

*(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 30 June 2019  
With Limited Review Report Thereon**  
*(Convenience Translation of Consolidated Interim  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

8 August 2019

*This report contains “Review Report” comprising 3 pages and; “Consolidated Interim Financial Statements and Related Disclosures and Footnotes” comprising 106 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 Parent Bank”) and its consolidated subsidiaries (together will be referred as “the Group”) as at 30 June 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 six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Parent 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. During the current period, the Group reversed the total amount of general reserve amounting to TRY 451.000 thousand which was provisioned as at 31 December 2018. If the mentioned general provision was never provisioned in the prior period and not reversed in the current period, prior periods’ income would be higher by TRY 451.000 thousand and net profit for the period would be lower by TRY 451.000 thousand as at 30 June 2019.

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 30 June 2019 amounted to TRY 18.116.813 thousand. If such classification were not made, total assets and shareholders’ equity, excluding tax effect, would be lower by TRY 2.446.404 thousand as at 30 June 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. and its consolidated subsidiaries as at 30 June 2019, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

### *Emphasis of Matter*

We draw attention to the following:

As detailed in Section 5 Note 7, one of the 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. Defendant former director was released on 19 July 2019. The appeal process of the case still continues.

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 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 Parent Bank affecting its financial position, if any. The Parent Bank’s management indicated that there are no enforcement or other actions against the Parent 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 Group's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the consolidated interim financial statements and IFRS.

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

Hasan Kılıç  
Partner

Istanbul, 8 August 2019

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

- **Section One** : GENERAL INFORMATION ABOUT THE 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** : LIMITED REVIEW REPORT
- **Section Seven** : INTERIM ACTIVITY REPORT

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

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

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

Istanbul, 8 August 2019

R. Süleyman Özdil	Osman Arslan	Sadık Tıltak	Mehmet Emin Özcan	Yusuf Duran Ocak	Osman Bektaş
<i>Chairman of the Board of Directors</i>	<i>Member of the Board of Directors, Chief Executive Officer</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>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 SIX-MONTH PERIOD ENDED 30 JUNE 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 30 June 2019 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30 June 2019	%	31 December 2018	%
Türkiye Varlık Fonu <sup>(1)</sup>	638.276	51,06	638.276	51,06
Public shares <sup>(1)</sup>	611.641	48,93	611.641	48,93
Other shareholders <sup>(2)</sup>	83	0,01	83	0,01
<b>Total</b>	<b>1.250.000</b>	<b>100,00</b>	<b>1.250.000</b>	<b>100,00</b>

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

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

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



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(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**

<b>Name</b>	<b>Title</b>
Recep Süleyman ÖZDİL	Chairman of the Board of Directors
Himmet KARADAĞ	Vice Chairman of the Board of Directors, Independent Member of the Board of Director
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Meltem TAYLAN AYDIN	Member of the Board of Directors
Mehmet Emin ÖZCAN	Independent Member of the Board of Directors, Member of the Audit Committee
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
Mevlüt UYSAL	Member of the Board of Directors
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
İlhan BÖLÜKBAŞ	Executive Vice President, Loan Allocation and Management
Ergin KAYA	Executive Vice President, Banking Operations and Information Technology
Yalçın MADENCİ	Executive Vice President, Corporate and Commercial Marketing
Yusuf Duran OCAK	Executive Vice President, Financial Management and Planning
Hasan TUNCAY	Executive Vice President, Retail Banking

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.

<b>Title</b>	<b>Name</b>	<b>Starting Date</b>
Member of the Board of Directors	Sezai UÇARMAK	27 February 2019
Executive Vice President	Erkan KİLİMCİ	22 February 2019
Member of the Board of Directors	Mehmet Emin ÖZCAN	27 May 2019
Member of the Board of Directors	Mevlüt UYSAL	27 May 2019
Executive Vice President	Yalçın MADENCİ	11 June 2019
Executive Vice President	İlhan BÖLÜKBAŞ	11 June 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.

<b>Title</b>	<b>Name</b>	<b>Leaving Date</b>
Member of the Board of Directors	Mehmet Nihat ÖMEROĞLU	27 May 2019
Member of the Board of Directors	Ahmet YARIZ	27 May 2019
Executive Vice President	Selahattin SÜLEYMANOĞLU	31 May 2019
Executive Vice President	Mehmet Akif AYDEMİR	31 May 2019
Executive Vice President	Mustafa ÇÖDEK	31 May 2019
Executive Vice President	Metin KÖSTEK	31 May 2019
Executive Vice President	Mehmet Sebahattin BULUT	31 May 2019
Executive Vice President	Erkan KİLİMCİ	25 June 2019

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

**SECTION 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. 13<sup>th</sup> Department of Council of State with its decision numbered 2006/4258 dated 29 November 2006 to cease the execution of the High Council of Privatization's decision numbered 2006/69 dated 11 August 2006. Thereupon, as per the decision of the Higher Council of Privatization numbered 2007/8 dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the 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

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*(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 30 June 2019, the Parent Bank operates with a total of 996 branches consisting of 990 domestic and 6 foreign branches that are 5 in Cyprus and 1 in Bahrain. Domestic branches include 45 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**  
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*(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 SIX-MONTH PERIOD ENDED 30 JUNE 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, Halk Faktoring AŞ, Halkbank A.D. Beograd and Halk Varlık Kiralama AŞ are included in the scope of consolidation by line-by-line method.

Demir-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 SIX-MONTH PERIOD ENDED 30 JUNE 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 30 JUNE 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		
		30 June 2019	31 December 2018				
ASSETS		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I. FINANCIAL ASSETS (NET)</b>		<b>30.985.482</b>	<b>39.085.124</b>	<b>70.070.606</b>	<b>21.452.260</b>	<b>39.789.022</b>	<b>61.241.282</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>4.733.548</b>	<b>33.728.829</b>	<b>38.462.377</b>	<b>4.215.704</b>	<b>36.559.750</b>	<b>40.775.454</b>
1.1.1 Cash and Balances with Central Bank	(1)	4.017.426	30.990.570	35.007.996	3.983.094	31.596.630	35.579.724
1.1.2 Banks	(3)	195.591	2.745.245	2.940.836	181.392	4.964.779	5.146.171
1.1.3 Money Markets		536.402	-	536.402	65.318	-	65.318
1.1.4 Expected Loss Provision (-)		15.871	6.986	22.857	14.100	1.659	15.759
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	(2)	<b>17.091.009</b>	<b>25.829</b>	<b>17.116.838</b>	<b>14.516.355</b>	<b>22.580</b>	<b>14.538.935</b>
1.2.1 Government Debt Securities		17.072.307	22.902	17.095.209	14.415.482	21.455	14.436.937
1.2.2 Equity Instruments		-	2.927	2.927	74	1.125	1.199
1.2.3 Other Financial Assets		18.702	-	18.702	100.799	-	100.799
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	(4)	<b>9.160.861</b>	<b>4.098.728</b>	<b>13.259.589</b>	<b>2.720.192</b>	<b>2.144.620</b>	<b>4.864.812</b>
1.3.1 Government Debt Securities		8.587.747	3.979.876	12.567.623	2.579.303	2.058.759	4.638.062
1.3.2 Equity Instruments		28.982	118.852	147.834	24.793	85.861	110.654
1.3.3 Other Financial Assets		544.132	-	544.132	116.096	-	116.096
<b>1.4 Derivative Financial Assets</b>	(2)	<b>64</b>	<b>1.231.738</b>	<b>1.231.802</b>	<b>9</b>	<b>1.062.072</b>	<b>1.062.081</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		64	1.231.738	1.231.802	9	1.062.072	1.062.081
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>		<b>239.767.037</b>	<b>115.946.576</b>	<b>355.713.613</b>	<b>212.632.972</b>	<b>102.399.552</b>	<b>315.032.524</b>
<b>2.1 Loans</b>	(5)	<b>195.910.668</b>	<b>95.332.552</b>	<b>291.243.220</b>	<b>173.737.859</b>	<b>89.093.926</b>	<b>262.831.785</b>
<b>2.2 Lease Receivables</b>	(10)	<b>983.377</b>	<b>2.484.131</b>	<b>3.467.508</b>	<b>1.021.724</b>	<b>2.465.872</b>	<b>3.487.596</b>
<b>2.3 Factoring Receivables</b>		<b>1.287.108</b>	<b>73.843</b>	<b>1.360.951</b>	<b>1.277.726</b>	<b>139.535</b>	<b>1.417.261</b>
<b>2.4 Other Financial Assets Measured at Amortised Cost</b>	(6)	<b>51.516.418</b>	<b>18.541.854</b>	<b>70.058.272</b>	<b>45.172.546</b>	<b>11.158.799</b>	<b>56.331.345</b>
2.4.1 Government Debt Securities		51.454.802	18.541.854	69.996.656	45.110.909	11.158.799	56.269.708
2.4.2 Other Financial Assets		61.616	-	61.616	61.637	-	61.637
<b>2.5 Expected Credit Loss (-)</b>		<b>9.930.534</b>	<b>485.804</b>	<b>10.416.338</b>	<b>8.576.883</b>	<b>458.580</b>	<b>9.035.463</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(14)	<b>2.656</b>	<b>-</b>	<b>2.656</b>	<b>9.593</b>	<b>-</b>	<b>9.593</b>
3.1 Held for Sale Purpose		2.656	-	2.656	9.593	-	9.593
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>86.138</b>	<b>453.088</b>	<b>539.226</b>	<b>84.321</b>	<b>431.547</b>	<b>515.868</b>
<b>4.1 Investments in Associates (Net)</b>	(7)	<b>28.992</b>	<b>453.088</b>	<b>482.080</b>	<b>27.175</b>	<b>431.547</b>	<b>458.722</b>
4.1.1 Associates Valued Based on Equity Method		19.640	453.088	472.728	17.823	431.547	449.370
4.1.2 Unconsolidated Associates		9.352	-	9.352	9.352	-	9.352
<b>4.2 Subsidiaries (Net)</b>	(8)	<b>57.146</b>	<b>-</b>	<b>57.146</b>	<b>57.146</b>	<b>-</b>	<b>57.146</b>
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non- Financial Subsidiaries		57.146	-	57.146	57.146	-	57.146
<b>4.3 Joint Ventures (Net)</b>	(9)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>		<b>7.332.591</b>	<b>204.452</b>	<b>7.537.043</b>	<b>4.514.930</b>	<b>124.956</b>	<b>4.639.886</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>		<b>142.326</b>	<b>34.639</b>	<b>176.965</b>	<b>149.098</b>	<b>34.313</b>	<b>183.411</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		142.326	34.639	176.965	149.098	34.313	183.411
<b>VII. INVESTMENT PROPERTIES (Net)</b>	(12)	<b>1.015.840</b>	<b>6.401</b>	<b>1.022.241</b>	<b>967.406</b>	<b>5.995</b>	<b>973.401</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>2.017</b>	<b>3.109</b>	<b>5.126</b>	<b>19.860</b>	<b>6.183</b>	<b>26.043</b>
<b>IX. DEFERRED TAX ASSET</b>	(13)	<b>69.075</b>	<b>3.275</b>	<b>72.350</b>	<b>95.326</b>	<b>3.019</b>	<b>98.345</b>
<b>X. OTHER ASSETS</b>	(15)	<b>4.584.704</b>	<b>568.129</b>	<b>5.152.833</b>	<b>4.406.874</b>	<b>1.094.449</b>	<b>5.501.323</b>
<b>TOTAL ASSETS</b>		<b>283.987.866</b>	<b>156.304.793</b>	<b>440.292.659</b>	<b>244.332.640</b>	<b>143.889.036</b>	<b>388.221.676</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 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		
		30 June 2019	31 December 2018		31 December 2018		
LIABILITIES		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I. DEPOSITS</b>	(1)	125.238.454	140.743.129	265.981.583	137.508.551	113.070.969	250.579.520
<b>II. FUNDS BORROWED</b>	(3)	1.226.961	13.017.488	14.244.449	1.286.624	13.987.856	15.274.480
<b>III. MONEY MARKETS</b>		61.874.561	4.947.237	66.821.798	32.815.996	5.402.273	38.218.269
<b>IV. SECURITIES ISSUED (Net)</b>	(4)	6.424.985	10.186.725	16.611.710	4.321.374	12.024.839	16.346.213
4.1 Bills		3.625.025	-	3.625.025	2.164.993	-	2.164.993
4.2 Assets Backed Securities		2.163.280	-	2.163.280	1.951.469	-	1.951.469
4.3 Bonds		636.680	10.186.725	10.823.405	204.912	12.024.839	12.229.751
<b>V. FUNDS</b>		2.872.037	-	2.872.037	2.874.121	-	2.874.121
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		2.872.037	-	2.872.037	2.874.121	-	2.874.121
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL ASSETS</b>	(2)	70	587.627	587.697	16	410.323	410.339
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		70	587.627	587.697	16	410.323	410.339
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		122	4	126	2.310	107	2.417
<b>IX. LEASE LIABILITIES</b>	(6)	501.234	157.490	658.724	85	-	85
<b>X. PROVISIONS</b>	(8)	3.675.220	54.479	3.729.699	4.153.786	13.000	4.166.786
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		742.470	7.293	749.763	915.732	10.886	926.618
10.3 Insurance for Technical Provision (Net)		2.537.106	44.664	2.581.770	2.215.153	-	2.215.153
10.4 Other Provisions		395.644	2.522	398.166	1.022.901	2.114	1.025.015
<b>XI. CURRENT TAX LIABILITY</b>	(9)	1.041.847	4.506	1.046.353	729.532	8.140	737.672
<b>XII. DEFERRED TAX LIABILITIES</b>	(9)	179.680	2.152	181.832	453.608	2.152	455.760
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>		-	-	-	2.030	-	2.030
13.1 Held for Sale Purpose		-	-	-	2.030	-	2.030
13.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>	(10)	6.178.449	5.908.897	12.087.346	6.182.084	-	6.182.084
14.1 Loans		-	5.908.897	5.908.897	-	-	-
14.2 Other Debt Instruments		6.178.449	-	6.178.449	6.182.084	-	6.182.084
<b>XV. OTHER LIABILITIES</b>	(5)	23.909.137	1.595.304	25.504.441	22.367.642	1.063.018	23.430.660
<b>XVI. SHAREHOLDERS' EQUITY</b>	(11)	29,442.707	522.157	29,964.864	29,098.151	443.089	29,541.240
16.1 Paid-in Capital		1.250.000	-	1.250.000	1.250.000	-	1.250.000
16.2 Capital Reserves		1.003.954	-	1.003.954	1.267.795	-	1.267.795
16.2.1 Share Premium		39.740	-	39.740	39.740	-	39.740
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		964.214	-	964.214	1.228.055	-	1.228.055
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		2,468.442	3,787	2,472.229	2,468.324	(105)	2,468.219
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		34,880	(119,973)	(85,093)	(20,981)	(154,979)	(175,960)
<b>16.5 Profit Reserves</b>		23,671,024	369,057	24,040,081	20,490,940	329,114	20,820,054
16.5.1 Legal Reserves		2,459,822	29,703	2,489,525	2,009,871	8,868	2,018,739
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		21,164,060	104,574	21,268,634	18,433,927	104,574	18,538,501
16.5.4 Other Profit Reserves		47,142	234,780	281,922	47,142	215,672	262,814
<b>16.6 Income or (Loss)</b>		746,955	263,812	1,010,767	3,400,708	263,783	3,664,491
16.6.1 Prior Periods' Income or (Loss)		180,340	239,327	419,667	808,240	199,604	1,007,844
16.6.2 Current Period Income or (Loss)		566,615	24,485	591,100	2,592,468	64,179	2,656,647
<b>16.7 Minority Shares</b>		267,452	5,474	272,926	241,365	5,276	246,641
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>262.565.464</b>	<b>177.727.195</b>	<b>440.292.659</b>	<b>241.795.910</b>	<b>146.425.766</b>	<b>388.221.676</b>

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



**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF 30 JUNE 2019**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

