are calculated using discounted cash flow model or market value.

Explanations related to credit derivatives and its risk exposures:

The Parent Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic’s credit risk. As of 31 March 2019, the bank has credit default swap transaction amounting to USD 310 million with 5 year maturity. In this transactions the Bank sells protection.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

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

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

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

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

TÜRKİYE HALK BANKASI AŞ
EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL
STATEMENTS FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019

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

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

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

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

The Group's business model is related with how the Group manages its financial assets to generate cash flows. In other terms, the source of cash flows depends on the Group's business model whether the cash flow is generated from contractual terms or through sale of financial asset or both. Classification of financial assets is made at initial recognition considering the aim of purchase of the financial asset. The Group's business models are classified in three main categories in accordance with TFRS 9.

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

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

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

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

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

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

3. Other Business Models:

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

Measurement Categories of Financial Assets and Liabilities

As of 1 January 2018, the Parent 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.

Included in its securities portfolio; the Group also has; consumer price indexed government bonds (CPI) measured at fair value through other comprehensive income and CPI government bonds measured at amortised cost. CPI's are valued and accounted for according to the effective interest rate method which is calculated according as per the real coupon rate and the reference inflation index on the issue date. The reference index used during the calculation of the actual coupon payment amount is determined by using the previous two months' CPI. The Group determines its expected inflation rates similarly. The estimated inflation rate according to the Central Bank of Turkey and the Group expectations, is updated during the year when it is considered necessary. If such valuation of these securities was made according to the reference index valid for March 31, 2019, the revaluation differences of the securities under the shareholders' equity would increase by TRY 32.404 (net), and the interest income from the securities would decrease by TRY 759.814.

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.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

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 derecognized 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 statement of profit or loss. However, the Group may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

Cash Equivalents and Banks

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

Loans and Receivables

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

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

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

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign currency income and expense accounts in the statement of profit or loss 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 statement of profit or loss.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

Calculation of expected credit losses

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Probability of Default (PD):

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

Loss given Default (LGD):

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

Exposure at Default (EAD)

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

12 Month Expected Credit Losses

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

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

Lifetime Expected Credit Losses

It is the estimated probability of default occurring over the remaining life of the financial instrument. According to article 5.5.3 of TFRS 9 standard, in case of a significant increase in credit risk for a financial instrument since its initial recognition, the Group shall measure provision for loss of related financial instrument as equal as expected lifetime expected credit loss amount.

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

TFRS 9 Standard does not include a direct definition of default, but requires a consistent definition of default to be used in credit risk management. The Group is considering qualitative indicators (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)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Lifetime Expected Credit Losses (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 Parent Bank and to the Parent Bank’s consolidated financial subsidiaries without using guarantees

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

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

Low Credit Risk

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 Group are classified as follows:

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

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

c) Treasury Loans

d) Loans guaranteed by Treasury of Republic of Turkey

The Rules of Significant Increase in Credit Risk

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

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

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

Ordinary maintenance and repair expenses of property, 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.

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

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

Investment properties in the attached consolidated financial statements that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, 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)

XV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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

According to “IFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease was removed and the lease transactions were started to be recognised under “Property and Equipment” as an asset (tenure) and under “Liabilities from Leasing” as a liability. Impact and application of IFRS 16 concerning this transition were explained in Section three, footnote XXVI.

XVI. EXPLANATIONS ON INSURANCE TECHNICAL INCOME AND EXPENSE

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

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

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS

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

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

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

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

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XVII. EXPLANATIONS ON INSURANCE TECHNICAL PROVISIONS (continued)

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

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

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

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

XVIII. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

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

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

T. Halk Bankası Employee Pension Fund, 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 Parent 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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XIX. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES (continued)

Türkiye 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 Parent 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 2018 no technical deficit has been reported.

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XX. EXPLANATIONS ON TAXATION

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

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

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 statement of profit or loss 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.

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XX. EXPLANATIONS ON TAXATION

Halk Banka A.D. Skopje

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

"Distributions" are split into two components:

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

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

Recognition of tax provisions:

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

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

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

Halk Bank A.D. Beograd

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

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

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SECTION III: EXPLANATIONS ON CONSOLIDATED ACCOUNTING POLICIES (continued)

XXI. 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.

XXII. EXPLANATIONS ON SHARES ISSUED

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

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

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

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

XXIII. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

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

XXIV. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Parent Bank.

XXV. EXPLANATIONS ON SEGMENT REPORTING

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

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

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXVI. EXPLANATIONS ON TFRS 16 LEASES

The Group assesses whether the contract has the quality of a lease or whether the transaction includes a lease at the beginning of a contract.

A lease agreement is an agreement between two or more parties that gives the tenure the legally enforceable rights and obligations of the underlying asset. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. The Group reflects the existence of a right-of-use and a lease liability to the financial statements at the effective date of the lease.

Existence of right-of-use:

As a result of internal evaluations, the Parent Bank accounts real estate and vehicles subject to operational lease in accordance with TFRS 16. ATMs, and other leasing transaction balances are not considered within the scope of TFRS 16 as they are below the materiality level and the corresponding rent payments are recognized under Other Operating Expenses.

At the commencement date, the Group measures the right-of-use real estates considered as the cost of right-of-use asset being the right-of-use asset in accordance with TFRS 16. The cost of the right-of-use;

- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

When applying the cost method, the Group takes into account the accumulated depreciation and impairment losses for the subsequent period measurement of the existence of right-of-use. The Group applies the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating real assets considered as right-of-use asset.

The Group applies TAS 36 Impairment of Assets to determine whether the real estates considered as right-of-use assets are impaired and to account for any impairment loss identified.

The Lease Obligations:

Based on TFRS 16, at the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the alternative borrowing interest rate.

After the commencement date, the Group measures the lease liability as follows:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the book value to reflect the lease payments made,
- c) Reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XXVI. EXPLANATIONS ON TFRS 16 LEASES

The Lease Obligations (continued):

In the event of a modification in the lease agreement which affects the lease payments or defined assets, the Bank re-measures its lease liability by using the current borrowing rate. The Bank reflects the remeasured leasing liability and the right-of-use in the financial statements. On the other hand, in the changes in the shortening of the lease term, the termination of the contract and the decreases in the scope of the underlying asset, the gains or losses are recognized in profit or loss.

First Transition to TFRS 16 Leasing Standard

“TFRS 16 Leases” Standard was promulgated in Official Gazette to be applied in the accounting period starting on 31 December 2018. The Group applied TFRS 16 “Leasing” standard as of 1 January 2019, the date of first implementation.

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 Group preferred to adopt the facilitative procedure at its first transition date and has not made any changes in the comparative financial statements of the previous period.

Details based on the asset with regard to the recognised asset tenure is as follows:

	1 January 2019	31 March 2019
Existence of Right-of-use		
Real Estate	579.938	627.994
Vehicles	96.363	95.925
Total	676.301	723.919

In accordance with TFRS 16, The Group recognized a lease liability and right-of-use asset amounting to TRY 668.438 as of 1 January 2019 for leases previously classified as operating leases.

In accordance with TFRS 16, the Group recognised prepaid rent payments amounting to TRY 7.863 under tangible assets as right-of-use which were previously classified under prepaid expenses.

	1 January 2019
Operational Leasing Commitments	1.104.863
Contracts that are excluded from the scope of TFRS 16 (-)	121.964
Total Leasing Liability	982.899
Discounted Lease Obligation	668.438

XXVII. EXPLANATIONS ON OTHER MATTERS

None.

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY

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 Group's Capital Adequacy". As of 31 March 2019, the Group's capital adequacy ratio in accordance with the "Regulation Regarding the Measurement and Evaluation of Group's Capital Adequacy" is 12,48% (31 December 2018: 13,36%), The equity is calculated as TRY 37.593.206 in accordance with the principles of "Regulation on Equities of Banks" (31 December 2018: TRY 37.420.830).

1. Information About Total Consolidated Capital 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	39.740	
Reserves	20.886.719	
Other Comprehensive Income according to TAS	2.527.502	
Profit	3.752.054	
Current Period Profit	172.761	
Prior Period Profit	3.579.293	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	6.735	
Minority Interest	1.729	
Common Equity Tier 1 Capital Before Deductions	29.684.930	
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 (-)	404.710	
Leasehold Improvements on Operational Leases (-)	85.260	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	178.266	178.266
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	668.236	
Total Common Equity Tier I Capital	29.016.694	

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I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

1. Information About Total Consolidated Capital Items:

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)	29.016.694
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)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.661.454
Tier II Capital Before Deductions	8.591.249
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	8.591.249
Total Equity (Total Tier I and Tier II Capital)	37.607.943
Total Tier I and Tier II Capital (Total Equity)	
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 (-)	14.737

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I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

1. Information About Total Consolidated Capital Items:

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	37.593.206
Total Risk Weighted Assets	301.261.879
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	9,63
Tier I Capital Ratio (%)	9,63
Capital Adequacy Ratio (%)	12,48
BUFFERS	
Bank-specific total CET1 Capital Ratio (a+b+c)	3,564
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,064
c) Systemic significant bank buffer ratio (%) **	1,000
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	3,632
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	118.814
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	2.463.034
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	2.441.146
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)	2.661.454
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.661.454
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
(effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

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

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I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

1. Information About Total Consolidated Capital Items (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	39.740	
Reserves	20.821.125	
Other Comprehensive Income according to TAS	2.507.445	
Profit	3.664.491	
Current Period Profit	2.656.647	
Prior Period Profit	1.007.844	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	4.723	
Minority Interest	1.900	
Common Equity Tier 1 Capital Before Deductions	29.509.875	
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 (-)	213.376	
Leasehold Improvements on Operational Leases (-)	78.907	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	183.411	183.411
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	475.694	
Total Common Equity Tier 1 Capital	29.034.181	

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

1. Information About Total Consolidated Capital Items (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	-
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 Tier I Capital + Additional Tier I Capital)	29.034.181
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)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.466.826
Total Deductions from Tier II Capital	8.396.621
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	8.396.621
Total Equity (Total Tier I and Tier II Capital)	37.430.802
Total Tier I Capital and Tier II Capital (Total Equity)	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-
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 (-)	9.972

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

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (continued)

1. Information About Total Consolidated Capital Items (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)	37.420.830
Total Risk Weighted Assets	280.132.781
CAPITAL ADEQUACY RATIOS	
CET1 Capital Ratio (%)	10,36
Tier I Capital Ratio (%)	10,36
Capital Adequacy Ratio (%)	13,36
BUFFERS	
Bank-specific total CET1 Capital Ratio	2,696
Capital Conservation Buffer Ratio (%)	1,875
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,071
Systemic Bank Buffer Ratio (%)	0,750
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	4,364
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	96.852
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	2.447.392
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.579.308
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)	2.466.826
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.466.826
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 MANAGEMENT OF THE GROUP (continued)

I. EXPLANATIONS ON THE CONSOLIDATED EQUITY (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	-	-	-
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.

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

II. EXPLANATIONS ON THE CONSOLIDATED 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 Group 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 Group makes derivative transactions against the currency risk, in case of need.