	Note	Reviewed			Audited		
		Current Period			Prior Period		
		30 June 2019			31 December 2018		
OFF-BALANCE SHEET		TRY	FC	TOTAL	TRY	FC	TOTAL
<b>A. COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>92.143.238</b>	<b>123.446.267</b>	<b>215.589.505</b>	<b>70.479.149</b>	<b>89.431.738</b>	<b>159.910.887</b>
<b>I. GUARANTEES AND WARRANTIES</b>	(1)	<b>39.417.812</b>	<b>52.125.473</b>	<b>91.543.285</b>	<b>36.985.278</b>	<b>46.684.697</b>	<b>83.669.975</b>
1.1 Letters of guarantee		36.939.010	40.222.682	77.161.692	34.982.709	36.415.106	71.397.815
1.1.1 Guarantees subject to public procurement law		1.953.870	12.130.779	14.084.649	1.982.722	12.444.947	14.427.669
1.1.2 Guarantees given for foreign trade operations		-	71.899	71.899	-	64.120	64.120
1.1.3 Other letters of guarantee		34.985.140	28.020.004	63.005.144	32.999.987	23.906.039	56.906.026
1.2 Bank loans		12.571	8.021.566	8.034.137	11.845	7.038.415	7.050.260
1.2.1 Import acceptances		-	66.225	66.225	-	94.572	94.572
1.2.2 Other bank acceptances		12.571	7.955.341	7.967.912	11.845	6.943.843	6.955.688
1.3 Letters of credit		115.461	3.772.197	3.887.658	119.895	3.110.315	3.230.210
1.3.1 Documentary letters of credit		115.461	3.772.197	3.887.658	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		2.350.770	109.028	2.459.798	1.870.829	120.861	1.991.690
1.9 Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>23.280.732</b>	<b>3.994.138</b>	<b>27.274.870</b>	<b>24.243.741</b>	<b>3.598.496</b>	<b>27.842.237</b>
2.1 Irrevocable commitments	(1)	23.027.094	1.851.821	24.878.915	24.091.603	2.105.823	26.197.426
2.1.1 Forward asset purchase commitments		20.819	980.212	1.001.031	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		2.089.766	597.947	2.687.713	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		3.314.963	-	3.314.963	2.661.413	-	2.661.413
2.1.8 Tax and fund liabilities from export commitments		73.060	-	73.060	65.280	-	65.280
2.1.9 Commitments for credit card expenditure limits		13.632.795	60.236	13.693.031	12.674.648	54.296	12.728.944
2.1.10 Commitments for credit cards and banking services promotions		29.203	-	29.203	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		3.866.488	213.426	4.079.914	3.691.220	291.911	3.983.131
2.2 Revocable commitments		253.638	2.142.317	2.395.955	152.138	1.492.673	1.644.811
2.2.1 Revocable loan granting commitments		470.729	1.246.258	1.246.258	-	1.137.584	1.137.584
2.2.2 Other revocable commitments		253.638	896.059	1.149.697	152.138	355.089	507.227
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>29.444.694</b>	<b>67.326.656</b>	<b>96.771.350</b>	<b>9.250.130</b>	<b>39.148.545</b>	<b>48.398.675</b>
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		29.444.694	67.326.656	96.771.350	9.250.130	39.148.545	48.398.675
3.2.1 Forward foreign currency buy/sell transactions		2.300.540	6.130.832	8.431.372	1.805.572	5.242.539	7.048.111
3.2.1.1 Forward foreign currency transactions-buy		1.574.728	3.519.820	5.094.548	1.553.375	3.067.752	4.621.127
3.2.1.2 Forward foreign currency transactions-sell		725.812	2.611.012	3.336.824	252.197	2.174.787	2.426.984
3.2.2 Currency and interest rate swaps		18.125.572	48.957.134	67.082.706	5.146.767	28.105.082	33.251.849
3.2.2.1 Currency swap-buy		470.729	23.840.506	24.311.235	1.012.983	7.070.935	8.083.918
3.2.2.2 Currency swap-sell		17.654.843	6.253.432	23.908.275	4.133.784	3.641.263	7.775.047
3.2.2.3 Interest rate swap-buy		-	9.431.598	9.431.598	-	8.696.442	8.696.442
3.2.2.4 Interest Rate swap-sell		-	9.431.598	9.431.598	-	8.696.442	8.696.442
3.2.3 Currency, interest rate and marketable securities options		2.363.373	3.667.278	6.030.651	2.297.791	3.561.455	5.859.246
3.2.3.1 Currency call options		1.007.545	1.996.070	3.003.615	1.148.905	1.780.728	2.929.633
3.2.3.2 Currency put options		1.355.828	1.671.208	3.027.036	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		6.655.209	6.105.099	12.760.308	-	-	-
3.2.4.1 Currency futures-buy		2.029.799	4.198.314	6.228.113	-	-	-
3.2.4.2 Currency futures-sell		4.625.410	1.906.785	6.532.195	-	-	-
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		-	2.466.313	2.466.313	-	2.239.469	2.239.469
<b>B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)</b>		<b>1.049.618.066</b>	<b>350.230.681</b>	<b>1.399.848.747</b>	<b>957.578.147</b>	<b>312.632.590</b>	<b>1.270.210.737</b>
<b>IV. CUSTODIES</b>		<b>523.071.547</b>	<b>50.532.441</b>	<b>573.603.988</b>	<b>435.748.450</b>	<b>42.655.486</b>	<b>478.403.936</b>
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		190.197.886	1.258.952	191.456.838	164.714.542	1.017.194	165.731.736
4.3 Cheques in collection process		16.047.766	30.934.990	46.982.756	15.459.699	26.465.087	41.924.786
4.4 Commercial notes in collection process		265.849.082	6.743.849	272.592.931	239.248.814	5.578.699	244.827.513
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		3.047.662	817.895	3.865.557	4.281.053	486.438	4.767.491
4.8 Custodians		47.929.151	10.776.755	58.705.906	12.044.342	9.108.068	21.152.410
<b>V. PLEDGED ASSETS</b>		<b>526.546.519</b>	<b>299.698.240</b>	<b>826.244.759</b>	<b>521.829.697</b>	<b>269.977.104</b>	<b>791.806.801</b>
5.1 Marketable securities		6.299.925	912.034	7.211.959	5.910.919	772.952	6.683.871
5.2 Collateral notes		7.851.123	1.347.167	9.198.290	7.602.929	1.172.051	8.774.960
5.3 Commodity		25.812	-	25.812	25.812	-	25.812
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		413.184.806	245.700.424	658.885.230	384.296.983	225.968.770	610.265.753
5.6 Other pledged assets		76.253.105	40.335.337	116.588.442	76.479.920	39.614.525	116.094.445
5.7 Pledges		22.931.748	11.403.278	34.335.026	47.513.134	2.448.826	49.961.960
<b>VI. ACCEPTED BILL GUARANTEES AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)</b>		<b>1.141.761.304</b>	<b>473.676.948</b>	<b>1.615.438.252</b>	<b>1.028.057.296</b>	<b>402.064.328</b>	<b>1.430.121.624</b>

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

**TÜRKİYE HALK BANKASI AŞ**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 JUNE 2019**  
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

**III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Note	Reviewed	Reviewed	Reviewed	Reviewed
		Current Period	Prior Period	Current Period	Prior Period
INCOME AND EXPENSES		1 January-30 June 2019	1 January-30 June 2018	1 April-30 June 2019	1 April-30 June 2018
<b>I. INTEREST INCOME</b>	(1)	<b>23.383.166</b>	<b>15.195.332</b>	<b>12.399.788</b>	<b>8.084.566</b>
1.1 Interest on Loans		17.815.809	12.311.717	9.339.276	6.547.225
1.2 Interest on Reserve Requirements		67.727	69.599	41.578	33.106
1.3 Interest on Banks		259.752	215.575	114.350	115.368
1.4 Interest on Money Market Transactions		21.891	24.555	21.438	13.167
1.5 Interest on Marketable Securities Portfolio		<b>4.838.888</b>	<b>2.309.142</b>	<b>2.686.067</b>	<b>1.233.996</b>
1.5.1 Fair Value Through Profit or Loss		10.309	7.358	4.423	4.735
1.5.2 Fair Value Through Other Comprehensive Income		748.174	83.959	470.334	(350.833)
1.5.3 Measured at Amortized Cost		4.080.405	2.217.825	2.211.310	1.580.094
1.6 Financial Lease Interest Income		157.228	124.428	78.674	67.089
1.7 Other Interest Income		221.871	140.316	118.405	74.615
<b>II. INTEREST EXPENSE (-)</b>	(2)	<b>18.877.128</b>	<b>10.715.736</b>	<b>9.866.746</b>	<b>5.749.099</b>
2.1 Interest on Deposits		12.142.516	7.791.850	6.008.788	4.087.727
2.2 Interest on Funds Borrowed		266.783	343.375	142.588	182.270
2.3 Interest Expense on Money Market Transactions		5.073.488	1.900.052	2.967.340	1.112.483
2.4 Interest on Securities Issued		1.202.025	566.109	654.668	315.492
2.5 Interest on Leases		50.220	-	24.042	-
2.6 Other Interest Expenses		142.096	114.350	69.320	51.127
<b>III. NET INTEREST INCOME (I - II)</b>		<b>4.506.038</b>	<b>4.479.596</b>	<b>2.533.042</b>	<b>2.335.467</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>1.291.733</b>	<b>869.678</b>	<b>700.320</b>	<b>473.737</b>
4.1 Fees and Commissions Received		<b>1.939.017</b>	<b>1.218.741</b>	<b>1.052.753</b>	<b>665.451</b>
4.1.1 Non – cash Loans		464.418	253.387	245.014	134.718
4.1.2 Other	(11)	1.474.599	965.354	807.739	530.733
4.2 Fees and Commissions Paid (-)		<b>647.284</b>	<b>349.063</b>	<b>352.433</b>	<b>191.714</b>
4.2.1 Non – cash Loans		2.421	1.999	1.078	1.159
4.2.2 Other	(11)	644.863	347.064	351.355	190.555
<b>V. DIVIDEND INCOME</b>		<b>13.911</b>	<b>12.663</b>	<b>3.918</b>	<b>12.578</b>
<b>VI. TRADING INCOME / LOSS (Net)</b>	(3)	<b>(1.810.175)</b>	<b>91.276</b>	<b>(1.402.984)</b>	<b>54.215</b>
6.1 Trading Gains / (Losses) on Securities		31.951	15.487	13.819	4.462
6.2 Gains / (Losses) on Derivate Financial Transactions		(31.118)	323.546	(506.915)	262.394
6.3 Foreign Exchange Gains / (Losses)		(1.811.008)	(247.757)	(909.888)	(212.641)
<b>VII. OTHER OPERATING INCOME</b>	(4)	<b>2.854.222</b>	<b>1.220.853</b>	<b>1.937.234</b>	<b>637.569</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>6.855.729</b>	<b>6.674.066</b>	<b>3.771.530</b>	<b>3.513.566</b>
<b>IX. EXPECTED LOSS PROVISIONS (-)</b>	(5)	<b>2.591.219</b>	<b>942.365</b>	<b>1.482.754</b>	<b>539.596</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	(5)	<b>5.931</b>	<b>103.336</b>	<b>(28.623)</b>	<b>32.166</b>
<b>XI. PERSONNEL EXPENSE (-)</b>		<b>1.427.487</b>	<b>1.258.636</b>	<b>652.515</b>	<b>659.260</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	(6)	<b>2.369.463</b>	<b>2.087.075</b>	<b>1.230.144</b>	<b>1.171.751</b>
<b>XIII. NET OPERATING INCOME /LOSS (VIII-IX-X-XI-XII)</b>		<b>461.629</b>	<b>2.282.654</b>	<b>434.740</b>	<b>1.110.793</b>
<b>XIV. INCOME AFTER MERGER</b>		-	-	-	-
<b>XV. INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>16.327</b>	<b>13.800</b>	<b>6.966</b>	<b>7.278</b>
<b>XVI. INCOME / (LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XVII. PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)</b>	(7)	<b>477.956</b>	<b>2.296.454</b>	<b>441.706</b>	<b>1.118.071</b>
<b>XVIII. TAX PROVISIONS FOR CONTINUED OPERATIONS (±)</b>	(8)	<b>122.420</b>	<b>(451.046)</b>	<b>(19.030)</b>	<b>(217.460)</b>
18.1 Current Tax Provision		89.631	82.028	44.525	(19.960)
18.2 Deferred Tax Income Effect (+)		550.524	769.949	(144.090)	571.772
18.3 Deferred Tax Expense Effect (-)		762.575	400.931	(118.595)	334.352
<b>XIX. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)</b>	(9)	<b>600.376</b>	<b>1.845.408</b>	<b>422.676</b>	<b>900.611</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
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		-	-	-	-
<b>XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
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		-	-	-	-
<b>XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)</b>		-	-	-	-
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
23.1 Current Tax Provision		-	-	-	-
23.2 Deferred Tax Expense Effect (+)		-	-	-	-
23.3 Deferred Tax Income Effect (-)		-	-	-	-
<b>XXIV. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX±XXII)</b>		-	-	-	-
<b>XXV. NET PROFIT/(LOSS) (XVIII+XXIV)</b>	(10)	<b>600.376</b>	<b>1.845.408</b>	<b>422.676</b>	<b>900.611</b>
25.1 Profit / (Loss) of Group		591.100	1.837.765	418.339	895.862
25.2 Profit / (Loss) of Minority Shares (-)		9.276	7.643	4.337	4.749
Profit / (Loss) Per Share		0,4728800	1,470212	0,3346712	0,7166896

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 30 JUNE 2019**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

	<b>Reviewed</b>	<b>Reviewed</b>
	<b>Current Period</b>	<b>Prior Period</b>
	<b>1 January – 30 June</b>	<b>1 January – 30 June</b>
	<b>2019</b>	<b>2018</b>
<b>STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>600.376</b>	<b>1.845.408</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>90.867</b>	<b>442.563</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>-</b>	<b>(3.385)</b>
2.1.1 Property and Equipment Revaluation Increase/Decrease	-	(3.884)
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	499
<b>2.2 Reclassified Through Profit or Loss</b>	<b>90.867</b>	<b>445.948</b>
2.2.1 Foreign Currency Translation Differences	6.601	84.812
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	48.384	451.435
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	35.882	(90.299)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>691.243</b>	<b>2.287.971</b>

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 30 JUNE 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 Not Reclassified Through 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 Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)						
<b>Reviewed (1 January– 30 June 2018)</b>																		
<b>I. Prior Period End Balance</b>	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		
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	678.853	-	678.853	4	678.857		
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	678.853	-	678.853	4	678.857		
<b>III. Adjusted Beginning Balance (I-II)</b>	1.250.000	39.737	-	1.173.214	2.253.646	(10.744)	-	52.631	(660.392)	-	17.081.403	4.817.923	-	25.997.418	210.128	26.207.546		
<b>IV. Total Comprehensive Income</b>	-	-	-	-	(3.385)	-	-	84.812	361.136	-	-	-	-	1.837.765	2.280.328	7.643	2.287.971	
<b>V. Capital Increase by Cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VI. Capital Increase by Internal Sources</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VII. Paid in Capital Inflation Adjustment Difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VIII. Convertible Bonds to Share</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>IX. Subordinated Debt Instruments</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Increase / Decrease by Other Changes</b>	-	-	-	57.090	-	-	-	-	-	-	54.161	5.512	-	116.763	11.415	128.178		
<b>XI. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	85.729	(87.293)	-	(1.564)	(957)	(2.521)		
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2.521)	(2.521)		
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	85.729	(87.293)	-	(1.564)	1.564	-		
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Period End Balance (III+IV+.....+X+XI)</b>	1.250.000	39.737	-	1.230.304	2.250.261	(10.744)	-	137.443	(299.256)	-	17.221.293	4.736.142	1.837.765	28.392.945	228.229	28.621.174		
<b>Reviewed (1 January – 30 June 2019)</b>																		
<b>I. Prior Period End Balance</b>	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		
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>III. Adjusted Beginning Balance (I-II)</b>	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		
<b>IV. Total Comprehensive Income</b>	-	-	-	-	-	-	-	6.601	84.266	-	-	-	591.100	681.967	9.276	691.243		
<b>V. Capital Increase by Cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>VI. Capital Increase by Internal Sources</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>VII. Paid in Capital Inflation Adjustment Difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>VIII. Convertible Bonds to Share</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>IX. Subordinated Debt Instruments</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>X. Increase / Decrease by Other Changes</b>	-	-	-	(263.841)	4.010	-	-	-	-	-	(88.510)	2.721.762	(2.656.647)	(283.226)	15.607	(267.619)		
<b>XI. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	3.308.537	(3.309.939)	-	(1.402)	1.402	-		
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	(1.402)	-	(1.402)	1.402	-		
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3.308.537	(3.308.537)	-	-	-	-		
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Period End Balance (III+IV+.....+X+XI)</b>	1.250.000	39.740	-	964.214	2.463.605	8.624	-	5.147	(90.240)	-	24.040.081	419.667	591.100	29.691.938	272.926	29.964.864		

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 30 JUNE 2019**  
*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

**VI. CONSOLIDATED STATEMENT OF CASH FLOWS**

	Note	Reviewed	Reviewed
		Current Period	Prior Period
		1 January- 30 June 2019	1 January- 30 June 2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>(7.404.366)</b>	<b>(3.833.587)</b>
1.1.1 Interest received		20.241.382	13.434.215
1.1.2 Interest paid		(18.820.323)	(10.125.215)
1.1.3 Dividend received		13.911	12.663
1.1.4 Fees and commissions received		1.939.017	1.224.075
1.1.5 Other income		1.847.171	986.740
1.1.6 Collections from previously written off loans		759.195	703.498
1.1.7 Cash payments to personnel and service suppliers		(1.446.253)	(1.270.554)
1.1.8 Taxes paid		(487.220)	(377.188)
1.1.9 Other		(11.451.246)	(8.421.821)
<b>1.2 Changes in Assets and Liabilities Subject to Banking Operations</b>		<b>10.496.519</b>	<b>(2.506.246)</b>
1.2.1 Net Increase / decrease in Financial assets at fair value through profit or loss		(2.578.964)	(102.162)
1.2.2 Net (increase) / decrease in due from banks		(6.475)	(12.594)
1.2.3 Net (increase) / decrease in loans		(25.880.629)	(36.432.939)
1.2.4 Net (increase) / decrease in other assets		(6.894.872)	(5.027.365)
1.2.5 Net increase / (decrease) in bank deposits		(2.974.316)	6.429.885
1.2.6 Net increase / (decrease) in other deposits		18.407.553	21.835.823
1.2.7 Net Increase / (decrease) in financial liabilities at fair value through profit or loss		-	-
1.2.8 Net increase / (decrease) in funds borrowed		(1.046.787)	(33.981)
1.2.9 Net increase / (decrease) in matured payables		-	-
1.2.10 Net increase / (decrease) in other liabilities		31.471.009	10.837.087
<b>I. Net cash provided from banking operations</b>		<b>3.092.153</b>	<b>(6.339.833)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
<b>II. Net cash provided from/ (used in) investing activities</b>		<b>(21.633.264)</b>	<b>(6.437.849)</b>
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries		(109.320)	(142.652)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries		39.375	-
2.3 Fixed assets purchases		(2.655.928)	(719.796)
2.4 Fixed assets sales		273.301	134.607
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income		(9.499.827)	(6.020.653)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income		1.656.022	2.463.655
2.7 Cash paid for purchase of investment securities		(14.697.232)	(5.057.204)
2.8 Cash obtained from sale of investment securities		3.354.408	2.891.448
2.9 Other		5.937	12.746
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>4.979.503</b>	<b>1.861.934</b>
3.1 Cash obtained from loans borrowed and securities issued		9.936.512	2.887.178
3.2 Cash used for repayment of loans borrowed and securities issued		(4.585.202)	(1.022.723)
3.3 Bonds issued		-	-
3.4 Dividends paid		-	(2.521)
3.5 Payments for finance leases		(109.423)	-
3.6 Other		(262.384)	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>1.125.828</b>	<b>2.117.726</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>(12.435.780)</b>	<b>(8.798.022)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>		<b>23.448.586</b>	<b>27.122.191</b>
<b>VII. Cash and cash equivalents at end of the period</b>		<b>11.012.806</b>	<b>18.324.169</b>

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 SIX-MONTH PERIOD ENDED 30 JUNE 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**  
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*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

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

1. The Group's strategy on financial instruments:

Due to its historical mission, the Parent Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the 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. 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**  
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**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 SIX-MONTH PERIOD ENDED 30 JUNE 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**  
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*(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)*

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

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

1. Basis of consolidation (continued):

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

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

Derivative transactions of the Group consist of foreign currency and interest rate swaps, cross currency swaps, options and forwards. The 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 30 June 2019, the Parent Bank has credit default conditioned cross currency swap transaction amounting to USD 310 million with 5 year maturity. In this transactions the Parent Bank sells protection.