Announced current foreign exchange buying rates of the Parent Bank as at 31 March 2019 and the previous five working days in full TRY are as follows:

	22.03.2019	25.03.2019	26.03.2019	27.03.2019	28.03.2019	29.03.2019
USD	5,6000000	5,6000000	5,4800000	5,4000000	5,5000000	5,5700000
CHF	5,6214000	5,6344000	5,5020000	5,4179000	5,5119000	5,5868000
GBP	7,3728000	7,3924000	7,2375000	7,1200000	7,1969000	7,2274000
JPY	0,0508165	0,0508211	0,0494982	0,0488242	0,0495913	0,0501681
EURO	6,3216000	6,3395000	6,1899000	6,0755000	6,1798000	6,2532000

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 31 March 2019 are as follows:

	Buying rate of exchange
USD	5,4442857
CHF	5,4341667
GBP	7,1588143
JPY	0,0488987
EUR	6,1530048

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

II. EXPLANATIONS ON THE CONSOLIDATED 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	16.117.962	9.165.432	5.913.104	31.196.498
Banks	794.240	1.108.696	617.613	2.520.549
Financial assets at fair value through profit and loss ⁽³⁾	-	21.176	7.588	28.764
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income	1.041.843	1.116.536	703.051	2.861.430
Loans ⁽²⁾	49.561.491	43.712.806	3.114.852	96.389.149
Subsidiaries, associates and entities under common control	456.976	-	-	456.976
Financial assets measured at amortised cost	500.739	11.527.836	209.676	12.238.251
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	199.460	199.460
Intangible assets	-	-	-	-
Other assets ⁽³⁾	392.841	2.052.882	75.747	2.521.470
Total assets	68.866.092	68.705.364	10.841.091	148.412.547
Liabilities				
Bank deposits	12.065.292	6.985.572	789.619	19.840.483
Foreign currency deposits	56.593.890	55.337.958	7.879.342	119.811.190
Money market balances	-	3.329.004	-	3.329.004
Funds provided from other financial institutions	8.707.342	4.759.031	23.052	13.489.425
Bonds issued	-	12.636.331	-	12.636.331
Sundry creditors	190.347	262.559	48.072	500.978
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	506.325	439.516	249.790	1.195.631
Total liabilities	78.063.196	83.749.971	8.989.875	170.803.042
Net balance sheet position	(9.197.104)	(15.044.607)	1.851.216	(22.390.495)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	8.405.300	12.373.859	(1.544.641)	19.234.518
Financial derivative assets ⁽⁴⁾	9.598.944	20.212.953	1.247.228	31.059.125
Financial derivative liabilities ⁽⁴⁾	1.193.644	7.839.094	2.791.869	11.824.607
Non-cash loans ⁽¹⁾	26.494.195	20.792.084	2.682.650	49.968.929
Prior period				
Total assets	65.485.213	68.428.923	10.704.454	144.618.590
Total liabilities	65.061.244	73.121.732	7.799.701	145.982.677
Net balance sheet position	423.969	(4.692.809)	2.904.753	(1.364.087)
Net off-balance sheet position				
Financial derivative assets	223.198	2.534.947	(1.995.069)	763.076
Financial derivative assets	1.065.746	5.996.311	1.250.482	8.312.539
Financial derivative liabilities	842.548	3.461.364	3.245.551	7.549.463
Non-cash loans ⁽¹⁾	12.618.873	16.362.849	1.714.234	30.695.956

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

⁽²⁾ Includes TRY 571.797 of foreign currency indexed loans and their accruals (31 December 2018:764.208 TRY).

⁽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", foreign currency intangible assets TRY 34.421, prepaid expenses TRY 247 in assets; and shareholders' equity TRY 352.534 in liabilities and foreign currency minority shares TRY 5.266 are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 406.120. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.140.093. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

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

III. EXPLANATIONS ON THE CONSOLIDATED INTEREST RATE RISK

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

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

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

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

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

Current period	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	15.054.408	-	-	-	-	19.572.548	34.626.956
Banks and financial institutions	462.785	87.771	20.849	36	-	2.082.543	2.653.984
Financial assets at fair value through profit and loss	15.943	66.515	29.055	158	24.661	14.383.204	14.519.536
Money market placements	812.880	-	-	-	-	-	812.880
Financial assets at fair value through other comprehensive income	353.255	933.149	2.521.041	4.128.538	1.274.699	133.036	9.343.718
Loans	76.706.098	66.222.021	60.909.903	61.522.803	10.214.356	5.350.144	280.925.325
Financial assets measured at amortised cost	1.094.577	22.057.634	5.155.039	10.815.804	22.090.797	(8.227)	61.205.624
Other assets ⁽⁴⁾	998.476	722.510	271.534	33.081	998	11.580.610	13.607.209
Total assets	95.498.422	90.089.600	68.907.421	76.500.420	33.605.511	53.093.858	417.695.232
Liabilities							
Bank deposits	14.767.172	4.805.818	36.213	10.985	-	15.132.078	34.752.266
Other deposits	147.385.382	32.233.318	14.931.687	958.499	122.531	41.197.597	236.829.014
Money market balances	45.954.563	592.474	-	-	-	143.550	46.690.587
Sundry creditors	3.319.959	13.597	3.119	100.282	-	2.502.186	5.939.143
Bonds issued	682.208	5.608.324	4.493.351	6.563.433	-	131.588	17.478.904
Funds provided from other financial institutions ⁽³⁾	1.813.665	2.642.481	5.958.406	3.069.144	1.039.079	84.214	14.606.989
Other liabilities ^{(1),(2)}	1.000.000	8.813	1.810.494	14.374.380	4.929.795	39.274.847	61.398.329
Total liabilities	214.922.949	45.904.825	27.233.270	25.076.723	6.091.405	98.466.060	417.695.232
Balance sheet long position	-	44.184.775	41.674.151	51.423.697	27.514.106	-	164.796.729
Balance sheet short position	(119.424.527)	-	-	-	-	(45.372.202)	(164.796.729)
Off-balance sheet long position	758.190	5.975.586	74.267	1.204.181	3.376.302	33.172.216	44.560.742
Off-balance sheet short position	(234.537)	(4.908.095)	(74.267)	(2.308.551)	(3.376.302)	(33.052.499)	(43.954.251)
Total position	(118.900.874)	45.252.266	41.674.151	50.319.327	27.514.106	(45.252.485)	606.491

⁽¹⁾TRY 92.617 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 200.596 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.

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III. EXPLANATIONS ON THE CONSOLIDATED 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	16.093.521	-	-	-	-	19.486.203	35.579.724
Banks and financial institutions	3.170.150	-	15.421	-	-	1.960.600	5.146.171
Financial assets at fair value through profit and loss	50.564	27.363	56.535	185	21.478	14.382.810	14.538.935
Money market placements	65.318	-	-	-	-	-	65.318
Financial assets available-for-sale	29.872	821.692	1.130.375	2.180.907	591.312	110.654	4.864.812
Loans	40.464.724	34.427.744	100.296.021	63.288.693	14.453.851	5.778.235	258.709.268
Held-to-maturity investments	562.355	17.196.536	7.677.451	10.672.258	20.222.745	-	56.331.345
Other assets ⁽⁴⁾	952.046	828.385	185.299	41.429	1.328	10.977.616	12.986.103
Total assets	61.388.550	53.301.720	109.361.102	76.183.472	35.290.714	52.696.118	388.221.676
Liabilities							
Bank deposits	8.733.726	1.535.846	14.896	-	-	20.733.926	31.018.394
Other deposits	120.338.792	46.331.914	17.657.731	1.021.878	18.037	34.192.774	219.561.126
Money market balances	37.173.264	854.887	-	-	-	190.118	38.218.269
Sundry creditors	2.423.899	29.785	84.089	111.421	-	2.260.212	4.909.406
Bonds issued	1.492.975	1.956.694	2.495.116	10.208.711	-	192.717	16.346.213
Funds provided from other financial institutions ⁽³⁾	1.166.612	5.804.740	4.209.579	3.149.178	753.878	190.493	15.274.480
Other liabilities ⁽¹⁾⁽²⁾	1.150.250	22.679	1.774.367	14.529.699	6.870.185	38.546.608	62.893.788
Total liabilities	172.479.518	56.536.545	26.235.778	29.020.887	7.642.100	96.306.848	388.221.676
Balance sheet long position	-	-	83.125.324	47.162.585	27.648.614	-	157.936.523
Balance sheet short position	(111.090.968)	(3.234.825)	-	-	-	(43.610.730)	(157.936.523)
Off-balance sheet long position	1.131.188	1.413.449	4.506.341	1.139.324	3.208.897	13.021.620	24.420.819
Off-balance sheet short position	(745.075)	(1.049.773)	(4.084.721)	(1.983.234)	(3.208.897)	(12.906.156)	(23.977.856)
Total position	(110.704.855)	(2.871.149)	83.546.944	46.318.675	27.648.614	(43.495.266)	442.963

⁽¹⁾ TRY 98.345 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 455.760 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.

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

III. EXPLANATIONS ON THE CONSOLIDATED 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⁾	0,18	2,38	-	20,63
Financial assets at fair value through profit and loss	-	7,31	-	19,60
Money market placements	-	-	-	22,00
Financial assets at fair value through other comprehensive income	4,09	6,65	-	17,98
Loans ⁽²⁾	5,22	7,58	1,40	15,84
Financial assets measured at amortised cost	2,21	7,15	-	14,97
Liabilities				
Bank deposits	1,34	3,71	0,25	17,49
Other deposits ⁽⁴⁾	1,51	3,13	0,25	17,48
Money market borrowings	-	4,95	-	25,45
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	16,02
Funds provided from other financial institutions ⁽⁴⁾	1,25	3,82	1,40	19,97

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

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

⁽³⁾ Declared maximum deposits interest rate with a maturity of twelve months as of 31 March 2019.

⁽⁴⁾ Customer based calculated interest rates are applied to TRY and FC deposits as of 31 March 2019.

⁽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⁾	-	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	-	19,73
Money market placements	-	-	-	22,00
Financial assets at fair value through other comprehensive income	4,05	5,83	-	22,81
Loans ⁽²⁾	5,22	7,47	1,54	16,69
Financial assets measured at amortised cost	-	5,61	-	21,93
Liabilities				
Bank deposits	2,72	5,30	-	24,33
Other deposits ⁽⁴⁾	2,48	4,64	0,25	20,63
Money market borrowings	-	4,55	-	23,35
Sundry creditors ⁽³⁾	-	-	-	4,75
Bonds issued	-	4,46	-	16,87
Funds provided from other financial institutions ⁽⁴⁾	1,37	3,17	1,40	21,95

⁽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 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.

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

IV. EXPLANATIONS ON THE CONSOLIDATED POSITION RISK OF SHARES

- V. Information on the carrying value, fair value, market value and capital requirement amounts of equity investments resulting from banking accounts:

Equities	Carrying Value	Comparison		Capital Requirements
		Fair Value Change	Market Value	
Stock investment excluding A,B,C,D group	542.026 ^(*)	431.471 ^(**)	-	94.242

^(*) Includes TRY 57.146 of unconsolidated subsidiary, TRY 475.528 of associates accounted for under the equity method and TRY 9.352 of unconsolidated associates.

^(**) The financial information about the fair value of Demir-Halk Bank N.V. has been obtained from its valuation report as of 31 March 2019.

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	Included to Supplementary Capital
1. Private equity investments	-	-	-	-	-	-
2. Share certificates quoted on a stock exchange	-	-	-	-	-	-
3. Other share certificates	-	19.823	19.823	-	-	-
Total	-	19.823	19.823	-	-	-

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

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

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

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

The Parent Bank's purpose is to have the level of liquidity to meet its obligations and commitments, which are due under the Bank liquidity planning program and aim to reach a reasonable cost with necessary liquidity. The liquidity gap analysis on the maturity remained day basis and projected ratios stated in "Liquidity Emergency Plan (LAEP)" are followed within the scope of liquidity risk measurement under this purpose. The 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 Parent Bank consist of the following: max lending amount of TRY and FC category on all maturity in interbank OTC markets, the upper limit of repurchase and reverse repurchase transactions in TRY and FC category on all maturity in the interbank OTC markets, the maximum foreign exchange position limits that can be carried, and finally; the upper limit relating to forward and swap transactions is determined on the that the whole term of TRY and foreign currency denominated, forward and the upper limit relating to swap transactions is determined.

The extension of the maturity structure of term deposits reflects the primary funding source for the 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 Parent Bank or the market, under the condition that the potential stress tests are applied, the legal and internal changes on liquidity ratio and their effects of bank liquidity is quantified.

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

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

V. EXPLANATIONS ON THE CONSOLIDATED 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 100% and 80% in 2019 respectively.

High quality liquid assets are composed of 41,83% securities considered as high quality liquid assets, 53,47% central banks, 4,42% cash.

Main funding source composition is composed of 70,01% deposits, 12,21% money market borrowings, 4,56% securities issued, 4,57% funds borrowed, and 1,57% subordinated debt instruments. As in the previous period, derivative transactions did not generate a net cash outflow that would negatively affect the liquidity position.