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

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

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

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

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

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

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

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

**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.

**TÜRKİYE HALK BANKASI AŞ**  
**EXPLANATION AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019**

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

**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:**

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

1. Financial assets measured at amortized cost,
2. Financial assets measured at fair value through other comprehensive income
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 Parent Bank 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 Parent Bank expectations, is updated during the year when it is considered necessary. As of 30 June 2019, the valuation of these securities is based on 16,20% annual inflation forecast. If such valuation of these securities was made according to the reference index valid for 30 June, 2019, the revaluation differences of the securities under the shareholders' equity would increase by TRY 43.107 (net), and the interest income from the securities would decrease by TRY 1.006.126.

**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)**

**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 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.

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

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

TFRS 9 Financial Instruments Standard allows the calculation of expected credit loss provisions in aggregate or individually by grouping financial assets with common credit risk characteristics. The Parent Bank has been collectively calculating and accounting for expected credit loss provisions. As of 30 June 2019, the Parent Bank has individually assessed a portion of the loans, which were classified as the Stage 3 lifetime expected credit loss-default whose ECL was collectively calculated since the date of transition to TFRS 9 standard 1 January 2018, on a prudent basis by assessing alternative cash flows and possible sales of collaterals and adjusted the expected credit loss provisions which are reflected in the financial statements according to the results of the assessment.

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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%. 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 factor (CCF). 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 Group 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 Group 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, 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:

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

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

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

There are no material mortgages, pledges or similar in cumbrances designated for the property, 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 Parent 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 President of the Republic of Turkey 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

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.

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

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

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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

Halk Banka A.D. Skopje

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

"Distributions" are split into two components:

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

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

*Recognition of tax provisions:*

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

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

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

Halk Bank A.D. Beograd

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

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

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

**XXI. ADDITIONAL EXPLANATIONS ON BORROWINGS**

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

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

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

**XXII. EXPLANATIONS ON SHARES ISSUED**

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

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 STANDARD**

*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	30 June 2019
Existence of Right-of-use		
Real Estate	579.938	639.723
Vehicles	96.363	98.227
<b>Total</b>	<b>676.301</b>	<b>737.950</b>

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 as of 1 January 2019, 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
<b>Discounted Lease Obligation</b>	<b>668.438</b>

**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 30 June 2019, the Group's capital adequacy ratio in accordance with the "Regulation Regarding the Measurement and Evaluation of Group's Capital Adequacy" is 14,03% (31 December 2018: 13,36%), The equity is calculated as TRY 43.948.794 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:**

<b>Current Period</b>	<b>Amount</b>	<b>Amounts related to treatment before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	39.740	
Reserves	24.039.242	
Other Comprehensive Income according to TAS	2.541.463	
Profit	1.010.767	
Current Period Profit	591.100	
Prior Period Profit	419.667	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	7.610	
Minority Interest	1.788	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>30.111.061</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	154.951	
Leasehold Improvements on Operational Leases (-)	89.347	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	176.965	176.965
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 (-)	262.384	
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 (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>683.647</b>	
<b>Total Common Equity Tier I Capital</b>	<b>29.427.414</b>	

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

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

<b>ADDITIONAL TIER I CAPITAL</b>	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.861.520
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier I Capital	-
Third parties' share in the Tier I Capital (Temporary Article 3)	-
<b>Additional Tier I Capital before Deductions</b>	<b>5.861.520</b>
<b>Deductions from Additional Tier I Capital</b>	
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	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>5.861.520</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>35.288.934</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.744.327
<b>Tier II Capital Before Deductions</b>	<b>8.674.122</b>
<b>Deductions From Tier II Capital</b>	
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 (-)	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>8.674.122</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>43.963.056</b>
<b>Total Tier I and Tier II Capital (Total Equity)</b>	
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 (-)	14.262

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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):**

<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>TOTAL CAPITAL</b>	
Total Capital (Total of Tier I Capital and Tier II Capital)	43.948.794
Total Risk Weighted Assets	313.212.264
<b>Capital Adequacy Ratios</b>	
CET1 Capital Ratio (%)	9,40
Tier I Capital Ratio (%)	11,27
Capital Adequacy Ratio (%)	14,03
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio (a+b+c)	3,565
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,065
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	4,895
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	132.355
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	2.481.821
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	2.239.506
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.744.327
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.744.327
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>	
(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):

<b>Prior Period</b>	<b>Amount</b>	<b>Amounts related to treatment before 1/1/2014(*)</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	39.740	
Reserves	20.821.125	
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	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>29.509.875</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	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 (-)	-	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>475.694</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>29.034.181</b>	

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

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

<b>ADDITIONAL TIER I CAPITAL</b>	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
<b>Additional Tier I Capital before Deductions</b>	-
<b>Deductions from Additional Tier I Capital</b>	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>	-
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
<b>Total Deductions from Additional Tier I Capital</b>	-
<b>Total Additional Tier I Capital</b>	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>29.034.181</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Third parties' share in the Tier II Capital	-
Third parties' share in the Tier II Capital (Temporary Article 3)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.466.826
<b>Total Deductions from Tier II Capital</b>	<b>8.396.621</b>
<b>Deductions from Tier II Capital</b>	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
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 (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>8.396.621</b>
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>37.430.802</b>
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>	
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):

<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
<b>TOTAL CAPITAL</b>	
Total Capital ( Total of Tier I Capital and Tier II Capital )	37.420.830
Total Risk Weighted Assets	280.132.781
<b>CAPITAL ADEQUACY RATIOS</b>	
CET1 Capital Ratio (%)	10,36
Tier I Capital Ratio (%)	10,36
Capital Adequacy Ratio (%)	13,36
<b>BUFFERS</b>	
Bank-specific total CET1 Capital Ratio	2,696
a) Capital Conservation Buffer Ratio (%)	1,875
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,071
c) 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
<b>Amounts Lower Than Excesses as per Deduction Rules</b>	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	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
<b>Limits for Provisions Used in Tier II Capital Calculation</b>	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.466.826
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	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

\*Amounts in this column represents the amounts of items that are subject to 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 in Tier II Capital and subordinated debt instrument in Additional Tier I Capital. 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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**MANAGEMENT OF THE GROUP (continued)**

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

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

<b>Details on Subordinated Liabilities:</b>				
Issuer	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	Türkiye Varlık Fonu
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	BRSA Legislation
<b>Regulatory treatment</b>				
Subject to 10% deduction as of 1/1/2015	No	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Bond	Bond	Bond	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980	5.862
Par value of instrument	1.000	1.950	2.980	-
Accounting classification	346.011	346.011	346.011	347.0001
Original date of issuance	20.10.2017	3.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	3.07.2018	26.09.2018	24.04.2019
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.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
<b>Coupons / dividends</b>				
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon	No Coupon Payment
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %	5 years 25,38%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	-	-	-	-
<b>Convertible or non-convertible</b>				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
<b>Write-down feature</b>				
If write-down, write-down trigger(s)	-	-	-	Decrease in core capital adequacy ratio below 5,125%
If write-down, full or partial	-	-	-	Fully or partially
If write-down, permanent or temporary	-	-	-	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)	After borrowing, before Additional Tier I Capital	After borrowing, before Additional Tier I Capital	After borrowing, before Additional Tier I Capital	After borrowings and Additional Tier II Capital
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.	The instrument is in compliance with article number 7.
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.	The instrument is not in compliant with article numbered 8.

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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 reporting date and the previous five working days in full TRY are as follows:

	<b>21.06.2019</b>	<b>24.06.2019</b>	<b>25.06.2019</b>	<b>26.06.2019</b>	<b>27.06.2019</b>	<b>28.06.2019</b>
USD	5,7800000	5,7800000	5,7500000	5,7400000	5,7400000	5,7200000
CHF	5,8774000	5,9321000	5,8995000	5,8720000	5,8579000	5,8585000
GBP	7,3111000	7,3397000	7,3036000	7,2703000	7,2726000	7,2609000
JPY	0,0536244	0,0537342	0,0537104	0,0532607	0,0531496	0,0530037
EURO	6,5459000	6,5860000	6,5464000	6,5247000	6,5247000	6,5128000

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

	<b>Monthly Average</b> <b>Buying rate of exchange</b>
USD	5,7805882
CHF	5,8446647
GBP	7,3140588
JPY	0,0534091
EUR	6,5327471

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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:

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>OTHER FC</b>	<b>TOTAL</b>
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	13.049.267	11.690.855	6.250.448	30.990.570
Banks	929.221	1.025.036	790.988	2.745.245
Financial assets at fair value through profit and loss <sup>(3)</sup>	-	22.902	2.927	25.829
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income	2.131.731	1.204.452	762.545	4.098.728
Loans <sup>(2)</sup>	50.710.716	41.610.780	3.510.076	95.831.572
Subsidiaries, associates and entities under common control	453.088	-	-	453.088
Financial assets measured at amortised cost	6.434.742	11.880.714	226.398	18.541.854
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	204.452	204.452
Intangible assets	-	-	-	-
Other assets <sup>(3)</sup>	1.860.331	1.962.031	55.080	3.877.442
<b>Total assets</b>	<b>75.569.096</b>	<b>69.396.770</b>	<b>11.802.914</b>	<b>156.768.780</b>
<b>Liabilities</b>				
Bank deposits	8.885.148	4.358.961	677.367	13.921.476
Foreign currency deposits	61.088.873	57.033.341	8.699.439	126.821.653
Money market balances	2.308.618	2.638.619	-	4.947.237
Funds provided from other financial institutions	8.688.978	4.316.384	12.126	13.017.488
Bonds issued	-	10.186.725	-	10.186.725
Sundry creditors	243.573	333.950	39.857	617.380
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities <sup>(3)</sup>	6.792.294	636.071	264.714	7.693.079
<b>Total liabilities</b>	<b>88.007.484</b>	<b>79.504.051</b>	<b>9.693.503</b>	<b>177.205.038</b>
<b>Net balance sheet position</b>	<b>(12.438.388)</b>	<b>(10.107.281)</b>	<b>2.109.411</b>	<b>(20.436.258)</b>
<b>Net off-balance sheet position</b>				
<b>Financial derivative assets<sup>(4)</sup></b>	<b>11.346.747</b>	<b>9.616.035</b>	<b>(1.584.344)</b>	<b>19.378.438</b>
Financial derivative assets <sup>(4)</sup>	12.958.405	20.174.369	1.278.281	34.411.055
Financial derivative liabilities <sup>(4)</sup>	1.611.658	10.558.334	2.862.625	15.032.617
Non-cash loans <sup>(1)</sup>	27.854.733	21.163.564	3.107.176	52.125.473
<b>Prior period</b>				
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
<b>Net balance sheet position</b>	<b>423.969</b>	<b>(4.692.809)</b>	<b>2.904.753</b>	<b>(1.364.087)</b>
<b>Net off-balance sheet position</b>				
<b>Financial derivative assets</b>	<b>223.198</b>	<b>2.534.947</b>	<b>(1.995.069)</b>	<b>763.076</b>
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 <sup>(1)</sup>	12.618.873	16.362.849	1.714.234	30.695.956

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

<sup>(2)</sup> Includes TRY 499.020 of foreign currency indexed loans and their accruals (31 December 2018:764.208 TRY).

<sup>(3)</sup> In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", foreign currency intangible assets TRY 34.639, prepaid expenses TRY 394 in assets; and shareholders' equity TRY 522.157 in liabilities and foreign currency minority shares TRY 5.474 are not taken into consideration in the currency risk measurement.

<sup>(4)</sup> Financial derivative assets include forward precious metal purchase transactions amounted to TRY 340.319. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 2.125.994. 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 and International Banking 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
<b>Assets</b>							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	15.550.038	-	-	-	-	19.457.958	35.007.996
Banks and financial institutions	681.631	204.304	22.268	-	-	2.032.633	2.940.836
Financial assets at fair value through profit and loss	919	4.633	47.490	280	22.914	17.040.602	17.116.838
Money market placements	536.402	-	-	-	-	-	536.402
Financial assets at fair value through other comprehensive income	215.585	1.838.526	3.912.538	5.686.540	1.458.566	147.834	13.259.589
Loans <sup>(4)</sup>	83.810.216	40.053.610	80.353.611	58.727.794	9.930.762	18.367.227	291.243.220
Financial assets measured at amortised cost <sup>(4)</sup>	864.560	13.161.117	7.499.634	17.504.297	22.183.790	8.844.874	70.058.272
Other assets <sup>(1)(4)</sup>	1.150.039	808.827	2.419.719	1.597.839	243.387	3.909.695	10.129.506
<b>Total assets</b>	<b>102.809.390</b>	<b>56.071.017</b>	<b>94.255.260</b>	<b>83.516.750</b>	<b>33.839.419</b>	<b>69.800.823</b>	<b>440.292.659</b>
<b>Liabilities</b>							
Bank deposits	11.475.222	6.321.207	15.400	109.835	-	10.137.199	28.058.863
Other deposits	142.803.808	34.605.553	15.269.207	1.340.388	18.427	43.885.337	237.922.720
Money market balances	65.748.285	917.513	-	-	-	156.000	66.821.798
Sundry creditors	3.581.219	30.632	58.883	108.898	-	2.427.768	6.207.400
Bonds issued	2.350.838	2.351.801	4.962.665	6.714.082	-	232.324	16.611.710
Funds provided from other financial institutions <sup>(3)</sup>	1.252.711	5.132.029	4.129.230	2.786.545	874.819	69.115	14.244.449
Other liabilities <sup>(1),(2)</sup>	1.001.062	15.563	4.672.535	14.382.309	10.791.315	39.562.935	70.425.719
<b>Total liabilities</b>	<b>228.213.145</b>	<b>49.374.298</b>	<b>29.107.920</b>	<b>25.442.057</b>	<b>11.684.561</b>	<b>96.470.678</b>	<b>440.292.659</b>
Balance sheet long position	-	6.696.719	65.147.340	58.074.693	22.154.858	-	152.073.610
Balance sheet short position	(125.403.755)	-	-	-	-	(26.669.855)	(152.073.610)
Off-balance sheet long position	640.628	1.518.371	5.336.154	321.410	3.479.190	37.113.411	48.409.164
Off-balance sheet short position	(68.746)	(317.136)	(5.336.033)	(1.425.780)	(3.479.190)	(37.735.301)	(48.362.186)
<b>Total position</b>	<b>(124.831.873)</b>	<b>7.897.954</b>	<b>65.147.461</b>	<b>56.970.323</b>	<b>22.154.858</b>	<b>(27.291.745)</b>	<b>46.978</b>

<sup>(1)</sup>TRY 72.350 of deferred tax asset is disclosed under the non-bearing interest column in other assets and TRY 181.832 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

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

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

<sup>(4)</sup>Discount and provision amounts are presented in non-bearing interest column.

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**MANAGEMENT OF THE GROUP (continued)**

**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
<b>Assets</b>							
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 <sup>(4)</sup>	39.128.094	34.164.780	99.547.841	61.694.102	14.155.806	14.141.162	262.831.785
Held-to-maturity investments <sup>(4)</sup>	537.372	10.945.489	7.402.692	10.247.672	19.739.535	7.458.585	56.331.345
Other assets <sup>(1)(4)</sup>	2.288.676	1.091.349	933.479	1.636.020	299.373	2.614.689	8.863.586
<b>Total assets</b>	<b>61.363.567</b>	<b>47.050.673</b>	<b>109.086.343</b>	<b>75.758.886</b>	<b>34.807.504</b>	<b>60.154.703</b>	<b>388.221.676</b>
<b>Liabilities</b>							
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 <sup>(3)</sup>	1.166.612	5.804.740	4.209.579	3.149.178	753.878	190.493	15.274.480
Other liabilities <sup>(1)(2)</sup>	1.150.250	22.679	1.774.367	14.529.699	6.870.185	38.546.608	62.893.788
<b>Total liabilities</b>	<b>172.479.518</b>	<b>56.536.545</b>	<b>26.235.778</b>	<b>29.020.887</b>	<b>7.642.100</b>	<b>96.306.848</b>	<b>388.221.676</b>
Balance sheet long position	-	-	82.850.565	46.737.999	27.165.404	-	156.753.968
Balance sheet short position	(111.115.951)	(9.485.872)	-	-	-	(36.152.145)	(156.753.968)
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)
<b>Total position</b>	<b>(110.729.838)</b>	<b>(9.122.196)</b>	<b>83.272.185</b>	<b>45.894.089</b>	<b>27.165.404</b>	<b>(36.036.681)</b>	<b>442.963</b>

<sup>(1)</sup> 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.

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

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

<sup>(4)</sup> Discount and provision amounts are presented in non-bearing interest column.

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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
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT <sup>(5)</sup>	-	2,00	-	13,00
Due from other banks and financial institutions <sup>(1)</sup>	0,19	2,61	-	21,31
Financial assets at fair value through profit and loss	-	6,56	-	15,26
Money market placements	-	-	-	22,00
Financial assets at fair value through other comprehensive income	3,05	6,18	-	19,19
Loans <sup>(2)</sup>	5,12	7,39	-	16,90
Financial assets measured at amortised cost	4,95	6,59	-	18,16
<b>Liabilities</b>				
Bank deposits	1,26	3,69	-	21,16
Other deposits <sup>(4)</sup>	1,24	2,95	0,25	17,67
Money market borrowings	2,23	4,50	-	23,93
Sundry creditors <sup>(3)</sup>	-	-	-	4,75
Bonds issued	-	4,38	-	18,42
Funds provided from other financial institutions <sup>(4)</sup>	1,54	3,90	-	22,37

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

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

<sup>(3)</sup> Declared maximum deposits interest rate with a maturity of twelve months as of 30 June 2019.

<sup>(4)</sup> Customer based calculated interest rates are applied to TRY and FC deposits as of 30 June 2019.

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

Prior Period	EUR	USD	JPY	TRY
<b>Assets</b>				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT <sup>(5)</sup>	-	2,00	-	13,00
Due from other banks and financial institutions <sup>(1)</sup>	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 <sup>(2)</sup>	5,09	7,22	1,54	16,25
Financial assets measured at amortised cost	-	5,61	-	21,93
<b>Liabilities</b>				
Bank deposits	2,72	5,30	-	24,33
Other deposits <sup>(4)</sup>	2,45	4,53	0,25	18,82
Money market borrowings	-	4,55	-	23,35
Sundry creditors <sup>(3)</sup>	-	-	-	4,75
Bonds issued	-	4,46	-	16,87
Funds provided from other financial institutions <sup>(4)</sup>	1,37	3,17	1,40	21,95

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

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

<sup>(3)</sup> Declared maximum deposits interest rate with a maturity of twelve months as of 31 December 2018.

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

<sup>(5)</sup> 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	539.226 <sup>(*)</sup>	449.383 <sup>(**)</sup>	-	97.999

<sup>(\*)</sup> Includes TRY 57.146 of unconsolidated subsidiary, TRY 472.728 of associates accounted for under the equity method and TRY 9.352 of unconsolidated associates.

<sup>(\*\*)</sup> The financial information about the fair value of Demir-Halk Bank N.V. has been obtained from its valuation report as of 30 June 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	-	19,948	19,948	-	-	-
<b>Total</b>	-	<b>19,948</b>	<b>19,948</b>	-	-	-

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**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.

The liquidity risks of the Parent Bank are managed within the framework of risk and transaction limits approved by the Board of Directors and the duties and responsibilities of the units related to liquidity risk management are notified in written. Within this scope, limits determined in terms of TL and FC are followed for gap values according to certain maturity tranches for liquidity analysis. On the other hand, for Treasury transactions; There are upper limits on TL and FX terms in all maturities in the over-the-counter market, upper limits on repo and reverse repo transactions that can be realized in TL and FC terms with maximum FX position limits on all maturities in the interbank market, and maximum limits on foreign currency position, forward and swap transactions.

Liquidity risk analyzes (gap analysis, core deposit reports, etc.) are conducted on a daily basis and shared with the Parent Bank's top management and related departments. In addition, results of liquidity analysis are evaluated at the Asset and Liability Committee (ALCO) meetings. On the other hand, metrics within the scope of "Liquidity Emergency Action Plan (LEAP) approved by the Board of Directors and early warning indicators related to these metrics are monitored on a daily basis. Written actions, if required, to be taken as part of this plan are determined.

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

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

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

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



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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 51,62% accounts held by the central bank and the central banks of the foreign branches , 43,49% securities considered as high quality liquid assets, 4,89% cash.

Main funding source composition is composed of 65,61% deposits, 4,22% funds borrowed, 16,48% money market borrowings, 7,08 % securities issued, and subordinated debt instruments. As in the previous period, derivative transactions did not generate a net cash outflow that would negatively affect the liquidity position.

As in the previous period, derivative transactions did not generate a net cash outflow that would negatively affect the liquidity position. The cash outflows from derivative financial instruments and other liabilities are calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, is thousand TRY 730.310.

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 Parent Bank’s 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	24.06.2019	449,71	24.06.2019	123,60
	30.06.2019		30.06.2019	
Minimum	06.05.2019	175,77	27.05.2019	92,77
	12.05.2019		02.06.2019	

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

Current Period	Total Unweighted Value (average) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			61.368.266	39.764.089
<b>Cash Outflows</b>				
Retail and Small Business Customers, of which;	132.078.620	61.412.800	11.895.674	6.141.280
Stable Deposits	26.243.760	-	1.312.188	-
Less Stable Deposits	105.834.860	61.412.800	10.583.486	6.141.280
Unsecured wholesale funding , of which;	117.647.044	69.440.034	54.065.101	32.082.461
Operational Deposits	30.418.600	10.760.520	7.604.650	2.690.130
Non-operational Deposits	80.459.015	55.280.427	40.109.000	26.058.718
Other Unsecured Funding	6.769.429	3.399.087	6.351.451	3.333.613
Secured Funding			-	-
Other cash outflows, of which;	9.196.167	6.471.514	4.732.099	4.010.080
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	987.724	1.968.032	987.724	1.968.032
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	8.208.443	4.503.482	3.744.375	2.042.048
Other revocable off-balance sheet commitments and contractual obligations.	97.596	-	97.596	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	106.026.430	47.804.403	8.325.126	3.877.779
<b>Total Cash Outflows</b>			<b>79.115.596</b>	<b>46.111.600</b>
<b>Cash Inflows</b>				
Secured Lending	-	-	-	-
Unsecured Lending	29.656.729	11.378.263	19.350.059	8.694.786
Other Cash Inflows	402.891	20.791.031	402.891	20.791.031
<b>Total Cash Inflows</b>	<b>30.059.620</b>	<b>32.169.294</b>	<b>19.752.950</b>	<b>29.485.817</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>61.368.266</b>	<b>39.764.089</b>
<b>Total Net Cash Outflows</b>			<b>59.362.646</b>	<b>16.625.783</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>103,54%</b>	<b>249,82%</b>

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

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

	Total Unweighted Value (average) <sup>(1)</sup>		Total Weighted Value (average) <sup>(1)</sup>	
	TRY+FC	FC	TRY+FC	FC
<b>Prior Period</b>				
<b>High Quality Liquid Assets</b>				
High Quality Liquid Assets			53.741.958	26.678.480
<b>Cash Outflows</b>				
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
<b>Total Cash Outflows</b>			<b>64.639.781</b>	<b>30.415.335</b>
<b>Cash Inflows</b>				
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
<b>Total Cash Inflows</b>	<b>26.310.468</b>	<b>13.753.651</b>	<b>18.611.218</b>	<b>11.850.482</b>
			<b>Total Adjusted Value</b>	
<b>Total HQLA Stock</b>			<b>53.741.958</b>	<b>26.678.480</b>
<b>Total Net Cash Outflows</b>			<b>46.028.563</b>	<b>18.564.853</b>
<b>Liquidity Coverage Ratio (%)</b>			<b>116,85%</b>	<b>144,62%</b>

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

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**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
<b>Assets</b>								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	3.935.385	30.925.986	-	146.625	-	-	-	35.007.996
Banks	2.199.880	700.487	18.258	22.211	-	-	-	2.940.836
Financial assets at fair value through profit and loss	-	2.349	2.664.381	14.423.987	280	22.914	2.927	17.116.838
Money market placements	-	536.402	-	-	-	-	-	536.402
Financial assets at fair value through other comprehensive income	-	220.812	1.326	4.019.260	7.373.173	1.497.184	147.834	13.259.589
Loans	13.916.018	20.459.277	16.122.475	80.274.036	127.086.956	33.217.716	166.742	291.243.220
Financial assets measured at amortised cost	-	586.403	30.789	4.555.065	33.957.034	30.928.981	-	70.058.272
Other assets <sup>(2)</sup>	299.832	844.298	1.375.406	3.174.239	1.652.683	350.922	2.432.126	10.129.506
<b>Total assets</b>	<b>20.351.115</b>	<b>54.276.014</b>	<b>20.212.635</b>	<b>106.615.423</b>	<b>170.070.126</b>	<b>66.017.717</b>	<b>2.749.629</b>	<b>440.292.659</b>
<b>Liabilities</b>								
Bank deposits	10.059.726	11.538.941	6.333.567	16.794	109.835	-	-	28.058.863
Other deposits	42.111.820	143.772.516	34.804.067	15.875.852	1.336.317	22.148	-	237.922.720
Funds provided from other financial institutions <sup>(3)</sup>	38	1.061.570	1.067.293	3.494.461	5.543.987	3.077.100	-	14.244.449
Money market balances	-	63.590.660	351.092	2.308.046	-	572.000	-	66.821.798
Bonds issued	-	1.431.238	2.048.787	6.417.603	6.714.082	-	-	16.611.710
Sundry creditors	80.129	2.900.112	320.350	672.202	1.962.751	55.979	215.877	6.207.400
Other liabilities <sup>(1)</sup>	1.323.886	3.569.249	2.919.868	16.887.770	7.823.801	7.349.056	30.552.089	70.425.719
<b>Total liabilities</b>	<b>53.575.599</b>	<b>227.864.286</b>	<b>47.845.024</b>	<b>45.672.728</b>	<b>23.490.773</b>	<b>11.076.283</b>	<b>30.767.966</b>	<b>440.292.659</b>
<b>Liquidity gap</b>	<b>(33.224.484)</b>	<b>(173.588.272)</b>	<b>(27.632.389)</b>	<b>60.942.695</b>	<b>146.579.353</b>	<b>54.941.434</b>	<b>(28.018.337)</b>	<b>-</b>
<b>Net off-balance sheet position</b>	<b>(247)</b>	<b>(268.098)</b>	<b>(56.367)</b>	<b>(297.140)</b>	<b>668.830</b>	<b>-</b>	<b>-</b>	<b>46.978</b>
Derivative financial assets	10.386	24.497.050	6.694.155	7.833.175	2.416.019	6.958.379	-	48.409.164
Derivative financial liabilities	(10.633)	(24.765.148)	(6.750.522)	(8.130.315)	(1.747.189)	(6.958.379)	-	(48.362.186)
<b>Non-cash loans</b>	<b>2.549.216</b>	<b>4.757.068</b>	<b>7.926.694</b>	<b>32.697.298</b>	<b>16.649.593</b>	<b>26.963.416</b>	<b>-</b>	<b>91.543.285</b>
<b>Prior Period</b>								
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
<b>Liquidity Gap</b>	<b>(43.833.630)</b>	<b>(125.569.964)</b>	<b>(35.331.657)</b>	<b>55.120.981</b>	<b>119.443.146</b>	<b>51.699.075</b>	<b>(21.527.951)</b>	<b>-</b>
<b>Net off-balance sheet position</b>	<b>(291)</b>	<b>44.055</b>	<b>(118.416)</b>	<b>(8.676)</b>	<b>526.291</b>	<b>-</b>	<b>-</b>	<b>442.963</b>
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)
<b>Non-cash loans</b>	<b>2.434.918</b>	<b>3.388.326</b>	<b>6.216.271</b>	<b>29.870.469</b>	<b>16.520.370</b>	<b>25.239.621</b>	<b>-</b>	<b>83.669.975</b>

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

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Total Assets in The Consolidated Financial Statements Prepared in Accordance with TAS <sup>(1)</sup>	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 <sup>(1)(2)</sup>	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 <sup>(2)</sup>	47.050.901	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 <sup>(2)</sup>	32.947.889	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 <sup>(2)</sup>	1.898.712	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	-	-
<b>Total Risk Amount</b>	<b>562.664.897</b>	<b>494.815.162</b>

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

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

	<b>Current Period <sup>(1)</sup></b>	<b>Prior Period <sup>(1)</sup></b>
<b>On-Balance Sheet Items</b>		
1.On-balance sheet items (excluding derivatives and SFTs, but including collateral)	439.553.258	383.368.941
2.Assets that are deducted from core capital	(265.905)	(250.620)
3.Total on balance sheet exposures	439.287.353	383.118.321
<b>Derivative exposures and credit derivatives</b>		
4.Replacement cost associated with derivative financial instruments and credit derivatives	1.371.791	1.063.489
5.The potential amount of credit risk with derivative financial instruments and credit derivatives	751.452	303.383
6.The total amount of risk on derivative financial instruments and credit derivatives	2.123.243	1.366.872
<b>Investment securities or commodity collateral financing transactions</b>		
7.The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	3.793.071	1.370.392
8.Risk amount of exchange brokerage operations	-	-
9.Total risks related with securities or commodity financing transactions	3.793.071	1.370.392
<b>Off -Balance Sheet Items</b>		
10.Gross notional amount of off-balance sheet items	119.359.942	110.398.141
11.Adjustments for conversion to credit equivalent amounts	(1.898.712)	(1.438.564)
12.The total risk of off-balance sheet items	117.461.230	108.959.577
<b>Capital and Total Exposures</b>		
13.Tier 1 Capital	34.726.364	28.740.329
14.Total Exposures	562.664.897	494.815.162
<b>Leverage Ratio</b>		
15.Leverage Ratio	6,17	5,81

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

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK  
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**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 30 June 2019 are presented in the table below.

<b>Current Period (1 January – 30 June 2019)</b>	<b>Corporate / Commercial</b>	<b>SME / Integrated</b>	<b>Treasury / Investment<sup>(1)</sup></b>	<b>Other<sup>(1)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>					
<b>Interest income</b>	<b>5.905.548</b>	<b>12.016.236</b>	<b>5.122.729</b>	<b>338.653</b>	<b>23.383.166</b>
Interest on loans	5.903.714	11.765.089	147.006	-	17.815.809
Interest income on marketable securities	-	237.208	4.588.117	13.563	4.838.888
Interest received from banks	-	-	259.752	-	259.752
Other interest income	1.834	13.939	127.854	325.090	468.717
<b>Interest expense</b>	<b>3.794.653</b>	<b>7.805.993</b>	<b>7.077.780</b>	<b>198.702</b>	<b>18.877.128</b>
Interest on deposits	3.775.759	7.558.721	808.036	-	12.142.516
Interest on borrowings	11.028	34.188	114.417	107.150	266.783
Interest on money market borrowings	-	114.503	4.914.530	44.455	5.073.488
Interest on marketable bonds issued	-	-	1.158.487	43.538	1.202.025
Other interest expense	7.866	98.581	82.310	3.559	192.316
<b>Net interest income / (loss)</b>	<b>2.110.895</b>	<b>4.210.243</b>	<b>(1.955.051)</b>	<b>139.951</b>	<b>4.506.038</b>
Net fees and commissions income	553.341	621.815	229.133	(112.556)	1.291.733
Net trading profit / (loss)	13.610	368.522	(2.204.072)	11.765	(1.810.175)
Dividend income	-	-	13.495	416	13.911
Other income	808.738	342.491	811.401	907.919	2.870.549
Expected credit loss	1.242.903	836.636	437.018	74.662	2.591.219
Other expenses	74.392	1.227.403	1.772.493	728.593	3.802.881
<b>Income before taxes</b>	<b>2.169.289</b>	<b>3.479.032</b>	<b>(5.314.605)</b>	<b>144.240</b>	<b>477.956</b>
Income tax provision	-	-	218.492	(96.072)	122.420
<b>Net profit for the period</b>	<b>2.169.289</b>	<b>3.479.032</b>	<b>(5.096.113)</b>	<b>48.168</b>	<b>600.376</b>
<b>SEGMENT ASSETS (30 June 2019)</b>					
Marketable securities <sup>(2)</sup>	-	8.436.822	91.715.663	271.157	100.423.642
Derivative financial assets	-	201.613	1.030.189	-	1.231.802
Banks and money market receivables	-	1.246	3.459.808	16.184	3.477.238
Associates and subsidiaries (net)	-	-	539.226	-	539.226
Loans <sup>(2)</sup>	105.198.862	167.832.207	8.353.693	-	281.384.762
Other assets <sup>(2)</sup>	2.845.291	3.027.622	41.264.303	6.098.773	53.235.989
<b>TOTAL ASSETS</b>	<b>108.044.153</b>	<b>179.499.510</b>	<b>146.362.882</b>	<b>6.386.114</b>	<b>440.292.659</b>
<b>SEGMENT LIABILITIES (30 June 2019)</b>					
Deposits	85.657.634	154.313.090	26.010.859	-	265.981.583
Derivative financial liabilities	-	145.125	442.572	-	587.697
Money market balances	-	4.947.237	61.524.542	350.019	66.821.798
Borrowing funding loans	799.353	888.617	10.388.520	2.167.959	14.244.449
Bonds issued	-	-	15.203.520	1.408.190	16.611.710
Other liabilities	1.449.828	8.096.694	31.237.736	338.416	41.122.674
Provisions and tax payable	196.403	343.646	1.804.853	2.612.982	4.957.884
Shareholders' equity	1.190.701	2.971.267	24.308.480	1.494.416	29.964.864
<b>TOTAL LIABILITIES</b>	<b>49.899.668</b>	<b>171.705.676</b>	<b>170.921.082</b>	<b>8.371.982</b>	<b>440.292.659</b>
<b>OFF-BALANCE SHEET ITEMS (30 June 2019)</b>					
Guarantees and sureties	49.899.668	25.373.262	16.270.355	-	91.543.285
Commitments	613.658	8.770.427	17.827.224	63.561	27.274.870
Derivative financial instruments	-	13.280.359	83.490.991	-	96.771.350

<sup>(1)</sup> Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ., Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Banka A.D. Beograd and Halk Banka A.D., Skopje transactions are presented under the Treasury / Investment column, Halk Hayat ve Emeklilik AŞ., Halk Sigorta AŞ., Halk Finansal Kiralama AŞ., Halk Faktoring AŞ and Halk Varlık Kiralama AŞ activities presented under the Other column.