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, Group’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	18.02.2019	220,24	14.01.2019	129,79
	22.02.2019		18.01.2019	
Minimum	21.01.2019	127,6	25.03.2019	93,22
	25.01.2019		29.03.2019	

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

V. EXPLANATIONS ON THE CONSOLIDATED 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			61.888.071	32.479.874
Cash Outflows				
Retail and Small Business Customers, of which;	123.622.450	51.763.920	11.087.741	5.176.392
Stable Deposits	25.490.080	-	1.274.504	-
Less Stable Deposits	98.132.370	51.763.920	9.813.237	5.176.392
Unsecured wholesale funding , of which;	105.740.785	56.464.327	48.800.836	28.427.555
Operational Deposits	26.743.128	6.731.560	6.685.783	1.682.889
Non-operational Deposits	73.199.955	46.779.054	36.700.519	23.835.514
Other Unsecured Funding	5.797.702	2.953.713	5.414.534	2.909.152
Secured Funding			-	-
Other cash outflows, of which;	9.144.870	5.936.130	5.005.415	3.735.075
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	1.490.383	1.910.630	1.490.383	1.910.630
Obligations related to structured financial products	42.802	-	42.802	-
Commitments related to debts to financial markets and other off-balance sheet obligations	7.611.685	4.025.500	3.472.230	1.824.445
Other revocable off-balance sheet commitments and contractual obligations.	93.314	-	93.314	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	100.934.817	42.363.070	7.891.038	3.442.922
Total Cash Outflows			72.878.344	40.781.944
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	25.602.313	10.823.865	18.239.546	9.013.509
Other Cash Inflows	171.145	11.893.661	171.145	11.893.661
Total Cash Inflows	25.773.458	22.717.526	18.410.691	20.907.170
			Total Adjusted Value	
Total HQLA Stock			61.888.071	32.479.874
Total Net Cash Outflows			54.467.653	19.874.774
Liquidity Coverage Ratio (%)			114,00%	166,76%

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

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

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

Prior 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			53.741.958	26.678.480
Cash Outflows				
Retail and Small Business Customers, of which;	117.269.450	44.798.170	10.455.442	4.479.817
Stable Deposits	25.430.060	-	1.271.503	-
Less Stable Deposits	91.839.390	44.798.170	9.183.939	4.479.817
Unsecured wholesale funding , of which;	102.988.536	45.361.867	42.324.808	19.856.835
Operational Deposits	35.321.672	10.662.628	8.830.418	2.665.657
Non-operational Deposits	62.158.485	31.683.085	28.644.497	14.650.858
Other Unsecured Funding	5.508.379	3.016.154	4.849.893	2.540.320
Secured Funding			-	-
Other cash outflows, of which;	8.025.355	4.873.951	3.868.181	2.600.740
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	330.890	723.519	330.890	723.519
Obligations related to structured financial products	58.314	-	58.314	-
Commitments related to debts to financial markets and other off-balance sheet obligations	7.636.151	4.150.432	3.478.977	1.877.221
Other revocable off-balance sheet commitments and contractual obligations.	91.205	-	91.205	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	99.572.967	42.704.063	7.900.145	3.477.943
Total Cash Outflows			64.639.781	30.415.335
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	26.146.432	11.739.757	18.447.182	9.836.588
Other Cash Inflows	164.036	2.013.894	164.036	2.013.894
Total Cash Inflows	26.310.468	13.753.651	18.611.218	11.850.482
			Total Adjusted Value	
Total HQLA Stock			53.741.958	26.678.480
Total Net Cash Outflows			46.028.563	18.564.853
Liquidity Coverage Ratio (%)			%116,85	%144,62

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

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

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

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

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

Current period	Demand	Up to 1 month	1-3 Months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	3.103.685	31.390.974	-	132.297	-	-	-	34.626.956
Banks	2.216.377	307.385	103.805	26.382	35	-	-	2.653.984
Financial assets at fair value through profit and loss	-	17.179	50.876	14.419.074	158	24.661	7.588	14.519.536
Money market placements	-	812.880	-	-	-	-	-	812.880
Financial assets at fair value through other comprehensive income	-	264.036	204.810	1.762.728	5.989.230	989.878	133.036	9.343.718
Loans ⁽²⁾	5.534.795	18.982.134	20.610.881	75.479.297	126.334.432	33.749.988	233.798	280.925.325
Financial assets measured at amortised cost	-	200.572	1.394.360	4.004.269	24.538.398	31.068.025	-	61.205.624
Other assets ⁽²⁾	257.759	735.320	1.516.364	930.410	33.286	113.398	10.020.672	13.607.209
Total assets	11.112.616	52.710.480	23.881.096	96.754.457	156.895.539	65.945.950	10.395.094	417.695.232
Liabilities								
Bank deposits	15.131.269	14.750.070	4.822.664	37.279	10.984	-	-	34.752.266
Other deposits	39.388.545	148.393.139	32.796.431	15.160.892	965.693	124.314	-	236.829.014
Funds provided from other financial institutions ⁽³⁾	36	1.471.126	1.605.733	2.880.669	5.512.404	3.137.021	-	14.606.989
Money market balances	-	43.849.002	40.225	2.244.360	-	557.000	-	46.690.587
Bonds issued	-	790.903	5.558.025	4.566.543	6.563.433	-	-	17.478.904
Sundry creditors	64.345	2.571.834	146.555	637.453	2.079.135	5.369	434.452	5.939.143
Other liabilities ⁽¹⁾	1.352.450	2.937.004	321.305	16.588.393	1.987.423	7.323.159	30.888.595	61.398.329
Total liabilities	55.936.645	214.763.078	45.290.938	42.115.589	17.119.072	11.146.863	31.323.047	417.695.232
Liquidity gap	(44.824.029)	(162.052.598)	(21.409.842)	54.638.868	139.776.467	54.799.087	(20.927.953)	-
Net off-balance sheet position	424	(12.619)	68.522	(72.166)	622.330	-	-	606.491
Derivative financial assets	13.850	21.136.016	6.825.214	5.697.996	4.135.062	6.752.604	-	44.560.742
Derivative financial liabilities	(13.426)	(21.148.635)	(6.756.692)	(5.770.162)	(3.512.732)	(6.752.604)	-	(43.954.251)
Non-cash loans	2.222.321	2.618.752	7.914.661	31.948.050	17.362.000	26.300.004	-	88.365.788
Prior Period								
Total Assets	10.552.904	49.562.729	17.639.883	96.759.477	140.606.047	63.269.381	9.831.255	388.221.676
Total Liabilities	54.386.534	175.132.693	52.971.540	41.638.496	21.162.901	11.570.306	31.359.206	388.221.676
Liquidity Gap	(43.833.630)	(125.569.964)	(35.331.657)	55.120.981	119.443.146	51.699.075	(21.527.951)	-
Net off-balance sheet position	(291)	44.055	(118.416)	(8.676)	526.291	-	-	442.963
Derivative financial assets	98.324	8.307.418	1.331.178	4.617.257	3.648.848	6.417.794	-	24.420.819
Derivative financial liabilities	(98.615)	(8.263.363)	(1.449.594)	(4.625.933)	(3.122.557)	(6.417.794)	-	(23.977.856)
Non-cash loans	2.434.918	3.388.326	6.216.271	29.870.469	16.520.370	25.239.621	-	83.669.975

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

VI. EXPLANATIONS ON THE CONSOLIDATED 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	Prior Period
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS ⁽¹⁾	389.129.989	357.516.919
The difference between Total Assets in the Consolidated Financial Statements Prepared in Accordance with TAS and the Communiqué on Preparation of Consolidated Financial Statements of Banks ⁽¹⁾⁽²⁾	908.313	687.244
The difference between total amount of derivative financial instruments and credit derivatives in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk balances of such instruments ⁽²⁾	38.044.692	21.772.910
The difference between total amount of risk investment securities or commodity collateral financing transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such instruments ⁽²⁾	23.259.978	5.371.062
The difference between total amount of off-balance sheet transactions in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items ⁽²⁾	1.475.724	1.438.564
The other differences between amount of assets in the consolidated financial statements prepared in accordance with the Communiqué on Preparation of Consolidated Financial Statements of Banks, and total risk amount of such items	-	-
Total Risk Amount	516.997.369	494.815.162

⁽¹⁾ The amounts are represented in the table as of 31 December 2018 and 30 June 2018.

⁽²⁾ The amounts in the table represent three-month averages.

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance Sheet Items		
1.On-balance sheet items (excluding derivatives and SFTs, but including collateral)	401.169.835	383.368.941
2.Assets that are deducted from core capital	(262.738)	(250.620)
3.Total on balance sheet exposures	400.907.097	383.118.321
Derivative exposures and credit derivatives		
4.Replacement cost associated with derivative financial instruments and credit derivatives	1.102.267	1.063.489
5.The potential amount of credit risk with derivative financial instruments and credit derivatives	477.157	303.383
6.The total amount of risk on derivative financial instruments and credit derivatives	1.579.424	1.366.872
Investment securities or commodity collateral financing transactions		
7.The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	2.688.853	1.370.392
8.Risk amount of exchange brokerage operations	-	-
9.Total risks related with securities or commodity financing transactions	2.688.853	1.370.392
Off -Balance Sheet Items		
10.Gross notional amount of off-balance sheet items	113.297.719	110.398.141
11.Adjustments for conversion to credit equivalent amounts	(1.475.724)	(1.438.564)
12.The total risk of off-balance sheet items	111.821.995	108.959.577
Capital and Total Exposures		
13.Tier 1 Capital	29.038.469	28.740.329
14.Total Exposures	516.997.369	494.815.162
Leverage Ratio		
15.Leverage Ratio	5,62	5,81

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

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

VII. EXPLANATIONS ON THE CONSOLIDATED BUSINESS SEGMENTATION

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

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

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

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

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

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

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

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money market transactions,
- Rendering insurance agency transactions and individual pension services,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement organised by the Minister of Treasury and Finance 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 Parent 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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VII. EXPLANATIONS ON THE CONSOLIDATED BUSINESS SEGMENTATION (continued)

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

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 31 March 2019 are presented in the table below.