<sup>(2)</sup> TFRS 9 Expected Loss Provisions presented in related lines.

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**VII. EXPLANATIONS ON THE CONSOLIDATED BUSINESS SEGMENTATION**  
**(continued)**

<b>Prior Period (1 January-30 June 2018)</b>	<b>Corporate / Commercial</b>	<b>SME/ Integrated</b>	<b>Treasury / Investment<sup>(1)</sup></b>	<b>Other<sup>(1)</sup></b>	<b>Total</b>
<b>OPERATING INCOME / EXPENSES</b>					
<b>Interest income</b>	<b>3.689.447</b>	<b>8.636.525</b>	<b>2.595.445</b>	<b>273.915</b>	<b>15.195.332</b>
Interest on loans	3.688.645	8.448.903	174.169	-	12.311.717
Interest income on marketable securities	-	176.593	2.103.809	28.740	2.309.142
Interest received from banks	-	6	215.563	6	215.575
Other interest income	802	11.023	101.904	245.169	358.898
<b>Interest expense</b>	<b>1.329.350</b>	<b>5.914.761</b>	<b>3.330.788</b>	<b>140.837</b>	<b>10.715.736</b>
Interest on deposits	1.313.612	5.766.646	711.592	-	7.791.850
Interest on borrowings	3.828	16.452	208.344	114.751	343.375
Interest on money market borrowings	-	70.279	1.823.566	6.207	1.900.052
Interest on marketable bonds issued	-	-	547.232	18.877	566.109
Other interest expense	11.910	61.384	40.054	1.002	114.350
<b>Net interest income</b>	<b>2.360.097</b>	<b>2.721.764</b>	<b>(735.343)</b>	<b>133.078</b>	<b>4.479.596</b>
Net fees and commissions income	281.878	460.772	223.766	(96.738)	869.678
Net trading profit / (loss)	6.349	493.652	(425.970)	17.245	91.276
Dividend income	-	-	12.271	392	12.663
Other income	123.354	191.438	176.544	743.317	1.234.653
Expected loss provisions	140.599	452.376	343.734	5.656	942.365
Other expenses	57.839	1.033.448	1.712.425	645.335	3.449.047
<b>Income before taxes</b>	<b>2.573.240</b>	<b>2.381.802</b>	<b>(2.804.891)</b>	<b>146.303</b>	<b>2.296.454</b>
Income tax provision	-	-	(387.738)	(63.308)	(451.046)
<b>Net profit for the period</b>	<b>2.573.240</b>	<b>2.381.802</b>	<b>(3.192.629)</b>	<b>82.995</b>	<b>1.845.408</b>
<b>SEGMENT ASSETS (31 December 2018)</b>					
Marketable securities <sup>(2)</sup>	-	8.756.221	66.702.373	268.409	75.727.003
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 <sup>(2)</sup>	94.240.858	152.062.318	7.973.928	-	254.277.104
Other assets <sup>(2)</sup>	746.613	2.793.595	41.939.409	5.948.514	51,428.131
<b>TOTAL ASSETS</b>	<b>94.987.471</b>	<b>163.716.225</b>	<b>123.300.071</b>	<b>6.217.909</b>	<b>388.221.676</b>
<b>SEGMENT LIABILITIES (31 December 2018)</b>					
Deposits	81.197.300	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	393.832	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	1.184.135	7.070.252	23.963.880	273.130	32.491.397
Provisions and tax payable	246.071	288.821	2.489.232	2.336.094	5.360.218
Shareholders' equity	4.948.569	3.392.443	19.638.194	1.562.034	29,541.240
<b>TOTAL LIABILITIES</b>	<b>87.969.907</b>	<b>158.425.226</b>	<b>133.772.165</b>	<b>8.054.378</b>	<b>388.221.676</b>
<b>OFF-BALANCE SHEET ITEMS (31 December 2018)</b>					
Guarantees and sureties	46.377.673	23.260.633	14.031.669	-	83.669.975
Commitments	966.222	9.648.799	17.107.670	119.546	27,842.237
Derivative financial instruments	-	12.025.139	36.373.536	-	48,398.675

<sup>(1)</sup> Amounts arising from transactions of general directorate and Halk Yatırım Menkul Değerler AŞ., Halk Gayrimenkul Yatırım Ortaklığı AŞ., Halk Banka A.D. Beograd and Halk Banka A.D., Skopje transactions are presented under the Treasury / Investment column, Halk Hayat ve Emeklilik AŞ., Halk Sigorta AŞ., Halk Finansal Kiralama AŞ., Halk Faktoring AŞ and Halk Varlık Kiralama AŞ activities presented under the Other column.

<sup>(2)</sup> TFRS 9 Expected Loss Provisions presented in related lines.



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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 (continued)**

**Overview of Risk Weighted Amounts<sup>(\*)</sup>:**

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk)	276.989.212	252.966.471	22.159.137
2	Standardized approach	276.989.212	252.966.471	22.159.137
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	6.206.862	3.625.642	496.549
5	Standardized approach for counterparty credit risk	6.206.862	3.625.642	496.549
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	7.105.875	3.869.238	568.470
17	Standardized approach	7.105.875	3.869.238	568.470
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)	1.199.918	1.123.427	95.993
24	Floor adjustment	-	-	-
25	<b>Total ( 1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>313.212.264</b>	<b>280.132.781</b>	<b>25.056.981</b>

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

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

**Counterparty Credit Risk (CCR) Approach Analysis:**

	Replacement cost	Potential Future exposure	EEPE(Effective Expected Positive Exposure) <sup>(*)</sup>	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
Standardised Approach - CCR (for derivatives)	1.232.512	512.013		1,4	2.318.151	1.885.828
Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					4.763.805	4.321.034
Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	4.321.034
<b>Total</b>					<b>7.081.956</b>	<b>6.206.862</b>

\*Expected effective positive risk amount

**Capital requirement for credit valuation adjustment (CVA):**

	EAD post-CRM	Risk weight amount
Total portfolios subject to the Advanced CVA capital obligation	-	-
(i) VaR component (including the 3*multiplier)	-	-
(ii) Stressed VaR component (including the 3*multiplier)	-	-
All portfolios subject to the Standardised CVA capital obligation	2.318.151	1.885.828
<b>Total subject to the CVA capital obligation</b>	<b>2.318.151</b>	<b>1.885.828</b>

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

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

<b>Risk weight / Risk Classifications</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	<b>Total Credit Risk</b>
Claims on sovereigns and Central Banks	36.271	-	-	89.803	-	-	-	-	126.074
Claims on regional governments or local authorities	-	-	-	55	-	-	-	-	55
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	8	-	-	8
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	552.364	698.517	-	2.947.095	-	-	4.197.976
Claims on corporates	-	-	-	52	-	2.746.201	-	-	2.746.253
Claims included in the regulatory retail portfolios	-	-	-	-	10.872	-	-	-	10.872
Claims secured by residential property	-	-	-	-	-	-	-	-	-
Overdue loans	-	-	-	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	718	-	-	718
<b>Total</b>	<b>36.271</b>	<b>-</b>	<b>552.364</b>	<b>788.427</b>	<b>10.872</b>	<b>5.694.022</b>	<b>-</b>	<b>-</b>	<b>7.081.956</b>

**Collaterals for Counterparty Credit Risk:**

	<b>Collateral for derivative transactions</b>				<b>Collateral for other transactions</b>	
	<b>Received Collaterals</b>		<b>Given Collaterals</b>		<b>Received Collaterals</b>	<b>Given Collaterals</b>
	<b>Segregated</b>	<b>Nonsegregated</b>	<b>Segregated</b>	<b>Nonsegregated</b>		
Cash-domestic currency	-	8.269	-	439.499	-	-
Cash-foreign currency	-	263.698	-	131.822	114.341	107.536
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>271.967</b>	<b>-</b>	<b>571.321</b>	<b>114.341</b>	<b>107.536</b>

**Counterparty Credit Risk-Credit Derivatives:**

None.

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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 (continued)**

**Exposures to Central Counterparties (CCP):**

	Exposure at default (post-CRM)	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)	-	11.664
Exposures for trades at QCCPs (excluding initial margin and default	10.842	10.842
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	10.842	10.842
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	822	822
Unfunded default fund contributions	-	-
Exposures to non-QCCPs (total)	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which )	-	-
(i) OTC Derivatives	-	-
(ii) Exchange-traded Derivatives	-	-
(iii) Securities financing transactions	-	-
(iv) Netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Pre-funded default fund contributions	-	-
Unfunded default fund contributions	-	-

**Credit Quality of Assets**

		Gross carrying value as per TAS		Allowances/amortisation and impairments <sup>(2)</sup>	Net values
		Defaulted <sup>(1)</sup>	Non-defaulted		
1	Loans	11.686.321	279.556.899	9.858.458	281.384.762
2	Debt Securities <sup>(3)</sup>	-	83.456.596	58.142	83.398.454
3	Off-balance sheet exposures	-	118.818.155	235.458	118.582.697
<b>4</b>	<b>Total</b>	<b>11.686.321</b>	<b>481.831.650</b>	<b>10.152.058</b>	<b>483.365.913</b>

<sup>(1)</sup> In accordance with The Regulation on procedures and principles for classification of Loans and Provisions, the amounts in the table represent receivables defined as non-performing loans.

<sup>(2)</sup> In accordance with The Regulation on procedures and principles for classification of Loans and Provisions, the amounts in the table represent provisions.

<sup>(3)</sup> As of 30 June 2019, TRY 17.036.245 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

**Changes in Stock of Default Loans and Debt Securities**

1	Defaulted loans and debt securities at end of the previous reporting period	9.282.998
2	Loans and debt securities defaulted since the last reporting period	3.874.978
3	Receivables back to performing status	(10.448)
4	Amounts written off	(15.635)
5	Other changes	(748.747)
<b>6</b>	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>12.383.146</b>

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

**Credit Risk Mitigation Techniques- Overview**

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Exposures secured by collateral, of which secured amount	Exposures secured by financial guarantees	Financial guarantees, of which secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which secured amount
1 Loans	136.547.972	143.008.927	90.907.248	23.021.146	19.417.909	-	-
2 Debt Instruments <sup>(*)</sup>	83.398.454	-	-	-	-	-	-
3 Total	219.946.426	143.008.927	90.907.248	23.021.146	19.417.909	-	-
4 Of which defaulted	1.439.601	2.867.621	1.819.140	384.411	372.026	-	-

<sup>(\*)</sup> As of 30 June 2019, TRY 17.036.245 of borrowed securities is not included in Financial Assets at Fair Value through profit or loss.

**Standardised Approach- Credit Risk Exposure and Credit Risk Mitigation Techniques**

Risk Classification	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Claims on sovereigns and Central Banks	105.096.497	427.738	124.798.145	1.482.582	12.244.945	0,10
Claims on regional governments or local authorities	3.333.670	89.996	3.325.733	39.926	1.682.830	0,50
Claims on administrative bodies and other non-commercial undertakings	403.473	400.391	400.964	167.057	568.021	1,00
Claims on multilateral development banks	-	-	88.980	2.449	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	8.022.297	2.512.650	8.022.297	1.805.434	6.287.537	0,64
Claims on corporates	116.176.402	74.380.534	109.011.481	48.266.418	155.714.887	0,99
Claims included in the regulatory retail portfolios	93.326.763	31.533.313	76.285.152	6.512.547	62.098.274	0,75
Claims secured by residential property	39.185.698	2.471.669	39.185.698	1.214.584	14.140.099	0,35
Claims secured by commercial property	27.506.279	4.383.869	27.506.279	2.862.214	15.184.246	0,50
Overdue loans	4.556.321	542.468	4.182.296	222.934	3.225.824	0,73
Higher risk categories decided by the Board	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	22.174.197	944.884	22.173.360	10.805	12.020.715	0,54
Equity share investments	508.663	-	508.663	-	1.228.614	2,42
<b>Total</b>	<b>420.290.260</b>	<b>117.687.512</b>	<b>415.489.048</b>	<b>62.586.950</b>	<b>284.395.992</b>	<b>0,59</b>

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

**Standardised Approach- Claims By Risk Classification And Risk Weights**

<b>Risk Classification/Risk weight amount</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%*</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>%250</b>	<b>Total risk amount (post-CCF and CRM)</b>
Claims on sovereigns and Central Banks	101.805.993	-	-	-	24.459.578	-	15.156	-	-	-	126.280.727
Claims on regional governments or local authorities	-	-	-	-	3.365.659	-	-	-	-	-	3.365.659
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	568.021	-	-	-	568.021
Claims on multilateral development banks	91.429	-	-	-	-	-	-	-	-	-	91.429
Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	3.529.450	-	1.433.268	-	4.865.013	-	-	-	9.827.731
Claims on corporates	-	-	795.064	-	1.853.919	-	154.628.916	-	-	-	157.277.899
Claims included in the regulatory retail portfolios	-	-	-	-	-	82.797.699	-	-	-	-	82.797.699
Claims secured by residential property	-	-	-	40.400.282	-	-	-	-	-	-	40.400.282
Claims secured by commercial property	-	-	-	-	30.368.493	-	-	-	-	-	30.368.493
Overdue loans	-	-	-	16.884	2.588.364	36.263	1.494.087	269.632	-	-	4.405.230
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	28.696	-	-	479.967	508.663
Other receivables	9.704.885	-	538.040	-	-	112.534	11.828.706	-	-	-	22.184.165
<b>Total</b>	<b>111.602.307</b>	<b>-</b>	<b>4.862.554</b>	<b>40.417.166</b>	<b>64.069.281</b>	<b>82.946.496</b>	<b>173.428.595</b>	<b>269.632</b>	<b>-</b>	<b>479.967</b>	<b>478.075.998</b>

\*Secured with real estate mortgage.

**Market Risk: Standardised approach**

	<b>RWA</b>
<b>Outright products</b>	
Interest rate risk (general and specific)	3.013.175
Equity risk (general and specific)	245.325
Foreign exchange risk	3.719.950
Commodity risk	-
<b>Options</b>	
Simplified approach	-
Delta-plus method	127.425
Scenario approach	-
Securitization	-
<b>Total</b>	<b>7.105.875</b>

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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 cash equivalents and the account the Central Bank of the Republic of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.213.537	2.263.708	1.259.820	3.332.074
CBRT	2.803.889	28.124.039	2.723.274	27.815.892
Other <sup>(1)</sup>	-	602.823	-	448.664
<b>Total</b>	<b>4.017.426</b>	<b>30.990.570</b>	<b>3.983.094</b>	<b>31.596.630</b>

<sup>(1)</sup>As of 30 June 2019, required reserve deposits kept in Central Bank of Macedonia amounted TRY 170.561 and amounted TRY 432.249 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 <sup>(1)</sup>	2.656.499	2.008.326	2.470.993	9.347.358
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	2.259.938
Other <sup>(2)</sup>	147.390	26.115.713	252.281	16.208.596
<b>Total</b>	<b>2.803.889</b>	<b>28.124.039</b>	<b>2.723.274</b>	<b>27.815.892</b>

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

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

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TRY, 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%-7% for TRY deposits and other liabilities between 5%-21% 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 2% for the reporting period (announced on 23 October 2018).