Current Period (1 January - 31 March 2019)	Corporate	Commercial	SME / Integrated	Treasury/ Investment (¹)	Other (³)	Total
OPERATING INCOME / EXPENSES						
Interest income	1.172.281	1.632.798	5.711.416	2.285.393	181.490	10.983.378
<i>Interest on loans</i>	<i>1.171.653</i>	<i>1.632.358</i>	<i>5.567.749</i>	<i>104.773</i>	<i>-</i>	<i>8.476.533</i>
<i>Interest income on marketable securities</i>	<i>-</i>	<i>-</i>	<i>133.955</i>	<i>2.001.968</i>	<i>16.898</i>	<i>2.152.821</i>
<i>Interest received from banks</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>145.402</i>	<i>-</i>	<i>145.402</i>
<i>Other interest income</i>	<i>628</i>	<i>440</i>	<i>9.712</i>	<i>33.250</i>	<i>164.592</i>	<i>208.622</i>
Interest expense	1.387.512	611.458	3.932.974	2.979.838	98.600	9.010.382
<i>Interest on deposits</i>	<i>1.386.993</i>	<i>602.059</i>	<i>3.802.772</i>	<i>341.904</i>	<i>-</i>	<i>6.133.728</i>
<i>Interest on borrowings</i>	<i>206</i>	<i>4.486</i>	<i>16.769</i>	<i>58.893</i>	<i>43.841</i>	<i>124.195</i>
<i>Interest on money market borrowings</i>	<i>-</i>	<i>-</i>	<i>62.059</i>	<i>2.021.150</i>	<i>22.939</i>	<i>2.106.148</i>
<i>Interest on marketable bonds issued</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>519.597</i>	<i>27.760</i>	<i>547.357</i>
<i>Other interest expense</i>	<i>313</i>	<i>4.913</i>	<i>51.374</i>	<i>38.294</i>	<i>4.060</i>	<i>98.954</i>
Net interest income / (loss)	(215.231)	1.021.340	1.778.442	(694.445)	82.890	1.972.996
Net fees and commissions income	111.322	133.484	292.471	111.197	(57.061)	591.413
Net trading profit / (loss)	1.116	3.484	227.040	(646.666)	7.835	(407.191)
Dividend income	-	-	-	9.577	416	9.993
Other income	1.600	39.345	142.178	301.060	442.166	926.349
Expected credit loss	18.687	222.588	423.727	396.720	46.743	1.108.465
Other expenses	12.704	22.403	603.025	993.331	317.382	1.948.845
Income before taxes	(132.584)	952.662	1.413.379	(2.309.328)	112.121	36.250
Income tax provision	-	-	-	182.217	(40.767)	141.450
Net profit for the period	(132.584)	952.662	1.413.379	(2.127.111)	71.354	177.700
SEGMENT ASSETS (31 March 2019)						
Marketable securities	-	-	9.482.215	75.322.499	264.164	85.068.878
Derivative financial assets	-	-	146.280	1.173.263	-	1.319.543
Banks and money market receivables	-	-	673	3.453.239	12.952	3.466.864
Associates and subsidiaries (net)	-	-	-	542.026	-	542.026
Loans	46.465.414	55.884.756	166.485.120	7.944.954	4.145.081	280.925.325
Other assets ⁽¹⁾	98.815	692.436	3.217.897	40.784.840	1.578.608	46.372.596
TOTAL ASSETS	46.564.229	56.577.192	179.332.185	129.220.821	6.000.805	417.695.232
SEGMENT LIABILITIES (31 March 2019)						
Deposits	68.883.717	24.409.161	147.974.689	30.313.713	-	271.581.280
Derivative financial liabilities	-	-	93.053	228.110	-	321.163
Money market balances	-	-	3.329.004	43.167.206	194.377	46.690.587
Borrowing funding loans	19.069	473.395	1.065.584	10.826.649	2.222.292	14.606.989
Bonds issued	-	-	-	16.074.777	1.404.127	17.478.904
Other liabilities	690.109	501.854	7.931.166	22.395.623	240.875	31.759.627
Provisions and tax payable	115.785	134.803	329.381	2.743.777	2.403.020	5.726.766
Shareholders' equity	(259.936)	883.161	1.033.621	26.489.972	1.383.098	29.529.916
TOTAL LIABILITIES	69.448.744	26.402.374	161.756.498	152.239.827	7.847.789	417.695.232
OFF-BALANCE SHEET ITEMS (31 March 2019)						
Guarantees and sureties	23.382.988	25.218.131	24.453.536	15.311.133	-	88.365.788
Commitments	47.014	564.407	8.822.513	18.482.732	53.282	27.969.948
Derivative financial instruments	-	-	12.996.349	75.518.644	-	88.514.993

⁽¹⁾ Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Bank A.D. Skopje transactions are presented under the treasury / investment column. In this context net of tangible assets amounting TRY 5.378.046 (net), deferred tax assets amounting TRY 92.617 is presented under the Treasury/Investment column

⁽²⁾ Funds transfer pricing was distributed in other interest income and other interest expense.

⁽³⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, and Halk Faktoring AŞ transactions are presented in other column.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
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VII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)

Prior Period (1 January-31 March 2018)	Corporate	Commercial	SME/ Integrated	Treasury / Investment⁽¹⁾	Other ⁽³⁾	Total
OPERATING INCOME / EXPENSES						
Interest income	656.741	1.040.946	4.045.300	1.242.332	125.447	7.110.766
Interest on loans	656.289	1.040.860	3.958.771	108.572	-	5.764.492
Interest income on marketable securities	-	-	79.440	982.425	13.281	1.075.146
Interest received from banks	-	-	-	100.204	3	100.207
Other interest income	452	86	7.089	51.131	112.163	170.921
Interest expense	404.253	230.814	2.839.946	1.426.334	65.290	4.966.637
Interest on deposits	401.073	224.134	2.766.163	312.753	-	3.704.123
Interest on borrowings	81	1.638	6.888	99.622	52.876	161.105
Interest on money market borrowings	-	-	30.753	754.042	2.774	787.569
Interest on marketable bonds issued	-	-	-	241.462	9.155	250.617
Other interest expense ⁽²⁾	3.099	5.042	36.142	18.455	485	63.223
Net interest income	252.488	810.132	1.205.354	(184.002)	60.157	2.144.129
Net fees and commissions income	66.598	60.152	201.934	106.531	(39.274)	395.941
Net trading profit / (loss)	425	1.371	126.235	(95.849)	4.879	37.061
Dividend income	-	-	-	85	-	85
Other income	27.665	78.718	99.902	63.202	320.319	589.806
Expected loss provisions	31.847	(2.035)	267.937	173.820	2.199	473.768
Other expenses	7.954	18.801	506.300	717.978	263.838	1.514.871
Income before taxes	307.375	933.607	859.188	(1.001.831)	80.044	1.178.383
Income tax provision	-	-	-	(206.500)	(27.086)	(233.586)
Net profit for the period	307.375	933.607	859.188	(1.208.331)	52.958	944.797

SEGMENT ASSETS (31 December 2018)						
Marketable securities	-	-	8.756.221	66.710.462	268.409	75.735.092
Derivative financial assets held for trading	-	-	102.003	960.078	-	1.062.081
Banks and money market receivables	-	-	2.088	5.208.415	986	5.211.489
Associates and subsidiaries (net)	-	-	-	515.868	-	515.868
Loans	42.635.500	51.605.358	152.062.318	7.973.928	4.432.164	258.709.268
Other assets	87.096	659.517	2.793.595	41.931.320	1.516.350	46.987.878
TOTAL ASSETS	42.722.596	52.264.875	163.716.225	123.300.071	6.217.909	388.221.676

SEGMENT LIABILITIES (31 December 2018)						
Deposits	54.776.436	26.420.864	141.103.733	28.278.487	-	250.579.520
Derivative financial liabilities	-	-	53.332	357.007	-	410.339
Money market balances	-	-	5.402.273	32.759.788	56.208	38.218.269
Borrowing funding loans	18.183	375.649	1.114.372	11.401.579	2.364.697	15.274.480
Bonds issued	-	-	-	14.883.998	1.462.215	16.346.213
Other liabilities	702.546	481.589	7.070.252	23.963.880	273.130	32.491.397
Provisions and tax payable	114.122	131.949	288.821	2.489.232	2.336.094	5.360.218
Shareholders' equity	1.298.084	3.650.485	3.392.443	19.638.194	1.562.034	29.541.240
TOTAL LIABILITIES	56.909.371	31.060.536	158.425.226	133.772.165	8.054.378	388.221.676

OFF-BALANCE SHEET ITEMS (31 December 2018)						
Guarantees and sureties	23.509.936	22.867.737	23.260.633	14.031.669	-	83.669.975
Commitments	77.333	888.889	9.648.799	17.107.670	119.546	27.842.237
Derivative financial instruments	-	-	12.025.139	36.373.536	-	48.398.675

⁽¹⁾ Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Bank A.D. Skopje transactions are presented under the treasury / investment column. In this context net of tangible assets amounting TRY 4.639.886 (net), deferred tax assets amounting TRY 98.345 is presented under the other column.

⁽²⁾ Funds transfer pricing was distributed in other interest income and other interest expense.

⁽³⁾ Halk Hayat ve Emeklilik AŞ, Halk Sigorta AŞ, Halk Finansal Kiralama AŞ, and Halk Faktoring AŞ transactions are presented in other column.

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

VIII. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS

Explanations Related To Risk Management

The Parent Bank's business model creates a comprehensive risk profile that includes all units of the Parent Bank. Credit risk is a key component of the risk profile. The Parent Bank effectively implements risk management policies and procedures for loan and other risks which is determined within the framework of risk capacity and appetite and approved by board of directors. Risk appetite and capacity, which are directly related to the Parent Bank's strategic objectives, are limited by legal rates therefore the Parent 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 Parent Bank is exposed to. In this direction, the relevant units are responsible for monitoring, controlling and reporting risks, limited to their areas of responsibility. Outside of internal systems, Top Management is directly responsible to the Board of Directors for the risks to which the Parent Bank is exposed in relation to its duties.

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

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

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

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

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

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VIII. 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)	262.863.782	252.966.471	21.029.103
2	Standardized approach	262.863.782	252.966.471	21.029.103
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	4.583.607	3.625.642	366.689
5	Standardized approach for counterparty credit risk	4.583.607	3.625.642	366.689
6	Internal model method	-	-	-
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	-	-	-
14	IRB Supervisory Formula Approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	10.946.975	3.869.238	875.758
17	Standardized approach	10.946.975	3.869.238	875.758
18	Internal model approaches	-	-	-
19	Operational Risk	21.710.397	18.548.003	1.736.832
20	Basic Indicator Approach	21.710.397	18.548.003	1.736.832
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.157.118	1.123.427	92.569
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	301.261.879	280.132.781	24.100.951

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

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

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

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

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.032.722	1.767.364	1.259.820	3.332.074
CBRT	2.397.736	28.994.390	2.723.274	27.815.892
Other ⁽¹⁾	-	434.744	-	448.664
Total	3.430.458	31.196.498	3.983.094	31.596.630

⁽¹⁾As of 31 March 2019, required reserve deposits kept in Central Bank of Macedonia amounted TRY 155.613 and amounted TRY 279.102 kept in Central Bank of Serbia. (As of 31 December 2018, required reserve deposits kept in Central Bank of Macedonia amounted TRY 145.344 and amounted TRY 303.300 kept in Central Bank of Serbia.)

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

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	2.245.855	3.234.300	2.470.993	9.347.358
Time unrestricted amount	-	-	-	-
Time restricted amount	-	1.875.960	-	2.259.938
Other ⁽²⁾	151.881	23.884.130	252.281	16.208.596
Total	2.397.736	28.994.390	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.

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.

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.

With the Board of Directors decision No. 126/11 dated 2011 of the Central Bank of Macedonia, reserve requirement ratio is 8% for MKD currency liabilities, 15% for foreign currency liabilities and 50% for foreign indexed liabilities .

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

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

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

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

According to the Official Gazette of Serbia No. 102/2015 of the Central Bank of Serbia, banks maintain reserve requirement of 5% for short term liabilities with maturities less than two years and 0% for long term liabilities with maturities more than two years, 20% for short term foreign currency liabilities with maturities less than two years and 13% for long term foreign liabilities with maturities more than two years and 100% for foreign currency index 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		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	5.847.534	-	14.375.207	-
Total	5.847.534	-	14.375.207	-

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	8.365.013	-	-	15.763
Total	8.365.013	-	-	15.763

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	152.568	-	204.002
Swap transactions	-	1.164.653	-	857.985
Futures transactions	-	-	-	-
Options	28	2.294	9	85
Other	-	-	-	-
Total	28	1.319.515	9	1.062.072

(3) Information on banks and other financial institutions:

Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	50.229	67.036	6.675	2.642.815
Foreign banks	83.206	2.453.513	174.717	2.321.964
Branches and offices abroad	-	-	-	-
Total	133.435	2.520.549	181.392	4.964.779

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

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

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

a) Financial assets at fair value through other comprehensive income 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		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	495.176	176.078	564.582	168.246
Total	495.176	176.078	564.582	168.246

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	4.300.934	280.910	45.539	392.500
Total	4.300.934	280.910	45.539	392.500

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

	Current Period	Prior Period
Debt securities	9.351.320	4.758.820
<i>Quoted on a stock exchange</i>	8.969.684	4.362.283
<i>Not quoted</i>	381.636	396.537
Share certificates	150.355	128.077
<i>Quoted on a stock exchange</i>	106.748	87.532
<i>Not quoted</i>	43.607	40.545
Impairment provision(-)	157.957	22.085
Total	9.343.718	4.864.812

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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 Group:

	Current period		Prior period	
	Cash loans	Non-Cash loans	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	407.589	-	364.003	-
Toplam	407.589	-	364.003	-

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		
		Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non-specialized loans	203.812.098	8.571.386	113.672	8.236.563
<i>Corporation loans</i>	124.259.226	5.081.094	50.998	7.846.975
<i>Export loans</i>	12.137.112	267.677	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	1.298.270	1.392.500	-	-
<i>Consumer loans ⁽¹⁾</i>	42.062.652	830.852	43.188	12.752
<i>Credit cards ⁽²⁾</i>	4.869.908	442.306	19.247	-
<i>Other</i>	19.184.930	556.957	239	376.836
Specialized lending	49.442.118	1.232.650	-	250
Other receivables	-	-	-	-
Accruals	4.343.601	381.992	3.491	449.595
Total	257.597.817	10.186.028	117.163	8.686.408

⁽¹⁾ Includes TRY 323.338 personnel loans.

⁽²⁾ Includes TRY 84.251 personnel credit cards.

	Standard Loans		Loans and Other Receivables Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months Expected Loss	1.348.393	1.037.945	-	-
Significant Increase in Credit Risk	-	-	1.056.090	1.206.875

* Expected loss provisions from leasing and factoring receivables are included.

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

(5) Information on loans (continued):

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

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	503.081	39.057.626	39.560.707
<i>Real estate loans</i>	5.187	23.886.936	23.892.123
<i>Automobile loans</i>	3.219	187.647	190.866
<i>Consumer loans</i>	494.675	14.983.043	15.477.718
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	3.173	318.573	321.746
<i>Real estate loans</i>	19	1.236	1.255
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	3.154	317.337	320.491
<i>Other</i>	-	-	-
Consumer loans- FC	5.934	1.519.800	1.525.734
<i>Real estate loans</i>	665	577.563	578.228
<i>Automobile loans</i>	50	9.222	9.272
<i>Consumer loans</i>	4.165	847.704	851.869
<i>Other</i>	1.054	85.311	86.365
Individual credit cards-TRY	3.299.700	1.207	3.300.907
<i>Installment</i>	1.076.528	1.207	1.077.735
<i>Non-installment</i>	2.223.172	-	2.223.172
Individual credit cards-FC	412	85.400	85.812
<i>Installment</i>	34	85.400	85.434
<i>Non-installment</i>	378	-	378
Personnel loans-TRY	19.486	255.553	275.039
<i>Real estate loans</i>	-	375	375
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	19.486	255.178	274.664
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	48	5.064	5.112
<i>Real estate loans</i>	-	9	9
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	48	5.055	5.103
<i>Other</i>	-	-	-
Personnel loans-FC	355	42.832	43.187
<i>Real estate loans</i>	41	37.977	38.018
<i>Automobile loans</i>	-	140	140
<i>Consumer loans</i>	314	4.577	4.891
<i>Other</i>	-	138	138
Personnel credit cards-TRY	82.302	-	82.302
<i>Installment</i>	26.287	-	26.287
<i>Non-installment</i>	56.015	-	56.015
Personnel credit cards-FC	53	1.896	1.949
<i>Installment</i>	1	1.896	1.897
<i>Non-installment</i>	52	-	52
Overdraft accounts-TRY (Retail customers)	1.148.452	-	1.148.452
Overdraft accounts-FC (Retail customers)	69.382	85	69.467
Total	5.132.378	41.288.036	46.420.414

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

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

(5) Information on loans (continued):

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

Prior Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	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	2.514	310.799	313.313
<i>Real estate loans</i>	23	1.252	1.275
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	2.491	309.547	312.038
<i>Other</i>	-	-	-
Consumer loans- FC	4.765	1.411.248	1.416.013
<i>Real estate loans</i>	536	537.132	537.668
<i>Automobile loans</i>	65	8.147	8.212
<i>Consumer loans</i>	3.182	776.990	780.172
<i>Other</i>	982	88.979	89.961
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	367	81.348	81.715
<i>Installment</i>	68	81.348	81.416
<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	49	4.849	4.898
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	49	4.849	4.898
<i>Other</i>	-	-	-
Personnel loans-FC	370	37.317	37.687
<i>Real estate loans</i>	34	32.958	32.992
<i>Automobile loans</i>	-	144	144
<i>Consumer loans</i>	336	4.058	4.394
<i>Other</i>	-	157	157
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	65	1.692	1.757
<i>Installment</i>	1	1.692	1.693
<i>Non-installment</i>	64	-	64
Overdraft accounts-TRY (Retail customers)	1.207.349	-	1.207.349
Overdraft accounts-FC (Retail customers)	64.732	175	64.907
Total	5.270.286	41.040.468	46.310.754

^(*) 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):

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

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.142.507	35.029.172	36.171.679
<i>Business premises loans</i>	1.575	569.949	571.524
<i>Automobile loans</i>	12.668	407.716	420.384
<i>Consumer loans</i>	1.128.264	34.051.507	35.179.771
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	57.509	117.427	174.936
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	57.509	117.427	174.936
Commercial installment loans - FC	992.900	19.791.218	20.784.118
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	260.326	17.514.339	17.774.665
<i>Other</i>	732.574	2.276.879	3.009.453
Corporate credit cards-TRY	1.857.156	-	1.857.156
<i>Installment</i>	597.682	-	597.682
<i>Non-installment</i>	1.259.474	-	1.259.474
Corporate credit cards-FC	120	3.215	3.335
<i>Installment</i>	-	3.215	3.215
<i>Non-installment</i>	120	-	120
Overdraft accounts-TRY (Commercial customers)	2.233.874	-	2.233.874
Overdraft accounts-FC (Commercial customers)	18.473	-	18.473
Total	6.302.539	54.941.032	61.243.571

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

Prior 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	55.226	112.765	167.991
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	55.226	112.765	167.991
Commercial installment loans - FC	835.560	18.666.194	19.501.754
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	166.857	16.554.597	16.721.454
<i>Other</i>	668.703	2.111.597	2.780.300
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	2.974	3.019
<i>Installment</i>	-	2.974	2.974
<i>Non-installment</i>	45	-	45
Overdraft accounts-TRY (Commercial customers)	2.572.296	-	2.572.296
Overdraft accounts-FC (Commercial customers)	17.740	-	17.740
Total	6.333.114	45.590.606	51.923.720

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

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

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

(5) Information on loans (continued):

e) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	269.042.208	247.171.753
Foreign loans	7.545.208	6.976.099
Total	276.587.416	254.147.852

(*) Non-performing loan amounts are excluded.

f) Loans granted to subsidiaries and associates:

None.

g) Credit-impaired losses (Stage III):

	Current Period	Current Period
Loans and receivables with limited collectability	497.571	834.885
Loans and receivables with doubtful collectability	1.183.989	628.542
Uncollectible loans and receivables	5.630.301	5.319.127
Total	7.311.861	6.782.554

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

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

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

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables with	receivables with	loans and
	limited	doubtful	receivables
	collectability	collectability	
Current period			
Gross amounts before the specific provisions	106.190	142.926	1.315.797
Rescheduled loans and other receivables	106.190	142.926	1.315.797
Prior period			
Gross amounts before the specific provisions	64.295	150.712	1.304.294
Rescheduled loans and other receivables	64.295	150.712	1.304.294

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

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

(5) Information on loans (continued):

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

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables	receivables with	loans and
	with limited	doubtful	receivables
Current Period	collectability	collectability	
Prior period end balance	1.807.751	1.259.139	6.216.108
Additions (+)	890.200	96.987	157.396
Transfers from other categories of loans under follow-up (+)	-	1.405.946	376.375
Transfers to other categories of loans under follow-up (-)	1.428.362	353.959	-
Collections (-)	127.000	106.327	137.888
Write-offs (-)	-	-	1.738
Sold (-)	-	-	3.111
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	3.111
Current period end balance	1.142.589	2.301.786	6.607.142
Provision (-)	497.571	1.183.989	5.630.301
Net balance on balance sheet	645.018	1.117.797	976.841

h.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	177.148	840.019	2.355.941
Provisions (-)	84.760	464.693	2.140.625
Net balance in the balance sheet	92.388	375.326	215.316
Prior Period:			
Balance at the end of the period	653.299	291.437	2.304.979
Provisions (-)	347.223	175.060	2.062.220
Net balance in the balance sheet	306.076	116.377	242.759

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

(5) Information on loans (continued):

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

	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)	645.018	1.117.797	976.841
Loans to granted real persons and legal entities (Gross)	1.142.589	2.301.786	6.607.142
Provisions (-)	497.571	1.183.989	5.630.301
Loans to granted real persons and legal entities (Net)	645.018	1.117.797	976.841
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior period (Net)	972.866	630.597	896.981
Loans to granted real persons and legal entities (Gross)			
Specific provisions (-)	1.807.751	1.259.139	6.216.108
Loans to granted real persons and legal entities (Net)	834.885	628.542	5.319.127
Banks (Gross)	972.866	630.597	896.981
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

i) 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)	55.091	110.647	63.972
Interest Accruals and Valuation Differences	104.793	259.232	175.719
Provision (-)	49.702	148.585	111.747

(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		Prior Period	
	TRY	FC	TRY	FC
Bond	-	-	-	-
Government bonds and similar securities	12.609.710	435.155	37.236.634	2.464.985
Other	-	-	10.110	-
Total	12.609.710	435.155	37.246.744	2.464.985

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

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

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

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar	34.039.009	5.264.914	2.194.216	8.214.062
Total	34.039.009	5.264.914	2.194.216	8.214.062

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

	Current Period	Prior Period
Government bonds	60.922.055	56.057.685
Treasury bills	209.676	196.413
Other public sector debt securities	15.494	15.610
Total	61.147.225	56.269.708

c) Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Debt securities	61.213.851	56.331.345
<i>Quoted on a stock exchange</i>	<i>61.004.175</i>	<i>56.134.932</i>
<i>Not quoted</i>	<i>209.676</i>	<i>196.413</i>
Impairment provision (-)	-	-
Total	61.213.851	56.331.345

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

	Current Period	Prior Period
Beginning balance	56.331.345	21.987.099
Foreign currency differences on monetary assets	636.494	2.031.757
Purchases during the year ⁽¹⁾	5.405.841	39.018.124
Disposals through sales and redemptions	(1.159.829)	(6.705.635)
Impairment provision (-) / provision reversal (+)	-	-
Balance at the end of the period	61.213.851	56.331.345

⁽¹⁾ Interest income accrual differences between 31 March 2019 amounting to TRY 7.721.156 and 31 December 2018 amounting to TRY 5.458.441 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) The reasons behind unconsolidated associates being out of consolidation scope:

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

b) Information on unconsolidated associates:

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

Information related to the associates as sorted above ⁽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. 298.608	175.136	173.225	3.724	-	11.639	12.685	-
2. 112.968	76.049	57.630	1.332	-	11.084	6.090	-

⁽¹⁾ The financial data is obtained from 31 March 2019 financial statements used in consolidation.

⁽²⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 March 2019.

c) Information on consolidated associates:

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

Information related to the subsidiaries as sorted above ⁽¹⁾:

Total Assets	Shareholders' equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit /Loss	Prior Period Profit / Loss	Fair Value ⁽²⁾
1. 9.799.108	1.523.255	9.736	85.761	1.312	29.427	22.033	431.471
2. 51.460	50.591	77	1.419	-	532	81	-
3. 67.519	16.527	463	300	-	2.196	385	-

⁽¹⁾ The financial data is obtained from 31 March 2019 financial statements used in consolidation.

⁽²⁾ Financial information about the fair value of Demir Halkbank NV has been obtained from valuation report as of 31 March 2019.

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

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

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

Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	458.722	353.138
Movements during the period	26.158	105.584
<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>	26.158	102.177
<i>Impairment Provisions (-)/ Reversals</i>	-	-
Balance at the end of the period	484.880	458.722
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

d) Sectorial information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	456.976	431.547
Insurance companies	2.755	2.069
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	15.797	15.754
Other non- financial investments	9.352	9.352

e) Associates quoted on a stock exchange:

None.