With the decision No.1014 dated 20 September 2018 of the TRNC, reserve requirement ratio is between 0,125% -0,65% for foreign currency liabilities and 13% for TRY 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. 76/2018 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	14.374.380	-	14.375.207	-
<b>Total</b>	<b>14.374.380</b>	<b>-</b>	<b>14.375.207</b>	<b>-</b>

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	915.133	-	-	15.763
<b>Total</b>	<b>915.133</b>	<b>-</b>	<b>-</b>	<b>15.763</b>

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	-	112.467	-	204.002
Swap transactions	-	1.118.968	-	857.985
Futures transactions	-	-	-	-
Options	64	303	9	85
Other	-	-	-	-
<b>Total</b>	<b>64</b>	<b>1.231.738</b>	<b>9</b>	<b>1.062.072</b>

(3) Information on banks and other financial institutions:

Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	93.904	102.396	6.675	2.642.815
Foreign banks	101.687	2.642.849	174.717	2.321.964
Branches and offices abroad	-	-	-	-
<b>Total</b>	<b>195.591</b>	<b>2.745.245</b>	<b>181.392</b>	<b>4.964.779</b>



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

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

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

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	3.971.605	177.399	564.582	168.246
<b>Total</b>	<b>3.971.605</b>	<b>177.399</b>	<b>564.582</b>	<b>168.246</b>

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	-	890.739	45.539	392.500
<b>Total</b>	<b>-</b>	<b>890.739</b>	<b>45.539</b>	<b>392.500</b>

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

	Current Period	Prior Period
Debt securities	13.117.630	4.758.820
<i>Quoted on a stock exchange</i>	12.702.804	4.362.283
<i>Not quoted</i>	414.826	396.537
Share certificates	165.115	128.077
<i>Quoted on a stock exchange</i>	121.528	87.532
<i>Not quoted</i>	43.587	40.545
Impairment provision(-)	23.156	22.085
<b>Total</b>	<b>13.259.589</b>	<b>4.864.812</b>

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

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

(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	409.392	-	364.003	-
<b>Toplam</b>	<b>409.392</b>	<b>-</b>	<b>364.003</b>	<b>-</b>

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	202.827.273	11.427.108	79.191	9.518.044
<i>Corporation loans</i>	124.061.548	7.629.071	30.192	9.004.797
<i>Export loans</i>	12.004.054	240.611	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	1.319.338	1.430.000	-	-
<i>Consumer loans <sup>(1)</sup></i>	41.887.637	912.971	42.172	10.892
<i>Credit cards <sup>(2)</sup></i>	5.284.454	435.960	6.827	-
<i>Other</i>	18.270.242	778.495	-	502.355
Specialized lending	49.302.101	1.423.964	-	247
Other receivables	-	-	-	-
Accruals	4.362.666	49.340	1.528	565.437
<b>Total</b>	<b>256.492.040</b>	<b>12.900.412</b>	<b>80.719</b>	<b>10.083.728</b>

<sup>(1)</sup> Includes TRY 319.542 personnel loans.

<sup>(2)</sup> Includes TRY 89.850 personnel credit cards.

	Standard Loans		Loans and Other Receivables Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months Expected Loss	1.333.664	1.037.945	-	-
Significant Increase in Credit Risk	-	-	1.215.078	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<sup>(\*)</sup>:

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Consumer loans-TRY	498.065	38.839.141	39.337.206
<i>Real estate loans</i>	5.304	23.862.409	23.867.713
<i>Automobile loans</i>	3.210	165.541	168.751
<i>Consumer loans</i>	489.551	14.811.191	15.300.742
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	3.035	285.771	288.806
<i>Real estate loans</i>	5	732	737
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	3.030	285.039	288.069
<i>Other</i>	-	-	-
Consumer loans- FC	6.792	1.667.020	1.673.812
<i>Real estate loans</i>	687	622.078	622.765
<i>Automobile loans</i>	64	10.498	10.562
<i>Consumer loans</i>	5.127	954.880	960.007
<i>Other</i>	914	79.564	80.478
Individual credit cards-TRY	3.410.836	902	3.411.738
<i>Installment</i>	1.092.257	902	1.093.159
<i>Non-installment</i>	2.318.579	-	2.318.579
Individual credit cards-FC	539	88.616	89.155
<i>Installment</i>	18	88.616	88.634
<i>Non-installment</i>	521	-	521
Personnel loans-TRY	18.276	250.594	268.870
<i>Real estate loans</i>	-	307	307
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	18.276	250.287	268.563
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	62	3.901	3.963
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	62	3.901	3.963
<i>Other</i>	-	-	-
Personnel loans-FC	474	46.235	46.709
<i>Real estate loans</i>	66	40.133	40.199
<i>Automobile loans</i>	-	135	135
<i>Consumer loans</i>	402	5.868	6.270
<i>Other</i>	6	99	105
Personnel credit cards-TRY	87.988	-	87.988
<i>Installment</i>	28.789	-	28.789
<i>Non-installment</i>	59.199	-	59.199
Personnel credit cards-FC	125	1.737	1.862
<i>Installment</i>	-	1.737	1.737
<i>Non-installment</i>	125	-	125
Overdraft accounts-TRY (Retail customers)	1.160.394	-	1.160.394
Overdraft accounts-FC (Retail customers)	73.649	263	73.912
<b>Total</b>	<b>5.260.235</b>	<b>41.184.180</b>	<b>46.444.415</b>

<sup>(\*)</sup> 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<sup>(\*)</sup> (continued):

<b>Prior Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
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
<b>Total</b>	<b>5.270.286</b>	<b>41.040.468</b>	<b>46.310.754</b>

<sup>(\*)</sup> 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 (\*):

<b>Current Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Commercial installment loans-TRY	1.195.252	35.078.252	36.273.504
<i>Business premises loans</i>	1.211	550.318	551.529
<i>Automobile loans</i>	14.279	383.746	398.025
<i>Consumer loans</i>	1.179.762	34.144.188	35.323.950
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	58.757	193.054	251.811
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	717	717
<i>Consumer loans</i>	-	65.765	65.765
<i>Other</i>	58.757	126.572	185.329
Commercial installment loans - FC	1.021.122	21.152.945	22.174.067
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	295.025	18.468.994	18.764.019
<i>Other</i>	726.097	2.683.951	3.410.048
Corporate credit cards-TRY	2.133.122	-	2.133.122
<i>Installment</i>	703.350	-	703.350
<i>Non-installment</i>	1.429.772	-	1.429.772
Corporate credit cards-FC	41	3.335	3.376
<i>Installment</i>	-	3.335	3.335
<i>Non-installment</i>	41	-	41
Overdraft accounts-TRY (Commercial customers)	2.537.925	-	2.537.925
Overdraft accounts-FC (Commercial customers)	27.287	-	27.287
<b>Total</b>	<b>6.973.506</b>	<b>56.427.586</b>	<b>63.401.092</b>

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

<b>Prior Period</b>	<b>Short-term</b>	<b>Medium and long-term</b>	<b>Total</b>
Commercial installment loans-TRY	1.018.833	26.689.452	27.708.285
<i>Business premises loans</i>	-	601.301	601.301
<i>Automobile loans</i>	13.787	411.033	424.820
<i>Consumer loans</i>	1.005.046	25.677.118	26.682.164
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	55.368	231.986	287.354
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	1.233	1.233
<i>Consumer loans</i>	142	117.988	118.130
<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
<b>Total</b>	<b>6.333.114</b>	<b>45.590.606</b>	<b>51.923.720</b>

\*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<sup>(\*)</sup>:

	<b>Current Period</b>	<b>Prior Period</b>
Domestic loans	271.683.894	247.171.753
Foreign loans	7.873.005	6.976.099
<b>Total</b>	<b>279.556.899</b>	<b>254.147.852</b>

<sup>(\*)</sup>Non-performing loan amounts are excluded.

f) Loans granted to subsidiaries and associates:

None.

g) Credit-impaired losses (Stage III):

	<b>Current Period</b>	<b>Current Period</b>
Loans and receivables with limited collectability	1.285.106	834.885
Loans and receivables with doubtful collectability	1.148.257	628.542
Uncollectible loans and receivables	5.423.176	5.319.127
<b>Total</b>	<b>7.856.539</b>	<b>6.782.554</b>

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

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and</b>	<b>Loans and</b>	<b>Uncollectible</b>
	<b>receivables with</b>	<b>receivables with</b>	<b>loans and</b>
	<b>limited</b>	<b>doubtful</b>	<b>receivables</b>
	<b>collectability</b>	<b>collectability</b>	
<b>Current period</b>			
Gross amounts before the specific provisions	155.064	134.248	1.352.940
Rescheduled loans and other receivables	155.064	134.248	1.352.940
<b>Prior period</b>			
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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**I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)**

(5) Information on loans (continued):

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period</b>			
Prior period end balance	1.807.751	1.259.139	6.216.108
Additions (+)	3.312.672	210.849	351.457
Transfers from other categories of loans under follow-up (+)	-	2.140.185	1.179.703
Transfers to other categories of loans under follow-up (-)	2.174.179	1.145.709	-
Collections (-)	219.361	236.316	303.518
Write-offs (-)	-	-	14.707
Sold (-)	-	-	928
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	928
<b>Current period end balance</b>	<b>2.726.883</b>	<b>2.228.148</b>	<b>7.428.115</b>
Provision (-)	1.285.106	1.148.257	5.423.176
<b>Net balance on balance sheet</b>	<b>1.441.777</b>	<b>1.079.891</b>	<b>2.004.939</b>

\* Non-performing loans from leasing and factoring receivables are included.

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period:</b>			
Balance at the end of the period	1.216.486	631.137	2.683.728
Provisions (-)	786.473	361.743	1.657.332
<b>Net balance in the balance sheet</b>	<b>430.013</b>	<b>269.394</b>	<b>1.026.396</b>
<b>Prior Period:</b>			
Balance at the end of the period	653.299	291.437	2.304.979
Provisions (-)	347.223	175.060	2.062.220
<b>Net balance in the balance sheet</b>	<b>306.076</b>	<b>116.377</b>	<b>242.759</b>

\* Non-performing loans 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):

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current period (Net)</b>	<b>1.441.777</b>	<b>1.079.891</b>	<b>2.004.939</b>
Loans granted to real persons and legal entities (Gross)	2.726.883	2.228.148	7.428.115
Provisions (-)	1.285.106	1.148.257	5.423.176
<b>Loans to granted real persons and legal entities (Net)</b>	<b>1.441.777</b>	<b>1.079.891</b>	<b>2.004.939</b>
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior period (Net)</b>	<b>972.866</b>	<b>630.597</b>	<b>896.981</b>
Loans granted to real persons and legal entities (Gross)	1.807.751	1.259.139	6.216.108
Specific provisions (-)	834.885	628.542	5.319.127
<b>Loans to granted real persons and legal entities (Net)</b>	<b>972.866</b>	<b>630.597</b>	<b>896.981</b>
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
<b>Other loans and receivables (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* Non-performing loans from leasing and factoring receivables are included.

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>Current Period (Net)</b>	<b>260.842</b>	<b>118.277</b>	<b>111.114</b>
Interest Accruals and Valuation Differences	515.500	284.238	320.236
Provision (-)	254.658	165.961	209.122

(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:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Bills	-	-	-	-
Government bonds and similar securities	3.676.778	10.026.454	37.236.634	2.464.985
Other	-	-	10.110	-
<b>Total</b>	<b>3.676.778</b>	<b>10.026.454</b>	<b>37.246.744</b>	<b>2.464.985</b>



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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	42.372.775	7.485.126	2.194.216	8.214.062
<b>Total</b>	<b>42.372.775</b>	<b>7.485.126</b>	<b>2.194.216</b>	<b>8.214.062</b>

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

	Current Period	Prior Period
Government bonds	69.759.668	56.057.685
Treasury bills	226.398	196.413
Other public sector debt securities	10.590	15.610
<b>Total</b>	<b>69.996.656</b>	<b>56.269.708</b>

c) Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Debt securities	70.058.272	56.331.345
<i>Quoted on a stock exchange</i>	69.831.874	56.134.932
<i>Not quoted</i>	226.398	196.413
Impairment provision (-)	-	-
<b>Total</b>	<b>70.058.272</b>	<b>56.331.345</b>

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	988.468	2.031.757
Purchases during the year <sup>(1)</sup>	16.092.867	39.018.124
Disposals through sales and redemptions	(3.354.408)	(6.705.635)
Impairment provision (-)	-	-
<b>Balance at the end of the period</b>	<b>70.058.272</b>	<b>56.331.345</b>

<sup>(1)</sup> Interest income accrual differences between 30 June 2019 amounting to TRY 8.854.220 and 31 December 2018 amounting to TRY 5.458.441 has been included in purchases row.

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

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

(7) Information on associates (Net):

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

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

b) Information on unconsolidated associates:

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

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

Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value
1. 286.943	178.113	193.762	7.642	-	14.616	22.018	-
2. 126.652	82.384	59.192	2.555	-	17.418	8.630	-

<sup>(1)</sup> The financial data is obtained from 30 June 2019 unreviewed financial statements used in consolidation.

<sup>(2)</sup> The financial data is obtained from 30 June 2019 reviewed financial statements used in consolidation.

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 <sup>(1)</sup>:

Total Assets	Shareholders' equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit /Loss	Prior Period Profit / Loss	Fair Value <sup>(2)</sup>
1. 10.110.523	1.510.292	27.901	173.797	1.343	50.730	44.160	449.383
2. 52.275	51.405	65	2.914	-	1.346	368	-
3. 77.009	17.936	1.746	747	-	3.627	1.938	-

<sup>(1)</sup> The financial data is obtained from 30 June 2019 financial statements used in consolidation.

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

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the beginning of the period	458.722	353.138
Movements during the period	23.358	105.584
<i>Purchases</i>	-	375
<i>Bonus shares obtained profit from current year's share</i>	875	3.032
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfers</i>	-	-
<i>Revaluation decrease (-) / increase</i>	22.483	102.177
<i>Impairment Provisions (-) / Reversals</i>	-	-
<b>Balance at the end of the period</b>	<b>482.080</b>	<b>458.722</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

d) Sectorial information and related carrying amounts of associates:

	<b>Current Period</b>	<b>Prior Period</b>
Banks	453.088	431.547
Insurance companies	3.587	2.069
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	16.053	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 <sup>(1)</sup>:

	Halk Yatırım Menkul Değerler AŞ	Halk Sigorta AŞ	Halk Hayat ve Emeklilik AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka AD, Skopje	Halk Faktoring AŞ	Halk Bank AD, Beograd	Halk Varlık Kiralama AŞ	Halk Osiguruvanje AD, Skopje
<b>CORE CAPITAL</b>										
Paid in Capital	104.000	349.000	412.000	928.000	323.000	452.226	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	26.973	131.559	75.495	14.959	272.515	15.008	260.363	622	52.515
Other Comprehensive Income according to TAS	10.091	-	-	711.994	-	8.675	10	16.084	-	3.946
<b>Profit / Loss</b>	<b>32.845</b>	<b>36.447</b>	<b>200.309</b>	<b>21.050</b>	<b>(121.656)</b>	<b>28.337</b>	<b>23.798</b>	<b>12.694</b>	<b>699</b>	<b>(24.432)</b>
<i>Net Profit</i>	<i>32.845</i>	<i>101.683</i>	<i>175.775</i>	<i>21.050</i>	<i>564</i>	<i>24.161</i>	<i>3.822</i>	<i>12.694</i>	<i>474</i>	<i>(5.954)</i>
<i>Prior Period Profit/Loss</i>	<i>-</i>	<i>(65.236)</i>	<i>24.534</i>	<i>-</i>	<i>(122.220)</i>	<i>4.176</i>	<i>19.976</i>	<i>-</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 (-)	-	435	13.983	-	95	-	-	-	-	-
Leasehold Improvements (-)	-	-	297	2.819	-	10.361	-	7.115	-	-
Intangible Assets (-)	1.002	3.942	2.329	328	1.686	5.459	858	13.999	4	-
<b>Total Core Capital</b>	<b>169.424</b>	<b>408.144</b>	<b>727.259</b>	<b>1.783.337</b>	<b>214.522</b>	<b>757.566</b>	<b>133.958</b>	<b>580.426</b>	<b>757.566</b>	<b>69.211</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29.938</b>	<b>22.806</b>	<b>39.445</b>	<b>6.489</b>	<b>22.806</b>	<b>-</b>
<b>CAPITAL</b>	<b>169.424</b>	<b>408.144</b>	<b>727.259</b>	<b>1.783.337</b>	<b>244.460</b>	<b>780.372</b>	<b>173.403</b>	<b>586.915</b>	<b>780.372</b>	<b>69.211</b>
<b>NET AVAILABLE CAPITAL</b>	<b>169.424</b>	<b>408.144</b>	<b>727.259</b>	<b>1.783.337</b>	<b>244.460</b>	<b>780.372</b>	<b>173.403</b>	<b>586.915</b>	<b>780.372</b>	<b>69.211</b>

<sup>(1)</sup> The information is obtained from companies' financial statements as of 30 June 2019 which used in consolidation.

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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 (continued):

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 <sup>(1)</sup>	İstanbul	100,00	100,00				
Total assets	Shareholders' equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair Value
1. 62.607	43.424	7.927	4.094	-	8.538	3.086	57.146

<sup>(1)</sup> Bileşim Alternatif Dağıtım Kan. A.Ş.'s financial information of is presented by using 30 June 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 <sup>(2,3)</sup>	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<sup>(1)</sup>:

	Total Shareholders' assets	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair value
1.	724.587	170.426	8.748	66.487	3.491	32.845	227.604
2.	2.757.371	412.086	13.871	182.127	31.208	101.683	492.895
3.	1.373.938	729.885	11.908	126.243	9.915	175.775	1.525.530
4.	2.134.425	1.760.322	1.366.476	1.292	-	21.050	507.620
5.	3.447.968	216.208	3.536	160.546	-	564	469.552
6.	5.241.836	773.386	127.475	99.342	6.441	24.161	767.220
7.	1.312.306	134.816	3.020	168.087	-	3.822	138.296
8.	3.372.537	601.540	89.984	62.242	7.804	12.694	440.605
9.	1.158.971	1.421	4	-	-	474	1.800
10.	71.396	69.211	15.081	173	53	(5.954)	37.414

<sup>(1)</sup> The financial data is obtained from 30 June 2019 financial statements used in consolidation.

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

<sup>(3)</sup> 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:

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the beginning of the period (before elimination)	4.332.481	3.626.708
Movements during the period	315.133	705.773
<i>Purchase<sup>(1)(2)</sup></i>	109.320	310.098
<i>Bonus shares obtained profit from current year's share</i>	171.789	266.211
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	-	-
<i>Transfer<sup>(4)</sup></i>	-	(39.375)
<i>Revaluation (increase) / (decrease)</i>	(5.964)	236.002
<i>Reversals / Provisions(-) for impairment</i>	24.957	(161.627)
<i>Currency Differences on Valuation of Foreign Subsidiaries</i>	15.031	94.464
Share capital elimination of subsidiaries	(4.590.468)	(4.275.335)
<b>Balance at the end of the period</b>	<b>57.146</b>	<b>57.146</b>
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

<sup>(1)</sup>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%.

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Banks	1.207.825	987.369
Insurance companies	2.018.425	2.018.424
Factoring companies	138.296	138.296
Leasing companies	469.552	469.553
Financing companies	-	-
Other financial subsidiaries	737.024	661.693
Other non-financial subsidiaries	57.146	57.146

f) Subsidiaries quoted in the stock exchange:

	<b>Current Period</b>	<b>Prior Period</b>
Quoted to domestic stock <sup>(1), (2)</sup>	1.000.515	925.185
Quoted foreign stock exchange	-	-

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

<sup>(2)</sup>The 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	1.249.356	987.812	1.285.510	1.020.557
Between 1-4 years	1.844.629	1.400.831	1.830.927	1.420.539
More than 4 years	558.473	437.385	648.917	472.097
<b>Total</b>	<b>3.652.458</b>	<b>2.826.028</b>	<b>3.765.354</b>	<b>2.913.193</b>

b) Information on net investments of financial lease:

	Current Period	Prior Period
Gross financial lease investment	3.652.458	3.765.354
Unearned revenues from financial lease	(826.430)	(852.161)
<b>Total</b>	<b>2.826.028</b>	<b>2.913.193</b>

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

	Current Period	Prior Period
Financial lease receivables with limited collectability	12.527	265.322
Financial lease receivables with doubtful collectability	74.414	5.280
Uncollectible financial lease receivables	554.539	303.801
Specific Provisions	(446.857)	(406.329)
<b>Total</b>	<b>194.623</b>	<b>168.074</b>

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

None.

(12) Information on investment property:

	Current Period	Prior Period
<b>Cost:</b>		
<b>Opening Balance</b>	<b>1.057.058</b>	<b>988.280</b>
Acquisitions	22.918	74.894
Transfer	29.460	-
Disposals (-)	391	6.116
Impairment Provisions (-)	-	-
<b>Ending Balance</b>	<b>1.109.045</b>	<b>1.057.058</b>
<b>Accumulated Depreciation (-)</b>		
<b>Opening Balance</b>	<b>83.657</b>	<b>77.902</b>
Amortization Charge (-)	-	-
Additions	2.713	5.835
Disposals (-)	-	-
Impairment Provisions (-)	-	80
Transfer	434	-
<b>Ending Balance</b>	<b>86.804</b>	<b>83.657</b>
<b>Net Book Value</b>	<b>1.022.241</b>	<b>973.401</b>



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**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:

	<b>Current Period<sup>(*)</sup></b>	<b>Prior Period</b>
Cost	2.656	9.593
Accumulated Depreciation (-)	-	-
<b>Net book value</b>	<b>2.656</b>	<b>9.593</b>
<b>Opening Balance</b>		
Transfer (net)	<b>9.593</b>	<b>790</b>
Disposals (net)	-	8.907
Revaluation Increase	(6.937)	(104)
Impairment (-) / Reversal	-	-
Depreciation (-)	-	-
<b>Closing net book value</b>	<b>-</b>	<b>-</b>
	<b>2.656</b>	<b>9.593</b>

<sup>(\*)</sup> 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 5.152.833 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) Information on deposit / funds collected:

**Current period:**

	<b>Demand</b>	<b>7 day call accounts</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6 months year</b>	<b>1 year and over</b>	<b>Cumulative deposits</b>	<b>Total</b>
Saving deposits	7.661.366	-	2.165.352	37.860.431	8.500.414	1.438.411	2.129.173	109.720	59.864.867
Foreign currency deposits	20.376.073	-	15.519.856	69.854.169	5.696.361	3.232.998	7.279.624	11.717	121.970.798
<i>Residents in Turkey</i>	15.427.164	-	10.333.324	65.148.423	4.836.562	1.750.979	3.763.651	11.190	101.271.293
<i>Residents abroad</i>	4.948.909	-	5.186.532	4.705.746	859.799	1.482.019	3.515.973	527	20.699.505
Public sector deposits	3.158.079	-	1.945.152	3.333.999	1.205.240	208.255	14.374	-	9.865.099
Commercial inst. Deposits	6.011.267	-	6.092.312	12.235.366	1.977.950	769.440	451.844	-	27.538.179
Other inst. Deposits	814.863	-	240.885	4.334.658	4.889.549	1.066.562	2.486.405	-	13.832.922
Precious metals	4.090.172	-	4.919	642.144	41.305	30.290	42.025	-	4.850.855
Interbank deposits	10.059.726	-	6.424.670	10.561.778	892.964	9.340	110.385	-	28.058.863
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	102.896	-	5.126.658	6.345.949	368.435	6.246	7.055	-	11.957.239
<i>Foreign banks</i>	9.941.867	-	107.896	3.928.264	2.685	3.094	103.330	-	14.087.136
<i>Participation banks</i>	14.963	-	1.190.116	287.565	521.844	-	-	-	2.014.488
<b>Total</b>	<b>52.171.546</b>	<b>-</b>	<b>32.393.146</b>	<b>138.822.545</b>	<b>23.203.783</b>	<b>6.755.296</b>	<b>12.513.830</b>	<b>121.437</b>	<b>265.981.583</b>

**Prior period:**

	<b>Demand</b>	<b>7 day call accounts</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-6 months</b>	<b>6 months year</b>	<b>1 year and over</b>	<b>Cumulative deposits</b>	<b>Total</b>
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>	11.003.321	-	6.712.391	50.232.576	6.849.844	1.790.411	3.681.216	10.784	80.280.543
<i>Residents abroad</i>	2.893.871	-	2.199.413	3.551.493	819.612	1.610.622	3.114.506	484	14.190.001
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>	116.071	-	370.152	6.526.936	17.765	4.116	6.247	-	7.041.287
<i>Foreign banks</i>	20.064.688	-	107.566	2.190.002	2.860	34.098	131.871	-	22.531.085
<i>Participation banks</i>	492.971	-	474.976	318.830	159.245	-	-	-	1.446.022
<b>Total</b>	<b>53.092.113</b>	<b>-</b>	<b>24.506.517</b>	<b>136.060.941</b>	<b>17.938.692</b>	<b>10.244.213</b>	<b>8.623.841</b>	<b>113.203</b>	<b>250.579.520</b>

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

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

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

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

b.1. Amounts exceeding insurance limit:

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

Saving deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	29.892.452	29.259.703	29.701.530	32.011.973
Foreign currency saving deposits	16.151.052	12.245.300	41.385.184	32.691.865
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	349.212	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	231.585	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	5.939	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	-	158.799	-	98.283
Swap transactions	-	427.226	-	302.066
Future transactions	-	-	-	-
Options	70	1.602	16	9.974
Other	-	-	-	-
<b>Total</b>	<b>70</b>	<b>587.627</b>	<b>16</b>	<b>410.323</b>

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

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

(3) Information on funds borrowed:

a) Information on Banks and other financial instruments:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	1.095.999	2.458.924	1.116.624	2.396.533
Foreign banks, institutions and funds	130.962	10.558.564	170.000	11.591.323
<b>Total</b>	<b>1.226.961</b>	<b>13.017.488</b>	<b>1.286.624</b>	<b>13.987.856</b>

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	1.226.609	1.800.072	1.285.939	2.666.516
Medium and long-term	352	11.217.416	685	11.321.340
<b>Total</b>	<b>1.226.961</b>	<b>13.017.488</b>	<b>1.286.624</b>	<b>13.987.856</b>

(4) Marketable securities issued (Net):

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bills	3.625.025	-	2.164.993	-
Assets Backed Securities	2.163.280	-	1.951.469	-
Bonds	636.680	10.186.725	204.912	12.024.839
<b>Total</b>	<b>6.424.985</b>	<b>10.186.725</b>	<b>4.321.374</b>	<b>12.024.839</b>

(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	67	29	-	-
1 - 4 years	44	39	116	85
More than 4 years	-	-	-	-
<b>Total</b>	<b>111</b>	<b>68</b>	<b>116</b>	<b>85</b>

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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	46.010	44.728	-	-
1 - 4 years	321.563	288.450	-	-
More than 4 years	546.032	325.478	-	-
<b>Total</b>	<b>913.605</b>	<b>658.656</b>	-	-

(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 30 June 2019 the Parent Bank does not have an amount of the currency differences on foreign currency indexed loans and finance lease receivables (31 December 2018: None).

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

As of 30 June 2019, the Group's specific provision for unindemnified non-cash loans balance is TRY 73.791 (31 December 2018: TRY 169.431).

c) Information on other provisions:

Total other provision balance amounting to TRY 398.166 (31 December 2018: TRY 1.025.015) consists of TRY 73.791 (31 December 2018: TRY 169.431) for specific provisions of unindemnified and unfunded non cash loans, TRY 161.671 (31 December 2018: TRY 198.158) for expected loss amount of non-cash loans, TRY 82.524 (31 December 2018: TRY 129.210) for legal cases filed against the Group, and TRY 80.180 (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 30 June 2019, the Group's corporate tax payable is amounting to TRY 38.278 and accounted 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	38.278	44.287
Income on securities tax	619.497	419.083
Property income tax	2.105	1.879
Banking and insurance transactions tax (BITT)	179.465	188.173
Foreign exchange transactions tax	6.880	13
Value added tax payable	4.174	6.176
Other	97.050	42.338
<b>Total</b>	<b>947.449</b>	<b>701.949</b>

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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:

	<b>Current Period</b>	<b>Prior Period</b>
Social insurance premiums-employee	2.232	740
Social insurance premiums-employer	4.274	1.329
Bank social aid pension fund premium-employee	34.722	12.674
Bank social aid pension fund premium-employer	48.320	17.609
Pension fund membership fees-and provisions-employee	-	-
Pension fund membership fees-and provisions-employer	-	-
Unemployment insurance-employee	2.659	973
Unemployment insurance-employer	5.391	1.933
Other	1.306	465
<b>Total</b>	<b>98.904</b>	<b>35.723</b>

b) Information deferred tax liability:

	<b>Current Period</b>	<b>Prior Period</b>
<b>Deferred Tax (Asset) /Liability</b>		
Provisions <sup>(1)</sup>	815.881	839.231
Revaluation of Financial Assets	(1.804.833)	(1.632.153)
Other	879.470	435.507
<b>Deferred Tax (Asset) /Liability<sup>(2):</sup></b>	<b>(109.482)</b>	<b>(357.415)</b>
<b>Deferred tax accounted under shareholders' equity</b>	<b>(21.041)</b>	<b>(56.923)</b>
Fair value through other comprehensive income arising from securities	128.478	92.596
Actuarial gains/losses	(2.319)	(2.319)
Valuation of subsidiaries	-	-
Property revaluation	(147.200)	(147.200)

<sup>(1)</sup>Provisions are comprised of the employee termination benefits and other provisions.

<sup>(2)</sup> Net deferred tax liability represents TRY 109.482 deferred tax liability consists of deferred tax assets which amounting to TRY 72.350 and deferred tax liabilities amounting to TRY 181.832

(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<sup>(\*)</sup>:

<b>Information on Subordinated Loans</b>	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
To be included in the calculation of additional capital borrowings instruments	-	5.908.897	-	-
Subordinated loans	-	5.908.897	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.178.449	-	6.182.084	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.178.449	-	6.182.084	-
<b>Total</b>	<b>6.178.449</b>	<b>5.908.897</b>	<b>6.182.084</b>	<b>-</b>

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

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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)**

(11) Information on shareholders' equity:

a) Presentation of paid-in capital:

	<b>Current Period</b>	<b>Prior Period</b>
Common stock	1.250.000	1.250.000
Preferred stock	-	-

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

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

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

None.

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

None.

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

None.

f) Information on the Parent Bank's acquired shares:

The Parent Bank has repurchased shares amounting to TRY 262.384 shares within the scope of the Board of directors' decision dated 29 August 2018.

g) 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.

h) Information on preferred shares:

None.

i) Information on marketable securities revaluation fund:

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
From subsidiaries, associates and jointly controlled entities (joint ventures)	18.272	1.676	18.272	1.081
Valuation differences	18.272	1.676	18.272	1.081
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	16.608	(121.649)	(39.253)	(156.060)
Valuation differences	16.608	(121.649)	(39.253)	(156.060)
Exchange rate difference	-	-	-	-
<b>Total</b>	<b>34.880</b>	<b>(119.973)</b>	<b>(20.981)</b>	<b>(154.979)</b>

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

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

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

<b>Types of irrevocable commitments</b>	<b>Current Period</b>	<b>Prior Period</b>
Commitments for credit card expenditure limits	13.693.031	12.728.944
Payment commitments for cheques	3.314.963	2.661.413
Loan granting commitments	2.687.713	4.690.580
Two days forward foreign exchange buy/sell transactions	1.001.031	2.036.669
Commitments for credit cards and banking services promotions	29.203	31.409
Tax and fund liabilities from export commitments	73.060	65.280
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	4.079.914	3.983.131
<b>Total</b>	<b>24.878.915</b>	<b>26.197.426</b>

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of credit	3.887.658	3.230.210
Bank acceptances	8.034.137	7.050.260
Other guarantees	2.459.798	1.991.690
<b>Total</b>	<b>14.381.593</b>	<b>12.272.160</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Letters of certain guarantees	16.780.605	17.020.690
Letters of advance guarantees	5.735.245	6.136.162
Letters of tentative guarantees	957.828	819.908
Letters of guarantee given to customs offices	1.775.853	1.742.509
Other letters of guarantee	51.912.161	45.678.546
<b>Total</b>	<b>77.161.692</b>	<b>71.397.815</b>

b.3. Total non-cash loans:

	<b>Current Period</b>	<b>Prior Period</b>
Non-cash loans for providing cash loans	8.571.832	7.320.589
<i>Within one year or less original maturity</i>	2.424.272	2.486.270
<i>Within more than one year maturity</i>	6.147.560	4.834.319
Other non-cash loans	82.971.453	76.349.386
<b>Total</b>	<b>91.543.285</b>	<b>83.669.975</b>

c) Information on contingent liabilities and assets:

Group's commitments for the cheques given to customers are TRY 3.314.963 (31 December 2018: TRY 2.661.413).

d) Services provided on behalf of others:

None.



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

**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
<b>Interest on loans<sup>(1)</sup></b>				
Short term loans	4.913.047	295.127	3.084.343	133.584
Medium and long term loans	9.567.014	2.711.309	6.949.710	2.038.419
Interest on non-performing loans	329.115	197	104.124	1.537
Premiums from resource utilization support fund	-	-	-	-
<b>Total</b>	<b>14.809.176</b>	<b>3.006.633</b>	<b>10.138.177</b>	<b>2.173.540</b>

<sup>(1)</sup> Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
CBRT	158.231	26.945	122.613	28.502
Domestic banks	43.388	2.640	49.460	9.241
Overseas banks	11.127	17.421	3.093	2.666
Head office and branches	-	-	-	-
<b>Total</b>	<b>212.746</b>	<b>47.006</b>	<b>175.166</b>	<b>40.409</b>

c) Interest income from marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	9.575	734	7.160	198
Financial Assets at Fair Value through Other Comprehensive Income	669.413	78.761	30.033	53.926
Financial Assets Measured at Amortized Cost	3.699.284	381.121	2.001.825	216.000
<b>Total</b>	<b>4.378.272</b>	<b>460.616</b>	<b>2.039.018</b>	<b>270.124</b>

d) Interest income from subsidiaries and associates:

None.