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

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

(8) Information on subsidiaries (Net):

a) Information on 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 Banka AD, Skopje	Halk Faktoring AŞ	Halk Bank AD, Beograd	Halk Varlık Kiralama AŞ	Halk Osiguruvanje AD, Skopje
CORE CAPITAL										
Paid in Capital	104.000	280.000	412.000	858.000	323.000	391.896	96.000	213.395	100	37.182
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-	-	-	-
Share premium	-	101	-	49.945	-	11.633	-	99.004	-	-
Reserves	23.490	23.048	131.559	72.118	14.959	231.801	15.008	218.987	622	48.953
Other Comprehensive Income according to TAS	6.380	-	-	2.467	-	4.798	10	11.291	-	3.946
Profit / Loss	20.141	61.489	126.221	89.296	(117.865)	97.822	36.694	25.063	291	(22.863)
<i>Net Profit</i>	<i>20.141</i>	<i>53.800</i>	<i>101.687</i>	<i>11.060</i>	<i>4.355</i>	<i>23.736</i>	<i>16.718</i>	<i>7.086</i>	<i>66</i>	<i>(4.385)</i>
<i>Prior Period Profit/Loss</i>	<i>-</i>	<i>7.689</i>	<i>24.534</i>	<i>78.236</i>	<i>(122.220)</i>	<i>74.086</i>	<i>19.976</i>	<i>17.977</i>	<i>225</i>	<i>(18.478)</i>
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 (-)	-	473	19.571	-	95	-	-	-	-	-
Leasehold Improvements (-)	-	-	307	-	-	9.980	-	6.513	-	-
Intangible Assets (-)	1.449	3.765	2.651	339	1.479	5.431	791	13.732	-	-
Total Core Capital	152.562	360.400	647.251	1.071.487	218.520	715.441	146.921	547.495	1.013	67.218
SUPPLEMENTARY CAPITAL	-	-	-	-	34.935	12.957	26.063	7.706	-	-
CAPITAL	152.562	360.400	647.251	1.071.487	253.455	728.398	172.984	555.201	1.013	67.218
NET AVAILABLE CAPITAL	152.562	360.400	647.251	1.071.487	253.455	728.398	172.984	555.201	1.013	67.218

⁽¹⁾ The information is presented from companies' financial statements as of 31 March 2019.

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

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

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

a) Information on subsidiaries:

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

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

Paid in capital (international) 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.

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

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

c) Information on unconsolidated subsidiaries:

Description	Address (City / Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)	
			Current period	Prior period
1. Bileşim Alternatif Dağ. Kan. AŞ ⁽¹⁾	İstanbul	100,00	100,00	

Total assets	Shareholders' equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current period		Prior period	Fair Value
					profit / loss	profit / loss		
1. 57.536	37.867	7.675	2.127	-	4.286	1.051	57.146	

⁽¹⁾ Bileşim Alternatif Dağıtım Kan. A.Ş.'s financial information of is presented by using 31 March 2019 figures.

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

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

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

d) Information on consolidated subsidiaries (Net):

Description	Address (City / Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	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 Banka A.D., Skopje	Macedonia	99,29	99,29
7. Halk Faktoring AŞ	Istanbul	97,50	100,00
8. Halk Banka A.D. Beograd	Serbia	100,00	100,00
9. Halk Varlık Kiralama A.Ş.	Istanbul	100,00	100,00
10. Halk Osiguruvanje A.D., Skopje	Macedonia	-	99,29

Information related to the subsidiaries as sorted above⁽¹⁾:

	Total Shareholders' assets	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value	
1.	1.005.328	154.011	3.347	24.074	1.705	20.141	10.628	227.604
2.	2.501.921	364.165	8.104	86.898	14.835	53.800	19.927	492.895
3.	1.285.830	650.209	12.459	64.011	3.782	101.687	76.875	1.525.529
4.	1.416.038	1.047.637	641.727	592	-	11.060	8.142	456.988
5.	3.608.657	219.999	3.049	80.114	-	4.355	14.940	469.552
6.	4.826.456	720.872	109.911	46.745	3.233	23.736	8.376	659.216
7.	1.244.548	147.712	2.525	86.167	-	16.718	6.562	138.296
8.	2.975.502	567.740	88.349	29.068	3.760	7.086	5.183	422.405
9.	1.002.245	1.013	-	-	-	66	21	1.800
10.	69.384	67.218	13.915	85	27	(4.385)	-	37.414

⁽¹⁾ The financial data is obtained from 31 March 2019 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 Istanbul AŞ.

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

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

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

Movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period (before elimination)	4.332.481	3.626.708
Movements during the period	175.710	705.773
<i>Purchase⁽¹⁾⁽²⁾</i>	109.320	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</i>	1.829	236.002
<i>Reversals / Provisions(-) for impairment</i>	24.697	(161.627)
<i>Currency Differences on Valuation of Foreign Subsidiaries</i>	39.864	94.464
Share capital elimination of subsidiaries	(4.451.045)	(4.275.335)
Balance at the end of the period	57.146	57.146
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾Between 1 January – 31 March 2019, The Parent Bank paid TRY 89.974 for 0,13% shares of Halkbank A.D. Skopje , which is located in Macedonia and increased its shares to 99,29%.

⁽²⁾Between 1 January – 31 March 2019, Halk Banka Skopje AD acquired 100% shares of Halk Osiguruvanje A.D. amounting to TRY 19,346.

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

	Current Period	Prior Period
Banks	1.119.035	987.369
Insurance companies	2.018.424	2.018.424
Factoring companies	138.296	138.296
Leasing companies	469.552	469.553
Financing companies	-	-
Other financial subsidiaries	686.392	661.693
Other non-financial subsidiaries	57.146	57.146

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period
Quoted to domestic stock ^{(1), (2)}	949.883	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 Parent 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 joint ventures:

None.

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

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

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

a) Maturity structure of investments on financial lease:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.245.752	994.984	1.285.510	1.020.557
Between 1-4 years	1.773.508	1.360.078	1.830.927	1.420.539
More than 4 years	547.252	416.288	648.917	472.097
Total	3.566.512	2.771.350	3.765.354	2.913.193

b) Information on gross investments of financial lease:

	Current Period	Prior Period
Gross financial lease investment	3.566.512	3.765.354
Unearned revenues from financial lease	(795.162)	(852.161)
Total	2.771.350	2.913.193

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

	Current Period	Prior Period
Financial lease receivables with limited collectability	74.574	265.322
Financial lease receivables with doubtful collectability	256.649	5.280
Uncollectible financial lease receivables	305.232	303.801
Provisions	(443.325)	(406.329)
Total	193.130	168.074

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

None.

(12) Information on investment property:

	Current Period	Prior Period
Cost:		
Opening Balance	1.057.058	988.280
Acquisitions	8.991	74.894
Transfer	29.766	-
Disposals	471	6.116
Impairment Charge/Cancellation	-	-
Ending Balance	1.095.344	1.057.058
Accumulated Depreciation (-)		
Opening Balance	83.657	77.902
Amortization Charge	1.450	5.835
Transfer	-	-
Disposals	-	80
Impairment Provisions	447	-
Total Accumulated Depreciation (-)	85.554	83.657
Net Book Value	1.009.790	973.401

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

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

- (13) Explanations related to the deferred tax assets

Explained in Section Five, “Explanations and notes related to the liabilities note (9)”.

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

	Current Period	Prior Period
Cost	2.693	9.593
Accumulated Depreciation (-)	-	-
Net book value	2.693	9.593
Opening Balance	9.593	790
Transfer (net)	-	8.907
Disposals (net) (-)	(6.900)	(104)
Additions	-	-
Impairment (-) / Reversal	-	-
Depreciation (-)*	-	-
Closing net book value	2.693	9.593

(*) 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 Parent 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”.

- (15) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 5.089.620 and does not exceed 10% of the balance sheet total (31 December 2018: TRY 5.501.323).

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

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

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

a) For deposit / funds collected:

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	6.962.283	-	2.875.100	41.510.957	2.362.453	2.245.903	827.939	108.189	56.892.824
Foreign currency deposits	17.975.702	-	20.708.349	59.912.679	6.008.430	3.505.842	7.081.442	11.850	115.204.294
<i>Residents in Turkey</i>	<i>14.028.412</i>	-	<i>16.612.542</i>	<i>55.988.581</i>	<i>5.282.641</i>	<i>1.948.391</i>	<i>3.880.840</i>	<i>11.344</i>	<i>97.752.751</i>
<i>Residents abroad</i>	<i>3.947.290</i>	-	<i>4.095.807</i>	<i>3.924.098</i>	<i>725.789</i>	<i>1.557.451</i>	<i>3.200.602</i>	<i>506</i>	<i>17.451.543</i>
Public sector deposits	2.317.106	-	2.160.555	5.916.695	4.371.395	200.151	18.642	-	14.984.544
Commercial inst. Deposits	7.506.292	-	10.459.944	13.937.813	1.186.418	1.763.697	309.519	-	35.163.683
Other inst. Deposits	703.429	-	447.059	5.199.887	2.027.711	1.015.862	582.825	-	9.976.773
Precious metals	3.923.733	-	9.096	578.212	26.934	31.385	37.536	-	4.606.896
Interbank deposits	15.131.269	-	6.400.183	12.975.103	218.179	9.911	17.621	-	34.752.266
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	<i>86.733</i>	-	<i>5.016.496</i>	<i>6.749.851</i>	<i>28.978</i>	<i>4.360</i>	<i>6.636</i>	-	<i>11.893.054</i>
<i>Foreign banks</i>	<i>14.075.993</i>	-	<i>160.655</i>	<i>5.665.566</i>	<i>20.662</i>	<i>5.551</i>	<i>10.985</i>	-	<i>19.939.412</i>
<i>Participation banks</i>	<i>968.543</i>	-	<i>1.223.032</i>	<i>559.686</i>	<i>168.539</i>	-	-	-	<i>2.919.800</i>
Total	54.519.814	-	43.060.286	140.031.346	16.201.520	8.772.751	8.875.524	120.039	271.581.280

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	6.742.223	-	1.948.028	45.655.985	4.207.981	2.061.570	792.495	101.935	61.510.217
Foreign currency deposits	13.897.192	-	8.911.804	53.784.069	7.669.456	3.401.033	6.795.722	11.268	94.470.544
<i>Residents in Turkey</i>	<i>11.003.321</i>	-	<i>6.712.391</i>	<i>50.232.576</i>	<i>6.849.844</i>	<i>1.790.411</i>	<i>3.681.216</i>	<i>10.784</i>	<i>80.280.543</i>
<i>Residents abroad</i>	<i>2.893.871</i>	-	<i>2.199.413</i>	<i>3.551.493</i>	<i>819.612</i>	<i>1.610.622</i>	<i>3.114.506</i>	<i>484</i>	<i>14.190.001</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	4.990.202	-	10.054.017	17.863.020	2.147.885	1.479.210	277.424	-	36.811.758
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	20.673.730	-	952.694	9.035.768	179.870	38.214	138.118	-	31.018.394
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	<i>116.071</i>	-	<i>370.152</i>	<i>6.526.936</i>	<i>17.765</i>	<i>4.116</i>	<i>6.247</i>	-	<i>7.041.287</i>
<i>Foreign banks</i>	<i>20.064.688</i>	-	<i>107.566</i>	<i>2.190.002</i>	<i>2.860</i>	<i>34.098</i>	<i>131.871</i>	-	<i>22.531.085</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	53.092.113	-	24.506.517	136.060.941	17.938.692	10.244.213	8.623.841	113.203	250.579.520

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	28.608.881	29.259.703	28.057.812	32.011.973
Foreign currency saving deposits	14.982.955	12.245.300	37.432.637	32.691.865
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	343.455	349.453	-	-
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	Prior Period
Foreign branches' saving deposits and other accounts	200.962	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	6.790	6.165
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		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	54.367	-	98.283
Swap transactions	-	251.065	-	302.066
Future transactions	-	-	-	-
Options	39	15.692	16	9.974
Other	-	-	-	-
Total	39	321.124	16	410.323

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

(3) Information on funds borrowed:

a) Information on Banks and other financial instruments:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	1.044.357	2.449.359	1.116.624	2.396.533
Foreign banks, institutions and funds	73.207	11.040.066	170.000	11.591.323
Total	1.117.564	13.489.425	1.286.624	13.987.856

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	1.116.618	2.413.741	1.285.939	2.666.516
Medium and long-term	946	11.075.684	685	11.321.340
Total	1.117.564	13.489.425	1.286.624	13.987.856

(4) Marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bonds	2.621.965	-	2.164.993	-
Treasury Bills	2.011.913	-	1.951.469	-
Assets Backed Securities	208.695	12.636.331	204.912	12.024.839
Total	4.842.573	12.636.331	4.321.374	12.024.839

(5) Information on other liabilities:

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

(31 December 2018: Other liabilities balance does not exceed 10% of the balance sheet total).

(6) 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 Parent Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions with respect to related accounting standards.

b) Explanation on finance lease payables:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	-	-	-	-
1 - 4 years	115	78	116	85
More than 4 years	-	-	-	-
Total	115	78	116	85

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

c) Explanations regarding operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	137.329	103.113	-	-
1 - 4 years	319.112	269.255	-	-
More than 4 years	534.525	311.669	-	-
Total	990.966	684.037	-	-

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

(8) Explanations on provisions:

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

As of 31 March 2019 the Parent Bank's the amount of the currency differences on foreign currency indexed loans and finance lease receivables is none. (31 December 2018: None).

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

As of 31 March 2019, the Group's specific provision for unindemnified non-cash loans balance is TRY 180.980 (31 December 2018: TRY 169.431).

c) Information on other provisions:

Total other provision balance amounting to TRY 1.004.901 (31 December 2018: TRY 1.025.015) consists of TRY 180.980 (31 December 2018: TRY 169.431) for specific provisions of unindemnified and unfunded non cash loans, TRY 227.866 (31 December 2018: TRY 198.158) for expected loss amount of non-cash loans, TRY 103.699 (31 December 2018: TRY 129.210) for legal cases filed against the Group, TRY 384.500 (31 December 2018: 451.000) general provision for the possible result of the negative circumstances which may arise from any changes in the economy or market conditions and TRY 107.856 (31 December 2018: TRY 77.216) of other provisions.

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 31 March 2019, the Group's corporate tax payable is amounting to TRY 22.247 and accounted for under corporate tax provision at the related date. (31 December 2018: TRY 44.287)

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate tax payable	22.247	44.287
Income on securities tax	814.364	419.083
Property income tax	1.933	1.879
Banking and insurance transactions tax (BITT)	158.307	188.173
Foreign exchange transactions tax	20	13
Value added tax payable	5.740	6.176
Other	34.431	42.338
Total	1.037.042	701.949

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

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

a) Information on current tax liability (continued):

a.3. Information on premiums:

	Current Period	Prior Period
Social insurance premiums-employee	1.646	740
Social insurance premiums-employer	2.731	1.329
Bank social aid pension fund premium-employee	15.874	12.674
Bank social aid pension fund premium-employer	22.086	17.609
Pension fund membership fees-employee and provisions-employee	-	-
Pension fund membership fees-employer and provisions-employer	-	-
Unemployment insurance-employee	1.268	973
Unemployment insurance-employer	2.532	1.933
Other	629	465
Total	46.766	35.723

b) Information deferred tax liability:

	Current Period	Prior Period
Deferred Tax (Asset) /Liability		
Provisions ⁽¹⁾	901.549	839.231
Revaluation of Financial Assets	(2.231.766)	(1.632.153)
Other	1.222.238	435.507
Deferred Tax (Asset) /Liability^{(2):}	(107.979)	(357.415)
Deferred tax accounted in shareholders' equity	5.957	(56.923)
Fair value through other comprehensive income arising from securities	155.476	92.596
Actuarial gains and losses	(2.319)	(2.319)
Valuation of subsidiaries	-	-
Property revaluation	(147.200)	(147.200)

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

⁽²⁾ Net deferred tax liability represents TRY 107.979 deferred tax liability consists of deferred tax assets which amounting to TRY 92.617 and deferred tax liabilities amounting to TRY 200.596

(10) Explanations on the number of subordinated loans the Group used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any^(*):

	Current Period		Prior Period	
	TRY	FC	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	6.014.112	-	6.182.084	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.014.112	-	6.182.084	-
Total	6.014.112	-	6.182.084	-

* Detailed information is given in Section 4, footnote I.

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

(11) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	1.250.000	1.250.000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

There is an application of registered capital system and registered capital ceiling amount is TRY 7.500.000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

d) Information on additions from capital reserves to capital in the current period:

None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

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

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

g) Information on preferred shares:

None.

h) Information on marketable securities revaluation fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	18.272	1.551	18.272	1.081
Valuation differences	18.272	1.551	18.272	1.081
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	(195.382)	(175.989)	(39.253)	(156.060)
Valuation differences	(195.382)	(175.989)	(39.253)	(156.060)
Exchange rate difference	-	-	-	-
Total	(177.110)	(174.438)	(20.981)	(154.979)

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period	Prior Period
Commitments for credit card expenditure limits	13.309.658	12.728.944
Payment commitments for cheques	3.287.913	2.661.413
Loan granting commitments	2.797.668	4.690.580
Two days forward foreign exchange buy/sell transactions	2.736.309	2.036.669
Commitments for credit cards and banking services promotions	31.582	31.409
Tax and fund liabilities from export commitments	65.210	65.280
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	3.999.463	3.983.131
Total	26.227.803	26.197.426

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	Prior Period
Letters of credit	3.320.455	3.230.210
Bank acceptances	7.584.273	7.050.260
Other guarantees	2.226.703	1.991.690
Total	13.131.431	12.272.160

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

	Current Period	Prior Period
Letters of certain guarantees	17.074.650	17.020.690
Letters of advance guarantees	5.644.715	6.136.162
Letters of tentative guarantees	902.931	819.908
Letters of guarantee given to customs offices	1.680.248	1.742.509
Other letters of guarantee	49.931.813	45.678.546
Total	75.234.357	71.397.815

b.3. Total non-cash loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	8.010.342	7.320.589
<i>Within one year or less original maturity</i>	2.428.749	2.486.270
<i>Within more than one year maturity</i>	5.581.593	4.834.319
Other non-cash loans	80.355.446	76.349.386
Total	88.365.788	83.669.975

c) Information on contingent liabilities and assets:

Group's commitments for the cheques given to customers are TRY 3.287.913 (31 December 2018: TRY 2.661.413).

d) Services provided on behalf of others:

None.

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IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF PROFIT OR LOSS

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	2.361.478	138.770	1.430.859	59.965
Medium and long term loans	4.473.918	1.329.558	3.285.404	899.443
Interest on non-performing loans	171.900	909	88.142	679
Premiums from resource utilization support fund	-	-	-	-
Total	7.007.296	1.469.237	4.804.405	960.087

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

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
CBRT	87.344	15.847	51.016	15.657
Domestic banks	24.070	2.139	25.040	5.907
Overseas banks	6.448	9.554	1.361	1.226
Head office and branches	-	-	-	-
Total	117.862	27.540	77.417	22.790

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	5.532	354	2.623	-
Financial Assets at Fair Value through Other Comprehensive Income	245.123	32.717	349.525	85.267
Financial Assets Measured at Amortized Cost	1.709.254	159.841	601.800	35.931
Total	1.959.909	192.912	953.948	121.198

d) Interest income from subsidiaries and associates:

None.

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IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF PROFIT OR LOSS (continued)

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	37.080	82.294	53.083	103.868
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	31.184	23.170	43.416	10.962
<i>Overseas banks</i>	5.896	59.124	9.667	92.906
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	-	4.821	3	4.151
Total	37.080	87.115	53.086	108.019

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses to subsidiaries and associates	4.777	2.908

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	400.775	146.582	149.352	101.265
Total	400.775	146.582	149.352	101.265

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IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF PROFIT OR LOSS (continued)

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

Account name	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	115	142.374	285.181	928	661	-	-	-	429.259
Saving deposits	1	94.739	2.153.715	192.490	114.581	36.236	3.201	-	2.594.963
Public deposits	24	104.244	189.762	135.872	23.881	670	-	-	454.453
Commercial deposits	6	484.492	692.618	53.431	130.409	21.256	-	-	1.382.212
Other deposits	1	12.553	247.570	130.522	52.775	20.368	-	-	463.789
7 days call accounts	-	-	-	-	-	-	-	-	-
Total	147	838.402	3.568.846	513.243	322.307	78.530	3.201	-	5.324.676
Foreign currency									
Deposits	220	84.266	513.805	64.821	21.539	47.249	87	-	731.987
Bank deposits	19	74.501	212	41	70	169	70	-	75.082
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	6	1.493	86	157	241	-	-	1.983
Total	239	158.773	515.510	64.948	21.766	47.659	157	-	809.052
Grand total	386	997.175	4.084.356	578.191	344.073	126.189	3.358	-	6.133.728

Account name	Time deposits							Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 Year	More than 1 year			
TRY									
Bank deposits	125	78.839	79.215	1.792	-	-	-	-	159.971
Saving deposits	1	20.355	1.319.923	51.252	11.887	11.478	2.506	-	1.417.402
Public deposits	48	50.527	125.005	18.154	131.326	1.400	-	-	326.460
Commercial deposits	4	167.094	677.096	64.493	67.942	7.309	-	-	983.938
Other deposits	-	20.383	255.461	39.052	24.958	639	-	-	340.493
7 days call accounts	-	-	-	-	-	-	-	-	-
Total	178	337.198	2.456.700	174.743	236.113	20.826	2.506	-	3.228.264
Foreign currency									
Deposits	96	21.805	310.156	21.319	23.005	25.399	82	-	401.862
Bank deposits	3	73.251	116	3	14	115	35	-	73.537
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	9	320	20	28	83	-	-	460
Total	99	95.065	310.592	21.342	23.047	25.597	117	-	475.859
Grand total	277	432.263	2.767.292	196.085	259.160	46.423	2.623	-	3.704.123

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IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF PROFIT OR LOSS (continued)

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

	Current Period	Prior Period
Profit	11.199.697	5.675.820
Profit from the capital market operations	22.529	17.232
Profit on derivative financial instruments	1.757.756	441.752
Foreign exchange gains	9.419.412	5.216.836
Loss (-)	11.606.888	5.638.759
Loss from the capital market operations	4.397	6.207
Loss on derivative financial instruments	1.281.959	380.600
Foreign exchange losses	10.320.532	5.251.952

(4) Information on other operating income:

	Current Period	Prior Period
Adjustments for prior period expenses	447.601	211.730
Insurance technical income	403.309	319.017
Income from the asset sale	16.299	22.744
Rent income	10.435	14.262
Other income	39.344	15.531
Total	916.988	583.284

(5) Impairment losses on loans and other receivables:

	Current Period	Prior Period
Expected Credit Loss	1.108.465	401.172
<i>12 Month Expected Credit Loss (Stage 1)</i>	360.856	100.319
<i>Significant Increase in Credit Risk (Stage 2)</i>	28.299	19.004
<i>Non – Performing Loans (Stage 3)</i>	719.310	281.849
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	34.554	72.767
Total	1.143.019	473.939

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

IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF PROFIT OR LOSS (continued)

(6) Information on other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	36.088	34.658
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	76.825	31.879
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	12.081	14.587
Impairment expense for equity shares subject to	-	-
Impairment expense of assets that will be	-	-
Amortization expenses of assets that will be	2.623	3.659
Impairment expense for property and equipment	-	-
Other operating expenses	478.256	507.555
<i>Leasing Expenses on TFRS 16 Exceptions</i>	23.515	54.115
<i>Maintenance expenses</i>	8.943	9.574
<i>Advertisement expenses</i>	40.236	28.620
<i>Other expenses</i>	405.562	415.246
Loss on sales of assets	25	164
Other	533.421	322.822
Total	1.139.319	915.324

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

The Group's income before tax is due from continuing activities. The amount of profit before tax consists TRY 1.972.996 of net interest income and TRY 591.413 of net fees and commissions. The profit from continuing operations before tax of the Group's is amounting to TRY 36.250.