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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)**

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	95.844	161.303	106.781	228.132
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	85.993	47.509	81.893	30.610
<i>Overseas banks</i>	9.851	113.794	24.888	197.522
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	6	9.630	7	8.455
<b>Total</b>	<b>95.850</b>	<b>170.933</b>	<b>106.788</b>	<b>236.587</b>

b) Interest expenses given to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses given to subsidiaries and associates	9.744	6.069

c) Information on interest expenses given to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	864.249	337.776	329.037	237.072
<b>Total</b>	<b>864.249</b>	<b>337.776</b>	<b>329.037</b>	<b>237.072</b>

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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)**

(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			
<b>TRY</b>									
Bank deposits	304	469.777	497.168	9.402	1.332	-	-	-	977.983
Saving deposits	26	241.269	4.226.026	410.371	205.196	89.436	6.409	-	5.178.733
Public deposits	40	206.063	343.938	96.476	44.595	1.693	-	-	692.805
Commercial deposits	13	966.510	1.331.682	122.981	146.313	43.843	-	-	2.611.342
Other deposits	2	52.117	486.579	431.300	109.192	69.234	-	-	1.148.424
7 days call accounts	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>385</b>	<b>1.935.736</b>	<b>6.885.393</b>	<b>1.070.530</b>	<b>506.628</b>	<b>204.206</b>	<b>6.409</b>	<b>-</b>	<b>10.609.287</b>
<b>Foreign currency</b>									
Deposits	589	189.220	969.730	96.892	47.697	86.978	-	-	1.391.106
InterBank deposits	662	136.647	100	-	237	-	-	-	137.646
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	12	3.451	210	288	516	-	-	4.477
<b>Total</b>	<b>1.251</b>	<b>325.879</b>	<b>973.281</b>	<b>97.102</b>	<b>48.222</b>	<b>87.494</b>	<b>-</b>	<b>-</b>	<b>1.533.229</b>
<b>Grand total</b>	<b>1.636</b>	<b>2.261.615</b>	<b>7.858.674</b>	<b>1.167.632</b>	<b>554.850</b>	<b>291.700</b>	<b>6.409</b>	<b>-</b>	<b>12.142.516</b>

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			
<b>TRY</b>									
Bank deposits	279	202.089	172.555	13.676	108	-	-	-	388.707
Saving deposits	3	55.597	2.780.433	99.268	23.916	21.934	4.967	-	2.986.118
Public deposits	95	100.802	245.779	43.461	283.028	2.336	-	-	675.501
Commercial deposits	9	360.278	1.409.099	129.473	110.002	16.419	-	-	2.025.280
Other deposits	-	44.623	526.035	76.410	57.448	1.280	-	-	705.796
7 days call accounts	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>386</b>	<b>763.389</b>	<b>5.133.901</b>	<b>362.288</b>	<b>474.502</b>	<b>41.969</b>	<b>4.967</b>	<b>-</b>	<b>6.781.402</b>
<b>Foreign currency</b>									
Deposits	246	48.799	669.139	42.635	49.834	56.241	172	-	867.066
InterBank deposits	10	141.519	259	8	21	251	86	-	142.154
7 days call accounts	-	-	-	-	-	-	-	-	-
Precious metal	-	20	835	66	109	198	-	-	1.228
<b>Total</b>	<b>256</b>	<b>190.338</b>	<b>670.233</b>	<b>42.709</b>	<b>49.964</b>	<b>56.690</b>	<b>258</b>	<b>-</b>	<b>1.010.448</b>
<b>Grand total</b>	<b>642</b>	<b>953.727</b>	<b>5.804.134</b>	<b>404.997</b>	<b>524.466</b>	<b>98.659</b>	<b>5.225</b>	<b>-</b>	<b>7.791.850</b>

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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)**

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Profit</b>	<b>27.263.760</b>	<b>16.221.109</b>
Profit from the capital market transactions	38.399	24.784
Profit from derivative financial transactions	5.419.762	1.989.883
Foreign exchange gains	21.805.599	14.206.442
<b>Loss (-)</b>	<b>29.073.935</b>	<b>16.129.833</b>
Loss from the capital market transactions	6.448	9.297
Loss from derivative financial transactions	5.450.880	1.666.337
Foreign exchange losses	23.616.607	14.454.199

(4) Information on other operating income:

	<b>Current Period</b>	<b>Prior Period</b>
Adjustments for prior period expenses	1.784.729	299.522
Insurance technical income	866.850	741.662
Income from the asset sale	44.058	51.982
Rent income	33.328	26.950
Other income	125.257	100.737
<b>Total</b>	<b>2.854.222</b>	<b>1.220.853</b>

(5) Group's impairment losses on loans and other receivables:

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Losses	2.591.219	942.365
12 Month Expected Credit Loss (Stage 1)	289.628	133.460
Significant Increase in Credit Risk (Stage 2)	180.422	210.037
Non – Performing Loans (Stage 3)	2.121.169	598.868
Marketable Securities Impairment Provision	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	5.931	103.336
<b>Total</b>	<b>2.597.150</b>	<b>1.045.701</b>

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**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	54.984	54.631
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	176.020	66.446
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	25.592	29.097
Impairment expense for equity shares subject to the equity method	-	-
Impairment expense of assets that will be disposed of	-	-
Amortization expenses of assets that will be disposed of	5.315	7.394
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	990.886	1.195.010
<i>Leasing Expenses on TFRS 16 Exceptions</i>	48.314	134.726
<i>Maintenance expenses</i>	30.934	20.780
<i>Advertisement expenses</i>	108.563	85.435
<i>Other expenses</i>	803.075	954.069
Loss on sales of assets	24	1.511
Other	1.116.642	732.986
<b>Total</b>	<b>2.369.463</b>	<b>2.087.075</b>

(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 4.506.038 of net interest income and TRY 1.291.733 of net fees and commissions income. The Group's profit from continuing operations before tax of the is amounting to TRY 477.956.

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

For the period then ended 30 June 2019, the Group's tax provision amounting to TRY 122.420 consists of TRY 89.631 of current tax charge and TRY 550.524 of deferred tax charge, TRY 762.575 of deferred tax income.

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

For the period ended 30 June 2019, net operating income after tax is TRY 600.376.

(10) Information on net Profit or Loss:

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

**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:

The Parent Bank's 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
<b>Deposits</b>						
Beginning balance	42.260	21.542	-	-	-	-
Closing Balance	39.991	42.260	-	-	-	-
Interest expense on deposits	4.159	477	-	-	-	-

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	39.991	%0,02
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 of the Group are TRY 16.484 as of 30 June 2019 (30 June 2018: TRY 14.210).

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

**VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS**

None.

**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. Defendant former director was released on 19 July 2019. The appeal process of the case still continues.

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”.

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**SECTION VI: AUDITORS' REVIEW REPORT**

**I. EXPLANATIONS ON INDEPENDENT AUDITORS' REVIEW REPORT**

The Parent Bank's publicly available consolidated interim financial statements and footnotes as of 30 June 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 8 August 2019 is presented in front of the financial statements.

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.



**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT**

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

**Assessment of Chairman of the Board of Directors**

Esteemed Stakeholders,

Economics is influenced by the analysis of financial data as well as by the observation of social conditions and the complex world of politics. In this sense, we see that 2019 is a very difficult period for economists with its different variables. Improvements and or deterioration in trade and political relations between countries create continuous uncertainty and fluctuation in financial data. Both international investors and countries waiting for investment are trying to find the best position to protect themselves.

In this process, we observe that the Federal Reserve cut interest rates affecting the markets positively. The European Central Bank has taken steps to support the Fed's monetary policy and this will ease pressure on the exchange rate. It is expected that risks in foreign trade will decrease with the bilateral talks between the United States and China at the G20 summit and the growth expectations of the countries will be affected positively.

We believe that companies in Turkey should actively monitor these developments and turn towards high value-added production to meet the external demand, likely to increase in the near future, by balancing their profit and loss statements. In this period of inflation stabilization, domestic demand will increase again; however, in the context of our country's export-oriented growth strategy, we believe that our companies should continue their foreign exchange-earning activities.

The fact that SMEs are widespread in our country is an important opportunity in this direction. SMEs are able to adapt to international competition more rapidly with their flexible production and financing conditions. The Turkish banking system, primarily our state banks, while continuing to be the cash guarantor of SMEs will also be an important factor that will contribute to our economic growth.

I believe that we demonstrated our resolve in this matter with the performance we achieved in the first half of the year. In the second half of the year, we will continue to provide strong support to the business world to the extent allowed by the recovering market indicators. The post-election agenda and the business world concentrating on its own agenda will increase the acceleration of economic growth.

In addition to the products and services we provide within the scope of our banking activities, we will continue to support our country through our efforts in line with our social responsibility principle. We will increase our efforts primarily for the education of children and youth, who are the foundation of our future, in accordance with the requirements of the modern world, so that they can display their talents in culture, art and sports.

We are not an institution that establishes temporary relations with our customers based on credit or deposit terms. We strive to develop a trust-based relationship from generation to generation. We want our youth to grow with the awareness that this country has a bank dedicated to its nation, just as their families experienced in the past. They are our hope, so we will support their hopes accordingly.

<sup>(\*)</sup> Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**Assessment of Chairman of the Board of Directors (continued)**

Esteemed stakeholders,

As a result of the hard work carried out with all of my colleagues, we are already looking forward to achieving successful results in the second half of the year. Behind our excitement is the desire to take our country even further together with the tradespeople, artisans and SMEs, remaining as their biggest supporters. We sincerely thank our valuable stakeholders who share this excitement with us and always remain by our side.

Respectfully,

**R. Süleyman ÖZDİL**  
**Chairman**

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**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**Assessment of General Manager**

Esteemed Stakeholders,

Due to the strength of its financial infrastructure, Turkey was one of the countries who dealt most effectively with the pressure that global instability created on financial markets in the first half of the year. The strict fiscal discipline measures taken to achieve the economic indicator targets yielded very positive results. Our country has entered the second half of the year even more optimistically.

The interest rate cut led by the Central Bank has been a significant development towards achieving our growth targets. The loosening of developed countries' monetary policies in the new period, along with domestic developments, will cause financing costs to continue to decline in the upcoming period, which will ensure the continuation of the fall in credit interest rates.

This process will further increase our companies' access to financing, and I believe we will all benefit from it. On the other hand, it is important to note that Halkbank met the needs of its customers even in the periods when funding resources were tight and financial fluctuations were the highest. It is widely known that Halkbank implemented a strong risk management approach and did not reflect market risks to its customers thanks to the knowledge accumulated by its experienced staff and the visionary attitude of the public institutions it is affiliated with.

In line with this understanding, we introduced innovative products in the second quarter of the year that will encourage our stakeholders to invest in the Turkish lira. We believe these products, created by considering the improvements in the financial data, will both increase the returns of our depositors and also provide convenience to our customers who are considering taking out a house loan.

In the first two quarters of the year, we added value to the Turkish economy with our products supporting exports and value-added production, primarily the İVME Finance Package and Economic Value Loan. The İVME Finance Package is one of the innovative applications implemented by our government in this period in order to reduce the current account deficit and encourage value-added technology manufacturers, and is an important step towards an Advanced, Efficient and National Industry. As part of the program, financial support is provided to companies with investments in machine manufacturing and raw material and intermediate goods manufacturing, and domestic manufacturers are supported in terms of producing highly import-dependent products domestically.

While diversifying our practices directed towards different sectors, we did not neglect fieldwork and organized special studies especially for companies that carry out their activities in organized industrial zones. In this context, in the second quarter of the year, we visited OIZs in Çorum, Kayseri, Samsun, Antalya, Denizli and Istanbul and met with the company representatives. We listened to the demands and expectations of the companies in these provinces in order to increase their production and export capacities. We will remain in touch with the business world in the second half of the year as well and continue to introduce our new products to companies.

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**TÜRKİYE HALK BANKASI AŞ**  
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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,

At the end of this period, in which we were in constant contact with our customers, Halkbank continued to grow while maintaining its balance sheet quality. In this period, our total loans, including cash and non-cash loans, reached 377.6 billion TRY, up by 10.4 percent compared to year-end 2018. Likewise, our commercial loans, including SME loans, reached 241.3 billion TRY, up by 13 percent. In this process, our artisan loan balance reached 40.8 billion TRY. As of the end of the second quarter, our asset size reached 429 billion TRY, an increase of 13.4 percent compared to year-end 2018.

While we perform a strategic responsibility for our economy during this process, we are also working on new social responsibility projects. We believe we will enhance Halkbank's brand reputation even further with the projects that expand the work we do as part of our communication activities. We want to carry the value we add to our country to every aspect of life, by conducting special studies especially for our children and young people. While we will continue to work devotedly in the next period, the support of our valuable stakeholders will be our greatest source of strength.

Respectfully,

**Osman Arslan**  
**General Manager**  
**Türkiye Halk Bankası A.Ş.**

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**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**Major Financial Information**

<b>Summary Balance Sheet (Million TRY)</b>	<b>June 2019</b>	<b>December 2018</b>	<b>Change (%)</b>
Total Assets	440.293	388.222	13,4
Loans	291.243	262.832	10,8
<i>TRY</i>	195.911	173.738	12,8
<i>FC</i>	95.333	89.094	7,00
Marketable Securities	100.435	75.735	32,6
Deposit	265.982	250.580	6,1
<i>TRY</i>	125.238	137.509	(8,9)
<i>FC</i>	140.744	113.071	24,5
Total Equity	29.965	29.541	1,4

<b>Summary Income Statement (Million TRY)</b>	<b>June 2019</b>	<b>June 2018</b>	<b>Change (%)</b>
Interest Income	23.383	15.195	53,9
<i>On Loan</i>	17.816	12.312	44,7
<i>On Securities</i>	4.839	2.309	109,6
Interest Expense	18.877	10.716	76,2
<i>On Deposit</i>	12.143	7.792	55,8
Net Interest Income	4.506	4.480	0,6
Net Fee and Commission	1.292	870	48,5
Net Profit	600	1.845	(67,5)

<b>Ratio (%)</b>	<b>June 2019</b>	<b>December 2018</b>
Cash Loans/Total Asset	66,1	67,7
Non-Performing Loans/Total Cash Loans (Gross)	4,2	3,5
Demand Deposit/Total Deposit	19,6	21,2
Loan/Deposit Ratio	109,5	104,9
Average Return on Asset (ROA)	0,3	0,8
Average Return on Equity (ROE)	4,1	9,7
Capital Adequacy Ratio	14,0	13,4

**TÜRKİYE HALK BANKASI AŞ**  
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**SECTION VII: INTERIM ACTIVITY REPORT (continued)**

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

**2019 Second Quarter Interim Developments**

**Significant Developments**

- During the quarter, our Bank issued bonds with a total nominal value of 2,874,900,000 Turkish Lira, and inflation-protected bonds with a nominal value of 520,000,000 Turkish Lira, and repo indexed-yield protected bonds with a nominal value of 1,000,000,000 Turkish Lira to qualified investors. In addition, as a result of the book-building carried out on June 17-19, 2019, the Bank issued CPI indexed-yield protected bonds with a nominal value of 500,486,580 Turkish Lira and with 182-day term.
- A subordinated loan agreement of Euro 900,000,000 to be included in the Additional Tier 1 Capital calculations in accordance with Article 7 of the "Communiqué Regarding Shareholders' Equity of Banks" with a prepayment option available at the end of 5 years at the earliest, a fixed interest rate and the first interest payment due in five years, was signed between the Bank and TVF Piyasa İstikrar ve Denge Alt Fonu, which is part of Türkiye Varlık Fonu Yönetimi A.Ş., with BDDK's approval dated April 19, 2019.
- To protect the value of our shareholders' investments and to maintain price stability of the Bank's shares, under the Communiqué on Buy-Backed Shares, the Board of Directors of the Bank decided to repurchase publicly traded shares with a nominal value of 70,000,000 Turkish Lira, which corresponds to 7,000,000,000 shares and valued at a maximum of 450,000,000 Turkish Lira. Accordingly, a total of 4,797,684,500 shares were repurchased in this period, which corresponds to 47,976,845 Turkish Lira in nominal value.

**New Products and Campaigns**

- "TCCI Support Credit" was established to meet the working capital needs of chamber member companies, in line with the protocol signed between the Bank and Tunceli Chamber of Commerce.
- To strengthen the competitiveness and sustainability of SMEs and to promote entrepreneurship culture, the Bank and the Credit Guarantee Fund (CGF) signed the CGF Support Loan Indemnity Protocol and COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises).
- To commemorate the Bank's 81st anniversary, we organized a "PUBLIC DAY" to offer loans to meet the cash needs of our customers.

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**TÜRKİYE HALK BANKASI AŞ**  
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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 ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)**

**2019 Second Quarter Interim Developments**

**Social Responsibility Projects and Activities**

- The Bank sponsored the Hilal-i Ahmer Collection of crescent designs, organized by the Turkish Red Crescent in honor of its 150th anniversary.
- The Bank sponsored the 10th Energy Efficiency Forum and Fair. Many national and international companies involved in energy efficiency exhibited their products at the event.
- The Bank sponsored the seventh International Conquest Cup held by the Presidency, attended by more than 600 national and international athletes from more than 40 countries.
- The Bank sponsored the World Rafting Championships, which was held at Munzur River in Munzur Valley National Park and attended by many international athletes.
- The Bank sponsored the Machinery Summit organized by the Turkish Machinery Federation.

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