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

For the period then ended 31 March 2019, the Group's tax provision amounting to TRY 141.450 consists of TRY 45.106 of current tax charge and TRY 694.614 of deferred tax charge, TRY 881.170 of deferred tax income.

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

For the period ended 31 March 2019, net operating income after tax is TRY 177.700.

(10) Information on operating results needed for better understanding of the Group'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 Statement of Profit or Loss are composed of fees and commissions received from credit card operations and various banking operations, mainly from capital market operations.

(11) Other items in statement of profit or loss:

The other items under Fees and Commissions Received and Fees and Commissions Paid generally consist of credit cards, insurance and other banking transaction commissions.

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V. EXPLANATIONS RELATED TO THE RISK GROUP OF THE PARENT BANK

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

a) Information on the Loans of the Parent Bank's risk group:

None.

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

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Beginning balance	42.260	21.542	-	-	-	-
Closing Balance	36.405	42.260	-	-	-	-
Interest expense on deposits	2.117	812	-	-	-	-

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

None.

(2) Disclosures for risk group:

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

In the normal course of its banking activities, the Parent Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

The branches of the Parent Bank are agents of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ. In addition, the Parent Bank is an intermediary for brokerage services of Halk Yatırım Menkul Değerler A.Ş. within scope of "Brokerage Order Contract".

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	-	-
Non-cash loans	-	-
Deposits	36.405	%0,01
Forward and option contracts	-	-
Banks and other financial institutions	-	-

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

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 7.164 as of 31 March 2019 (31 December 2018: TRY 6.602).

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

VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

The Parent Bank, as approved by the BRSA on 19 April 2019, and under Article 7 of the BRSA Regulation on Bank Equities, has exercised its authority to sign a subordinated loan agreement with the Türkiye Varlık Fonu. Corporation's Market Stability and Equalization Fund to borrow Euro 900 million to be accounted for as part of the Additional Tier 1 capital and duly executed the relevant transaction on 24 April 2019, in exchange acquired government securities under "debt and other instruments at amortised cost". The agreement shall operate on a rolling, fixed-rate basis with the earliest prepayment option and the first interest payment set for the end of year 5.

VII. OTHER EXPLANATIONS ON THE PARENT BANK'S OTHER ACTIVITIES

One of the Parent Bank's former directors has been convicted and imprisoned for some of the charges by the court in the United States of America ("USA") of the violation of the USA sanctions involving Iran as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former director of the Parent Bank such as appeal and other legal rights following the first phase of the trial.

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

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

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

The Parent Bank placed a high importance on this matter and established a separate "Compliance Department". The Parent Bank has received advisory services from an international expert firm in forming effectiveness of this department's policies and control procedures and processes.

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SECTION VI: AUDITORS' REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITORS' REVIEW REPORT

The Parent Bank's publicly available consolidated interim financial statements and footnotes as of 31 March 2019 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' review report dated 13 May 2019 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

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SECTION VII: INTERIM ACTIVITY REPORT

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

Assessment of Chairman of the Board of Directors

Esteemed Stakeholders,

The changes in international trade and fiscal policies of developed nations has directly influenced the finance market’s performance in the last year. Although we adapted to this process through an active finance strategy that prioritizes the public and the finance sector’s profitability, the global economic stability is yet to be fully restored so far in the new year.

In the first quarter, the U.S. Federal Reserve decided to hold policy interest rates steady, reinforcing the anticipations suggesting it will not increase interest rates again for a time. The U.S. government suspended extra tariffs on China, renewing the hope for peaceful trade negotiations between the two countries.

However, the data from the European Union our largest export market, was not positive. The uncertainties surrounding the ongoing process of Brexit negotiations and sharp fall in industrial production of the region have negatively affected our foreign trade performance. The EU industrial production index hit a record low in the last five to six years. This constituted an important agenda item for economists during this period, which was characterized by rising oil and energy prices.

Against this global background, our country experienced a significant contraction in the foreign trade deficit and the export-import ratio reached its highest level since 2002. Our companies focused on boosting their export earnings. The real sector conducted an effective marketing and promotion strategy, helping our country expand its global trade footprint.

The public sector took similar steps in the remainder of the year and implemented many practices to financially support SMEs. The banking sector played a major role in the implementation of our Government’s practices, which did not neglect the needs of the private sector throughout the election period.

Behind the banking sector’s strong and confident stance during this critical process stands the experienced staff of state-owned banks. Our managers devoted themselves to their tasks for the first three months of the remaining part of the year, reaffirming their commitment to their country. The trust and appreciation of our customers carried us through this tough schedule.

Our sector will maintain the performance it showed in the first quarter of the year and continue adding value to the national economy by meeting the real sector’s demand for loans under favorable terms. Our efforts to preserve our balance sheet have helped the finance markets regain their balance to become permanent in the medium and long term. Our main priority is to contribute to Halkbank’s mission of being The People’s Bank and to increase the service quality of our Bank with the loans we provide, the number of active customers and our domestic market share.

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SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Assessment of Chairman of the Board of Directors (continued)

Esteemed Stakeholders,

As the protector of Halkbank's valuable heritage, we have embraced our duty to support all kinds of activities that will encourage interest in science, technology and education among the youth. We are proud to serve our nation with the cooperation of all our public institutions. We embrace the great responsibility we have as one of our country's most valuable institutions. We have always been the strongest supporter of artisans, tradespeople, and SMEs, and we will continue to diligently support them. We thank you, our valuable stakeholders, for being with us in this process.

Sincerely,

R. Süleyman Özdil
Chairman

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SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Assessment of General Manager

Esteemed Stakeholders,

Turkey's economy has set high yet realistic goals for the medium and long term and has made great progress so far in a very short period of time. This is thanks to the hard work of our employees. Our economic management developed an action plan after stabilizing the financial markets in the second half of the last year stabilized. This plan enabled all institutions, especially the banking sector, to operate more effectively.

During this period, we maintained the vitality of the domestic market while our growing tourism and export revenues gave confidence to all market actors. The decline in risk and interest rates and the performance of our economy in the first quarter helped us plan out the rest of the year.

After the completion of the local polls, Turkey will enter a four-and-a-half year no election period. Turkey will utilize this period to implement all of the planned reforms. After the frantic period of elections, our economy will get up a full head of steam with the introduction of structural reforms postponed to a later time after the first quarter.

The Turkish banking sector is making great efforts to provide companies with loans that best match their needs. The strong coordination by the Ministry of Treasury and Finance has improved the harmony and dialogue among banks, letting us conduct a better joint risk management. The "SME Value Loan-1" package provided nearly 80,000 SMEs with 25 billion Turkish lira. A total of 14 banks took part in the package, which was launched with the backing of the Kredi Garanti Fonu (KGF). The participation of 17 banks in the package of "SME Value Loan-2" at the level of 25 billion Turkish lira reflects the trust they have placed in us.

Halkbank is performing strongly in SME Value Loans, just as it does in KGF-backed loans and Breather loans. In addition to this product, we are developing new loan packages through special efforts to expand our financial opportunities to a wider customer base. While creating the contents of these packages, we listened to the real sector through a participatory working model. We want to be there for our customers whenever they need us, learn about their expectations and find solutions to their requests.

We spent most of the first quarter of the year in the field meeting with our customers across the country. A total of nearly 3,000 industrialists, tradespeople and artisans participated in the Productive Turkey Meetings held in Eskişehir, Gaziantep, Denizli and Adana. Here, we noted the demands of the enterprises that brought us together with representatives of many companies operating in different fields. These notes will guide us in our efforts for the rest of the year.

We continued to expand our service network by launching new branches, allowing us to get closer to our customers. We also invested in our next-generation digital platforms, which allow our customers to do all their banking transactions whenever and wherever they want.

In the first quarter of the year, the loans we developed for the Artisans and Tradespeople Credit and Surety Cooperative attracted great interest. Our tradespeople have benefited from our loan options, which begin at zero interest and feature terms suitable for all types of needs. At the end of the first quarter, 120,000 artisans and tradespeople utilized 11.6 billion Turkish lira loans to meet their business and investment financing needs.

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SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Assessment of General Manager (continued)

Esteemed Stakeholders,

We attribute our financial results to the close relationships we have maintained with our customers throughout this period. In this period, our total loans, including cash and non-cash loans, reached 369.6 billion Turkish lira, up by 8 percent compared to year-end 2018. Likewise, our commercial loans, including SME loans, reached 236.4 billion Turkish lira, up by 10.7 percent. Furthermore, loans to tradespeople reached 40 billion Turkish lira this quarter. Our bank's asset size reached 407 billion Turkish lira at the end of the first quarter, up by 7.6 percent compared to year-end 2018. Additionally, shareholders' equity increased by 0.5 percent.

As in every moment of our deep-rooted history, the biggest profit for us in the first quarter of the year was the happiness of serving our nation, the pride of adding value to our country and the satisfaction of having enhanced Halkbank's prestige. The Halkbank family of 19,000 will raise this bar with more than 1,000 branches in Turkey and reach our financial targets.

Sincerely,

Osman Arslan
General Manager

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SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

Major Unconsolidated Financial Information

Summary Balance Sheet (Million TRY)	March 2019	December 2018	Change (%)
Total Assets	417.695	388.222	7,6
Loans	285.977	262.832	8,8
<i>TRY</i>	192.217	173.738	10,6
<i>FC</i>	93.760	89.094	5,2
Marketable Securities	85.077	75.735	12,3
Deposit	271.581	250.580	8,4
<i>TRY</i>	131.930	137.509	(4,1)
<i>FC</i>	139.652	113.071	23,5
Total Equity	29.530	29.541	-

Summary Income Statement (Million TRY)	March 2019	March 2018	Change (%)
Interest Income	10.983	7.111	54,5
<i>On Loan</i>	8.477	5.764	47,0
<i>On Securities</i>	2.153	1.075	100,2
Interest Expense	9.010	4.967	81,4
<i>On Deposit</i>	6.134	3.704	65,6
Net Interest Income	1.973	2.144	(8,0)
Net Fee and Commission	591	396	49,4
Net Profit	178	945	(81,2)

Ratio (%)	March 2019	December 2018
Cash Loans/Total Asset	68,5	67,7
Non-Performing Loans/Total Cash Loans (Gross)	3,5	3,5
Demand Deposit/Total Deposit	20,1	21,2
Loan/Deposit Ratio	105,3	104,9
Average Return on Asset (ROA)	0,2	0,8
Average Return on Equity (ROE)	2,4	9,7
Capital Adequacy Ratio	12,5	13,4

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SECTION VII: INTERIM ACTIVITY REPORT (continued)

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

2019 First Quarter Interim Developments

Significant Developments

- Our Bank has issued bonds with a par value of 2,236,000,000 Turkish lira to the qualified investors throughout this period.

New Products and Campaigns

- Halkbank created the KGF-backed SME Value Loans to add value to micro and small-sized SMEs, and to facilitate affordable access to financing and liquidity.
- A retail finance loan campaign was organized for healthcare professionals in recognition of Doctor’s Day on March 14.

Social Responsibility Projects and Activities

- Halkbank purchased musical instruments, including a piano and 25 bağlamas (Turkish folks’ instrument), for 12 schools, thanks to the Sanat Hayattır (Art is Life) Association.
- Our Bank organized Halkın Yıldızları (the People’s Stars) event at the Haliç Congress Center. The event ran for 15 days between 18 January and 1 February, and featured two theater performances and a total of 20 performing artists.
- Halkbank was one of the sponsors of Turkey Tradespeople Meeting, an event that brings together 10,000 tradespeople in Ankara to listen and offer solutions to the problems experienced by artisans and tradespeople. Here, they promoted access to loans and financing, and identified expectations.
- Our Bank supports the Common Mind Meetings held in organized industrial zones, as a solution partner.
- We came together with nearly 2,000 customers in Eskişehir, Denizli, Gaziantep and Adana for the “Productive Turkey” meetings, which aim to promote the products and services we offer to tradespeople and SMEs.